

The regular monthly meeting of the Gallatin Airport Authority was held January 8, 2015 at 2:00 p.m. in the Airport Conference Room. Board members present were Carl Lehrkind, Kendall Switzer, Kevin Kelleher, Ted Mathis and Karen Stelmak. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director-Ops, Troy Watling, Assistant Director of Finance and Cherie Ferguson, Office Manager.

Kevin Kelleher, Board Chair, welcomed everyone to the regular meeting of the Gallatin Airport Authority Board and said members of the public are welcome to comment on a specific agenda item when it is being discussed. He asked that they raise their hand, be recognized, go to the podium, state their full name and make their comments.

1. Open proposals for terminal food, beverage and gift concession

Brian Sprenger, Airport Director, said we received proposals for the food, beverage and gift concession in the terminal. The evaluation for the committee's recommendation will be based on 25% of the revenue to the airport, 20% based on experience, 20% on financial ability, 20% on the management plan, 10% on innovation and concepts, and 5% on Disadvantaged Business Enterprise (DBE) participation.

Mr. Sprenger said Scott Humphrey, Deputy Airport Director, would present the information in Appendix A-1, 2, 4, which are the name and contact details of the proposer, their business type, and the Minimum Annual Guarantee (MAG) and revenue percentages.

Mr. Humphrey said that there were two proposals; one from Sharbert Enterprises, Inc. of Bozeman, Montana and one from Jedediah Corporation of Jackson Hole, Wyoming.

Jedediah Corporation's proposal was the same for all seven years. They proposed a MAG OF \$500,000 each year, 15% of gross revenue of Food sales, 17% of gross revenue of Alcohol sales, and 19% of gross revenue of Retail sales. They included their proposal bond.

Sharbert Enterprises' MAG proposal was \$500,000 for the first year, \$510,000 the second year \$520,000 the third year, \$530,000 the fourth year, \$540,000 the fifth year, \$550,000 the sixth year, and \$560,000 the seventh year. Their proposal was the same for each year at 17.5% of gross revenue of Food sales, 20% of gross revenue of Alcohol sales, and 19% of gross revenue of Retail sales. They included their cashier's check for the performance bond in the correct amount.

Mr. Humphrey said the committee would present their recommendation for the concessionaire at the next board meeting. If the committee has any questions, they will contact the proposers for additional information or a presentation.

Mr. Kelleher thanked Mr. Humphrey for presenting a summary of the proposals.

2. Review and approve minutes of regular meeting held December 11, 2014

Mr. Kelleher asked if everyone received their copy of the minutes and if they had any questions, corrections or additions. Mr. Sprenger said it should have been Gil Moore instead of Bill Moore on page 2.

MOTION: Ted Mathis moved approval of the minutes as modified. Kendall Switzer seconded the motion and all board members voted aye. It was a unanimous decision.

3. Public comment period

Mr. Kelleher said anyone wanting to make a comment could do so now or during a particular agenda item. There were no public comments at this time.

4. Consider request by Yellowstone Jetcenter to sublease hangar and office space to Northern Wings Aviation, LLC

Mr. Sprenger said agenda items 4 and 5 are related. He said about a month ago he saw Northern Wings Aviation's advertisement that they were operating at the airport. When Mr. Sprenger contacted Jim Ortman of Northern Wings Aviation and Kent Foster of

Yellowstone Jetcenter, they responded immediately with letters requesting the board's approval. Mr. Sprenger said the board could deal with the two agenda items separately or together. Office space, parking and operating out of a commercial area are minimum standards that a commercial operation must meet to operate at the airport. Mr. Foster was present at the meeting but Mr. Ortman was not.

Carl Lehrkind asked if there were any other minimum standards that would have to be met once Mr. Ortman rents space from Yellowstone Jetcenter and Mr. Sprenger said there would not be.

Mr. Foster said the lease between Yellowstone Jetcenter and Mr. Ortman was for a private pilot with an airplane. After that, the business developed. Mr. Foster said Yellowstone Jetcenter was not trying to hide anything but did fail to notify the Airport Authority. Mr. Foster said it is a small operation and with one to two pilots. Mr. Mathis asked which building Northern Wings Aviation would operate out of and Mr. Foster said the Fixed Base Operator (FBO) building. Most of the time Mr. Ortman's airplane is kept in the maintenance hangar or hangar ER1 on the East Ramp. Mr. Ortman would operate the business out of the FBO building.

MOTION: Karen Stelmak moved approval for Yellowstone Jetcenter to sublease hangar and office space to Northern Wings Aviation, LLC and Mr. Lehrkind seconded the motion. All board members voted aye and it was a unanimous decision to approve the motion.

5. Consider request by Northern Wings Aviation, LLC to operate a flight training, charter and wildlife research operation at BZN

Mr. Sprenger said that since the board just approved the request for Northern Wings Aviation to sublease hangar and office space at Yellowstone Jetcenter, this request is to allow them to operate their flight training, charter and wildlife research operation at the airport.

Mr. Kelleher asked if Northern Wings Aviation provides a research operation similar to that provided by Roger Stradley of Gallatin Flying Service and Mr. Sprenger said it is similar.

