

The regular monthly meeting of the Gallatin Airport Authority was held October 13, 2005 at 3:00 p.m. in the Airport Conference Room. Board members present were Greg Metzger, Eric Hastings, Richard Roehm, Steve Williamson and John McKenna. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Administrative Assistant.

The first agenda item was to review and approve the minutes of the regular meeting held September 8, 2005. Eric Hastings moved to accept the minutes as mailed, Greg Metzger seconded the motion, which passed unopposed.

The second agenda item was the public comment period. There were no public comments.

The third agenda item was the report on airline service changes, passenger boardings and flight operations – Brian Sprenger. Chairman McKenna said that because of the recent difficulties with our carriers, the board has asked Brian Sprenger to make his presentation near the beginning of the meeting for the convenience of interested parties.

Before Mr. Sprenger gave his report, Mr. Mathis presented him with a plaque from the American Association of Airport Executives, which said that the plaque is “presented to Brian L. Sprenger who, having successfully completed all academic requirements as prescribed by the board of Examiners and having met the other professional requirements of this association, is hereby certified by the Board of Directors as a Professional Member in the American Association of Airport Executives and is granted the designation Accredited Airport Executive. Awarded Under the Seal of the Association This 18th Day of August, 2005.” Mr. McKenna extended congratulations from the board and said that Gallatin Airport Authority is better off because Mr. Sprenger is here and because of his efforts.

Following that, Mr. Sprenger reported that in September there were 491 air carrier operations, 1,074 air taxi, 2,516 general aviation (GA) itinerant and 9 military, for a total of 4,090 itinerant operations. Local GA operations were 2,119, for a total of 6,209 tower operations, up 6.85% from September a year ago. There were 209 landings of aircraft over 12,500 pounds, up 44.14% from September 2004. This was partially due to better reporting and also a slight increase in the number of aircraft.

Mr. Sprenger reported that passenger boardings were 28,616, up 4.5% from September a year ago. September was strong but is starting to show some weakness. Inbound traffic was up only 3.5%. October projections are currently showing a flat performance compared to last year. Mr. Sprenger believes uncertainty in the national economy is starting to affect travel, especially leisure travel.

Mr. Sprenger then made a PowerPoint presentation on airline service changes. He said that an Airbus A319 uses approximately 3,500 gallons of jet fuel to fly from Washington, D.C. to Los Angeles. If Jet Fuel prices increase by \$1.00 per gallon, the airline must collect an additional \$3,500 in fares to break even. If the airline operates with 80% of its seats filled, it would need to raise fares by \$70.00 on a round-trip ticket just to break even. A lower percentage of seats filled would require an even greater fare increase. Mr. Sprenger said that the cost of a barrel of oil has increased 50% this year, which we all notice at the pump when we fill our car. Jet Fuel has doubled. Mr. Sprenger said that higher fuel costs require airlines to do one or more of the following to become profitable: lower non-fuel related costs, increase revenues per seat sold or have a higher percentage of seats filled (load factor).

Mr. Sprenger showed screens displaying load factors at Gallatin Field, Delta service changes at Gallatin Field and Delta's Salt Lake City schedule realignment. The analysis of

the data showed that Delta needs to improve their year round load factor, focus capacity increases on specific dates and that adding another airline would negatively impact existing air service at this time.

In order to minimize the impact, airport staff has done a thorough analysis to determine need, communicated with local community/travel leaders, worked with Big Sky Ski Resort, communicated with the congressional delegation and had discussions with Northwest Airlines, Delta/SkyWest, Horizon Air, United Airlines, Big Sky Airlines, America West (US Airways) and Frontier Airlines.

This has resulted in Northwest reinstating a 4th daily flight (124 seats per day) over the Christmas/New Year's holiday and replaced the Detroit flight with an additional Minneapolis/St. Paul flight; United Express has increased aircraft size on two flights per day (32 seats per day); Delta/SkyWest/ASA has increased the aircraft size on one flight per day (20 seats per day) and Big Sky is considering a second daily departure to Boise (a possible additional 19 seats per day). Mr. Sprenger then showed screens showing the airline adjustments as of 10/13/05 and the capacity affect for the periods of December 15th – January 3rd, January 4th – February 15th, February 16th – Aril 3rd and April 4th through May 31st. As flight schedules beyond May are too far out to predict, Mr. Sprenger didn't go beyond May 31st. However, he anticipates that capacity will return to demand levels for the summer peak period.

