

The regular monthly meeting of the Gallatin Airport Authority was held February 14, 2013 at 2:00 p.m. in the Airport Conference Room. Board members present were Kevin Kelleher, Kendall Switzer, Ted Mathis and John McKenna. Carl Lehrkind was unable to attend the meeting. 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 10, 2013

John McKenna asked if everyone received their draft copy of the minutes and if they had any questions, corrections or additions. The board members received their copy and no one had any corrections.

MOTION: Kevin Kelleher moved to approve the minutes of the regular meeting held January 10, 2013. Kendall Switzer seconded the motion and all Board members voted aye. The motion carried.

2. Public comment period

Mr. McKenna said anybody wanting to comment on something not on the agenda could do so at this time. They could also comment on agenda items now or later.

Robert Shropshire said he is a hangar owner. At the December board meeting, there was discussion regarding a fee increase on hangars and he asked for clarification. He said he had discussed it briefly with Brian Sprenger.

Mr. Sprenger said there would be a meeting Tuesday at 5:30 PM at the fire station and this item, as well as the turf runway and a potential runway, would be discussed.

Mr. Shropshire asked what precipitated the increase in fees and Mr. Sprenger said it is not an increase or a change in fees. It is an additional option for purchasers of existing hangars if the purchaser asks for a new lease term instead of purchasing the hangar with the remaining lease term.

Because most lending institutions now prefer to give loans that are amortized over the lease term, it is beneficial to some purchasers of existing hangars to negotiate a longer lease term than the remaining term. The Airport Authority may need to require a building inspection, and may need to talk to the buyer, the seller, the lending institution and the closing agent. Because there are costs involved with these administrative tasks, it was determined that a \$1,000 fee would help to cover these costs. After considering several options, it seemed it would be fairer to charge just the purchasers requesting the longer terms than spreading the increased projected costs to all hangar owners on Gallatin Field.

Mr. Shropshire said this is more reasonable than he originally thought it would be and he appreciates having lower lease rates than most airports in the state.

Mr. McKenna encouraged everyone to come to the meeting Tuesday night to talk about the new controller, a parallel runway, the Interchange and how they impact the airport. He said there are a lot of things going on.

3. Consider issuing Request for Design-Build-Finance on a Parking Garage

Mr. Sprenger said at the last meeting staff was asked to formulate a plan for the RFQ design-build-finance for the parking garage. Some of the interested parties helped come up with a potential RFQ for entities that would be qualified to do a design-build-finance for a parking garage. It was reviewed by legal counsel and also reviewed for the potential of being used for future projects that might involve a similar process. Mr. Sprenger believes they have a good starting document.

Mr. Sprenger said there are some air service adjustments nationally and we expect air service to be flat or down slightly. Allegiant Air cancelled service to Oakland and there are a few other things staff is watching closely. They think it would be premature to issue an RFQ even though they think the document is very good and their recommendation is to table this

request until more information is available. Ted Mathis said it looks like a pretty good document but he thinks it might be good to wait until this fall and see how the air service is this summer. Mr. Kelleher agreed and said he believes it would be prudent to wait.

Mr. McKenna said this project will take longer than one summer and will take some time to pull together. He doesn't think BZN will be judged by one summer or one airline skipping service to one place. He believes the RFQ is a good document and he is comfortable with moving forward. He thinks this board is charged with looking a lot further than August.

MOTION: Mr. Mathis moved to table the RFQ for the Design-Build-Finance on a Parking Garage and reconsider it in September and Mr. Kelleher seconded the motion.

During discussion, Mr. Switzer asked if it would derail anything if the Board delayed the potential decision until September. Mr. Sprenger said it might affect an entity that would be willing to work on the project now but wouldn't later and that delaying the decision may not delay the project. We could possibly make a spring start, which would be similar to a fall start without the winter impact.

Mr. McKenna said that waiting seven months could have an impact on people or the project and asked about our risk now versus waiting ninety days. He said the other parties know there is risk involved, that we might not build the parking garage and they may not get their investment back, but they also know we are not in business of just putting people through the motions. Mr. Sprenger said staff believes the viability of the project is only 50/50 because of the unknowns of the air service, sequestration and other projects we are involved in.

Mr. McKenna said the airport would only be out the time, which is not insignificant. Mr. Switzer is comfortable moving forward even though there is only a 50/50 chance. He

would like to look at the information from the RFQ because we could still stop the project without more expense.

Mr. Mathis said he is not convinced the project needs to be built. No one has come in and said we need the parking garage. We have always tried to look ahead and meet the needs of the flying public in the future but he is not convinced that it would be justified at this point. Because of that and concerns about the economy, airline service, etc., he would like to get his comfort level up to a point where he doesn't think we are wasting the builders time and our time and that the project has a reasonable chance of being built. For those reasons, he would like to wait until September.

Mr. Kelleher said that is his position as well. Right now we have enough parking spaces and he doesn't believe it is urgent to move forward. The Interchange is a two-year project and he would like to see the impact of the Interchange and what affect it will have on the new road system coming into the airport. Although he is not saying that down the road we won't need the facility, he doesn't know if it makes sense to spend that much money to have something sitting empty because people can park in spaces that are cheaper and as close to the terminal.

Mr. Mathis and Mr. Kelleher voted aye for tabling the request until September and Mr. Switzer and Mr. McKenna voted in opposition to tabling the request. It was a tie vote and the request was tabled until the March meeting.

Mr. Sprenger said there may be more information regarding airline service and the Sequestration by then.