Mr. Foster said recently Mr. Ortman's research operation has increased and his charter service has decreased.

Mr. Mathis said state records show Northern Wings Aviation was incorporated in 2011 and wondered how long Mr. Ortman has been operating at the airport without permission. Mr. Mathis said that was just an observation. Mr. Kelleher asked if there is a better way to find out about such operations and Mr. Sprenger said we usually find out when businesses start advertising; in this case it was when we saw the website. We also rely on the FBOs to inform us when they become aware. If staff or board members see something that looks like an operation, it would be beneficial if they pass the information to him so he can look into it. Some people aren't aware of the requirements. Mr. Sprenger said Northern Wings Aviation's website is fairly recent.

Mr. Kelleher suggested it might be beneficial to mention it at the pilot meeting on January 21st and Ms. Stelmak suggested putting it in the newsletter. Mr. Kelleher said we could use the pilot meetings to notify the general aviation group that the protocol is to go through the Airport Authority. Mr. Foster said if someone approaches him and says they want to operate at the airport, he gives them the Minimum Standards right away. He thinks it would help if every Yellowstone Jetcenter and Arlin's Aircraft Services tenant was made aware of the process and given a copy of the Minimum Standards to Operate at the Airport. He said Mr. Ortman just wasn't aware of the requirements and went from being a pilot to operating a business.

Mr. Sprenger said Mr. Foster's suggestion was good. He thinks it would be good for anyone getting a new gate card to be informed that they need to check with airport administration if they want to operate a business at the airport.

MOTION: Mr. Switzer moved to approve the request by Northern Wing Aviation, LLC to operate a flight training, charter and wildlife research operation at BZN. Mr. Lehrkind seconded the motion. All board members voted aye and the request was approved.

6. Presentation of CY 2014 Airline Traffic Results

Mr. Sprenger said it was an excellent year. The board members had a draft copy of a press release that would be sent out after the meeting that disclosed that total enplanements for the year were 483,132, which is up 9.2% from 2013. Total deplanements were 483,832, up 9.4%, resulting in total passengers of 966,964, up 9.3%. That was 33,036 short of a million passengers. There were 82,304 more passengers this year than last year, which was also a record year. Delta Air Lines had the most passengers at 388,251, followed by United Airlines at 311,783, Alaska Airlines at 123,203, Frontier Airlines at 81,436, Allegiant Air at 59,037 and chartered airline flights at 3,254. BZN handled more passengers than any other airport in Montana this year and last year.

Mr. Sprenger said 50-seat Regional Jets (RJs) now only account for 22% of our flights. As recently as 2010, they accounted for over 50%. Mainline aircraft with 125 seats or more are operated by the branded carriers - United, Delta and Frontier – and account for over 50% of our flights now. We are seeing a shift from smaller aircraft to larger aircraft. 3.25% growth for year 2015 would put us past one million passengers. For the first half of the year, we are expecting about a 5% increase in the number of seats in the market. Mr. Sprenger doesn't have a prediction for the second half of the year. He said we would probably have a good idea by late spring.

Mr. Kelleher asked what company Montana State University (MSU) used for their charters and Mr. Sprenger said primarily Orange Air or Sun Country.

Mr. Kelleher asked how many large aircraft flew into the FBOs and Mr. Sprenger said about ten 757s and 767s. He said Yellowstone Club chartered about five or six privately configured A319 Delta aircraft over the holidays.

Mr. Switzer commended Mr. Sprenger, Mr. Humphrey and their team for a nice job managing the growth. Mr. Kelleher also commended them.

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

Mr. Humphrey reported that December tower operations were up 38.4% from last December and local general aviation operations were up 67.4%. Rolling twelve month operations were 80,722. Corporate landings were down slightly; 292 for December 2014 versus 300 for December 2013. Revenue enplaned passengers of 39,141 for December were up 13% and revenue deplanements were 42,863; also up 13%. Rolling twelve-month enplanements were 483,132. Airline landings were up 19.6%; 586 versus 490. Load factors were down 5.8%, from 84.4 to 78.6. There were 8,700 additional seats in the market this December. Calendar year load factors were down 5.5%, from 87.5 to 78.6. There were more seats in the market so it was still a good year. Fuel dispensed during November 2014 was up 1.4%. AvGas was up 37.4%. Jet A was up 2.2% and Jet A for the airlines was just slightly less than last year.

Mr. Humphrey said January is showing about 3% better. He said we have 7 ½ % more seats in the market so he believes January will be 3% to 5% better than last January.

Mr. Kelleher asked about Dallas/Fort Worth service and Mr. Humphrey said American Airlines still needs time to consider our proposal. The Boyd Group is reaching out

to them to see if they need additional information. Mr. Humphrey will send American the Press Release that Mr. Sprenger discussed earlier so they can see our enplanement numbers.

8. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the busy holiday period went very well in the passenger /baggage screening area and the longest wait times that were reported to him were thirteen minutes. He said the new contractor did a good job and he has received several positive comments.