Because of higher load factors, the airlines will tend to increase fares, which is likely to lower demand and could impact enplanements negatively. Higher interest rates and energy prices will impact disposable income. Less income is likely to reduce demand for leisure travel and could impact enplanements negatively.

The conclusion of the study is that Gallatin Field will be impacted by the seat reductions, air service will continue to evolve and quick interaction will minimize initial service disruptions. Mr. Sprenger said the air carriers were all making good business decisions. We reacted quickly enough to get some of our seats back.

Mr. Sprenger fielded some questions from the audience. We do lose some of our passengers to other airports, but probably not as many as we gain. We were able to react to the loss of scheduled flights quickly because we have a good line of communication with Meg O'Leary at Big Sky, the local chambers of commerce and our congressional delegation. The airlines also are quick to notify us of changes in service. We have the best year-around service in the nation for a community with a population of 30,000.

Mr. McKenna said that Mr. Mathis and Mr. Sprenger are a great resource and that if chambers of commerce or other groups want them to make a presentation, they just need to ask. He also said that staff members would make presentations on other topics at board meetings if requests are made.

The fourth agenda item was Gallatin Airport Authority Board future land use planning – Eric Hastings. Mr. Hastings said that at the last meeting it was decided it was necessary to put information together to study background, current perception of problems, actual or not and current issues, if actual or not. His conclusions and recommendations are based on the study and they are just his conclusions and recommendations.

He said he used the Gallatin Field Master Plan extensively. He said that like all studies, once the ink is dry, it becomes out of date. Because of phenomenal growth, the airport operational and regional population growth is underestimated, which provides an inadequate basis to plan and facilitate anticipated or potential long-term regional airfield growth while minimizing conflict with urban land use. Imminent or contemplated Belgrade

City/County Planning Area zoning decisions regarding numerous adjacent or nearby properties necessitate immediate Gallatin Airport Authority attention and formally updated Gallatin Airport Authority land use planning.

The Belgrade Area Plan of 1999 covering the Belgrade City-County Planning Area contains stated policies that appear to be in direct conflict with recent actions taken by the Belgrade City-County Planning Board and the Belgrade City Council with regard to annexation and residential zoning of properties north of the Airport and the City of Belgrade (at the request of those specific property owners and associated developers). He cited fragmented subdivisions and leapfrog developments, city annexation policy priority to areas adjacent to a central developed area and additionally rigidly maintained land buffer zones as examples.

His conclusions were that (1) airport growth (in particular, potential Runway Protection Zones, and both within and beyond the current Airport Influence Area) is inadequately anticipated by the current plan; (2) planning for mid-term and long-term growth and development of the Gallatin Airport is an immediate necessity and should be professionally undertaken without delay; (3) loss of areas north and northeast of Gallatin Field to incompatible or marginally compatible land uses immediately and drastically circumscribes and precludes any future opportunity to deconflict the Airport and the City of Belgrade, and it also fails to adequately consider many predictable regional airport growth requirements and developmental alternatives; and (4) the Belgrade Area Plan Future Land Use Map depicts the total encirclement of Gallatin Field by the City of Belgrade. He said he personally finds the potential land uses incompatible and believes we should do everything we possibly can to deconflict Gallatin Field from the City of Belgrade.