4. East Belgrade Interchange Update – Scott Bell

Mr. Bell gave the board members a schedule for the East Belgrade Interchange project and explained how the work has been scheduled to minimize the impact on airport

passengers and people traveling between Bozeman and Belgrade. Mr. Bell said part of the requirements for the construction company would be to make the public well aware of the construction and options they would have to get to the airport. Mr. Kelleher said there needs to be a light at the airport entrance and highway intersection and Mr. Bell said he would look into having a light or a flagman there. The intersection shouldn't be as busy as it is now because it would be a ten to twenty minute delay on Highway 10 and people would be encouraged to take the other routes that would be available. When that area would be under construction, people should be able to take the Interstate.

Mr. Bell said, because the County is the lead agency, they would pay the bills and then send invoices to the Authority for reimbursement up to the agreed upon \$3 million. The board members, Mr. Sprenger and Mr. Bell talked about the phasing of the project, how it might affect other projects at the airport, and what kind of impact it would have on the traveling public and people who work at the airport. They also discussed the fact that nothing has been done on the Dry Creek bypass because the other parties have been working on the Interchange project so the TIGR Grant funding could be used by October 1, 2013. Mr. Bell said everybody has been working together and the project has been moving pretty quickly. Mr. Sprenger said the TIGR Grant deadline has been good because it has kept the project moving. The board thanked Mr. Bell for the update.

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

Mr. Humphrey reported that January 2013 tower operations were down 7.5% due to local general aviation (GA) traffic being down. Rolling twelve month operations were 81,054. Corporate landings for January were up 20.94% over January 2012. Enplaned passengers were up 8.8% over the prior January, which was down 2% from January 2011. Rolling twelve month enplanements were 436,535. Deplanements for January 2013 were up

7.2%. Airline landings of 489 for the month were up 1.2% over last January. Load factors were down 1.5% from 85.2% to 83.7% but this January there were 11% more seats in the market. The Oakland flight ended on January 14. Frontier went to one flight a day at 10:00 AM. Mr. Humphrey said they are adjusting their flights to afternoons on Tuesdays and Wednesdays for connections. He said Frontier is struggling with connections in and out of BZN and it is easy to leave but hard to return on Frontier now. Mr. Humphrey said we don't know what some of the carriers are doing and he hopes to have more information in the next month or two.

Mr. Humphrey reported that fuel dispensed for December was up 7.7% over December 2011. He also said February 2013 enplanements are expected to be up about 5.7% over February 2012.

6. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that he spoke to Frontier representatives at the Air Service Development meeting in Phoenix and they were very receptive to our situation. He said we still don't know what they plan for the summer. Their fleet is very constrained. If they continue with only one daily flight this summer, we would lose about 4,000 seats per month compared to last summer. Frontier has decided not to begin Missoula service.

Mr. Sprenger said he met with two other two airlines and the meeting with Alaska Airlines was very productive. During the runway rehabilitation in Billings, they will probably shift two flights per week over the weekends for six weeks. Mr. Sprenger also met with American Airlines. He doesn't have anything to report because they recently announced a merger with US Air, but staff will continue the dialogue with them.

Mr. Sprenger said we have good dialogue with United Airlines because of the Newark service. United is looking at adding frequency on the weekends during the

reconstruction in Billings. They will still provide Saturday and Sunday service to Newark/New York. Mr. Sprenger reported that Delta Air Lines added another weekly flight to Atlanta so we will have three weekly flights during the summer and they also added Saturday service to Los Angeles. United also has a direct flight from Bozeman to Los Angeles. Allegiant Air cancelled the direct flight to Oakland. Mr. Sprenger said he thought we would lose it anyway at some point because it has not been on par with Las Vegas and Phoenix service.

Mr. Sprenger said Congress mandated the removal of back-scatter scanners from the larger airports so the TSA has been moving the millimeter wave scanners like we have from smaller airports to the larger ones. Because Bozeman, Billings and Missoula are category II airports, they are not on the list for the TSA taking the scanners they have at this time. The Kalispell, Great Falls and Helena airports could be impacted. Mr. Sprenger said he would work hard to keep the scanners we have because it is the one thing the TSA has done here that has decreased complaints.

Mr. Sprenger also reported that Clarity Aerial Sensing, which is the business operational part of Combined Air Ventures, will be operating out of the hangar at 305 Aviation Lane. Mr. Sprenger said this is a business that Ben Walton is involved with.

He also said this upcoming holiday weekend will be very busy for general aviation. There will be two airbuses and a 757 parked on the on east ramp to make room for other aircraft on the west ramp. Staff has had preliminary meetings with Yellowstone Jetcenter and Arlin's Aircraft Service to help everything run smoothly.

Mr. Sprenger said there is a check in the bills that pays for part of the previously unknown part of the Customs project. He will work with our partners as this expense cuts

into the carry over. Mr. Mathis asked if our Customs agent has been pulled to any other airport and Mr. Sprenger said not that he is aware of.

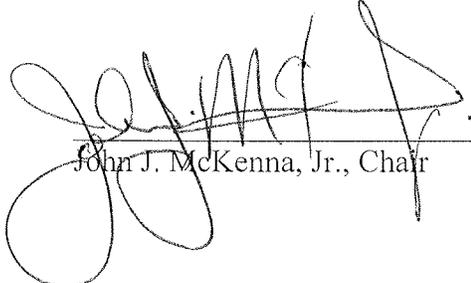
7. Consider bills and approve for payment

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

MOTION: Mr. Kelleher moved to pay the bills and Mr. Mathis seconded the motion. The motion carried with all board members voting aye.

8. Adjourn

The meeting was adjourned at 3:30 p.m.



John J. McKenna, Jr., Chair