Mr. Sprenger reported that we had 293 Instrument Flight Rules (IFR) operations between midnight and 6:00 a.m. in 2014, with about 40% of them being between midnight and 1:00 a.m. and 15% between 5:00 a.m. and 6:00 a.m. Our total airport operation count, including tower operations, was about 81,015 for the year. Since there may be a number of Visual Flight Rule (VFR) operations that are not included in our total for the year, we may have about the same number of operations or just slightly more than Billings. Their tower is operational 24 hours per day.

Mr. Sprenger reported that the statue donated by Dennis Harrington had a smaller pedestal than we expected so it has been moved to the smaller baggage claim peninsula. If the board members have any concerns, Mr. Sprenger would appreciate them letting him know. Amber Jean is getting closer to bringing in the buffalo bench the board approved in 2011. She would prefer to have the bench in the upper lobby of the terminal. Mr. Sprenger thought that might work as we need additional seating there. Mr. Sprenger asked the board to let him know if that is acceptable to them.

Mr. Sprenger said our maintenance crew has completed eighty-six braking action reports since November 10th. 97.6% have been GOOD, 2.4% FAIR and none were reported as POOR or NIL. An Endeavor Air pilot flying for Delta Air Lines reported it as POOR for

one landing. Allegiant Air had to do a missed approach but they didn't have enough fuel to do a second approach so they had to divert to Billings. The next aircraft reported the braking action as FAIR. Our equipment recorded it as GOOD and FAIR. Mr. Sprenger said the conditions can change very quickly. Allegiant came back an hour or two later.

Mr. Kelleher asked about a diverted Delta flight while an Alaska Air flight used Required Navigation Performance (RNP). Mr. Sprenger said Delta is not authorized to use RNP at our airport but they are going through the certification process to use it here. He said Delta diverted but Alaska and Frontier landed. Mr. Kelleher asked if they divert only in inclement conditions and Mr. Sprenger said they only divert when winds favor 30 and they can't use VFR. Mr. Kelleher asked Mr. Sprenger to notify the board when Delta is approved for RNP. Mr. Sprenger said he has been told it should be sometime this spring. He doesn't know if United is pursuing certification for RNP.

Mr. Sprenger reported that at the February board meeting, he would discuss non-Airport Improvement Project (AIP) capital improvements for the next fiscal year. There will probably also be an agenda item requesting the board's approval to transfer the land lease on hangar 56 to the Montana Chapter of the Ninety-Nines because Brooks Martin wants to donate the hangar to them.

Ms. Stelmak asked what the requirements are for the FAA to extend the hours they pay for at the tower and Mr. Sprenger said we have to average four or more operations in an hour so we are quite a ways away from that. We could consider paying for one or two hours as we did before or we could ask Big Sky Approach to extend their hours. Gallatin Airport Authority paid for additional hours for fourteen years until the FAA authorized the tower to be open 18 hours per day. Mr. Sprenger said the tower at Missoula only operates until 9:00

p.m. It is not uncommon for airlines to operate in uncontrolled airports when the activity level is low.

Mr. Sprenger said several state legislators are considering proposing grant programs for air service development within the State of Montana. Airport directors from the seven major airports in Montana got together and expressed some concerns with what the legislators were considering and were in agreement that if the programs were not good for all airports, they wouldn't support the proposals at this time. Mr. Sprenger said air service in Montana is a necessity and when the legislators come up with something that is good for all airports, they would support it. One of the positive aspects is that the legislators are starting to understand air service is an important part of Montana's economy.

Mr. Sprenger said a Tower meeting and Runway Safety Action Team (RSAT) meeting is scheduled for Wednesday, January 21st at 7:00 p.m. at the fire station.

Mr. Mathis asked about the pickup we ordered in October and Mr. Schneider said we should have it by the end of next week.

Mr. Kelleher asked about Customs during the holidays and Mr. Sprenger said we had nine flights in December, which is about average.

Mr. Sprenger will be on vacation the 11th through the 17th of January.

9. Consider bills and approve for payment

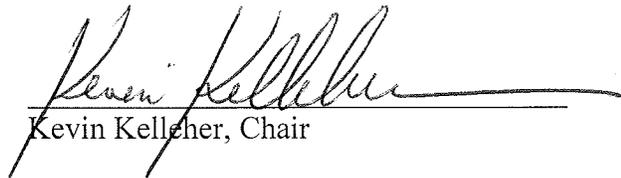
The ninth agenda item was to consider the bills and approve for payment. Mr. Sprenger explained a few of the larger checks. The board members and Mr. Sprenger reviewed and discussed the remaining bills.

MOTION: Mr. Mathis moved to pay the bills and Ms. Stelmak seconded the motion. All board members voted aye and it was a unanimous decision to pay the bills.

Mr. Kelleher thanked Mr. Sprenger for the aviation news around the state that was in the board mailout. He also thanked the representatives of Jedediah and Sharbert Enterprises for taking part in the food, beverage and gift concession proposal. Mike Gierau, president of Jedediah, thanked the board for allowing them the opportunity to put in a proposal and also thanked Bert Hopeman, owner of Sharbert Enterprises, and his team for being so pleasant to them.

10. Adjourn

The meeting was adjourned at 2:53 p.m.



Kevin Kelleher, Chair