His recommendations are (1) to immediately commence an updated Airport Land Use Compatibility Study and an updated Terminal Area Master Plan; (2) as a government entity supervising an industry, to fully engage the appropriate public entities in the planning process (the City of Belgrade, the City of Bozeman, other smaller cities surrounding Gallatin County and Gallatin County); (3) oppose current residential zoning north and northeast of the airport, specifically, Ryen Glenn Estates and the proposed Meadowlark Trails subdivision because approval of that zoning guarantees future conflict between residents of the City of Belgrade and the airport; (4) initiate efforts to persuade the City of Belgrade to consider reversing the annexation of the Ryen Glenn and Tubb Properties in order to minimize the potential conflict between the airport and Belgrade residents, and (5) investigate use of potential alternative land-use-control strategies, from the most effective and least disruptive to the least desirable, including but not limited to fee simple procurement and ownership, negotiation of rights-of-first-refusal for procurement, land use zoning, partnering with other agencies in creative developmental and land-use easements and restrictions, aviation easements and worst case, condemnation through eminent domain.

The board members discussed the fact that the Master Plan is out of date, how to set priorities, the fact that the Airport Authority has been procuring property all along, the fact that zoning is difficult to reverse, funding for land procurement, if the FAA participates and if it doesn't, how to be more engaged with other boards, if purchasing land is a good use of money, if issuing bonds to pay for land is a good use of money and asking the City of Belgrade to delay zoning the Ryen Glenn Estates, Meadowlark Trails and Tubb subdivisions for a period of time.

Following discussion, Mr. Roehm moved to adopt recommendation #1 to immediately commence an updated Airport Land Use Compatibility Study and an updated

Terminal Area Master Plan and request the Belgrade City Council to impose a moratorium on further annexation and zoning activities on Ryen Glenn, Tubb and Meadowlark subdivisions for 120 days. Mr. Williamson seconded the motion, which carried unopposed. The board members asked Scott Bell to define the scope of work and provide an estimated cost for a Master Plan.

The board members also agreed to oppose the subdivisions if the City of Belgrade doesn't honor our request for a moratorium. This is a fall-back position only.

The fifth agenda item was to consider the Agreement for Legal Services for Goetz, Gallik & Baldwin, P.C. Mr. Mathis said that the board chose to request some legal work from this firm and they have prepared an agreement specifying the costs for their services. They have done some other work for us, which is ongoing. Mr. Mathis recommended accepting the agreement. He also asked if the board wanted to consider having them do all our legal work. He said that the firm of Sedivy, White and White has been doing our legal work, but it is difficult working with two firms and having to decide which one to have do what.

Mr. Roehm said that for the 15 years he has been on the board, the law firm of Sedivy, White and White has represented the airport and at no time have we been disappointed. Mr. Ed Sedivy has moved to a retirement posture.

Mr. Metzger asked if we need to put out an RFP if we are changing law firms. Mr. Mathis said that was his initial recommendation. We have a different set of circumstances for selecting engineers and law firms.

Jim Goetz said the history of his retention was that Mr. Sedivy called him to find out if he had experience with religious cases. Mr. Goetz does have experience with state law and so he was retained on the Duffy matter, which is ongoing. Because he was called on an

emergency basis regarding land usage, he thought he should submit an agreement and make sure who he should be working for. He also asked that legal work be routinely channeled through Mr. Mathis.

Mr. Roehm moved approval of the Goetz law firm to use as our retained law firm. Mr. Metzger seconded the motion. Mr. Williamson he didn't have a problem with using both law firms, or just the Goetz law firm but he said we should let the Sedivy law firm know our decision and that we have been pleased with his services, we are just moving forward. Mr. Metzger said he would approve the motion as long as Mr. Goetz can call Mr. Sedivy for historical purposes and continue to consult with him. The motion carried unopposed.

The board members also agreed that Mr. McKenna should be the spokesman to explain their decision to the Belgrade City Council. Mr. Hastings would like to be present. They also agreed that they would like Mr. Goetz to be present.

The sixth agenda item was to continue consideration of the request by S & S Construction to trade 4.5 acres in the East Gallatin Commercial Center for a like amount of airport property in the same area. Mr. Mathis said that S & S Construction sent us maps for properties they would trade. They also said they would sell us the 6.504 acre lot. His recommendation was that we enter negotiations for the possible purchase of the property. Mr. Hastings moved to task Mr. Mathis with negotiating the purchase of the property. Mr. Metzger seconded the motion, which passed without opposition.

The seventh agenda item was to consider the request by Mr. Clint Worman to construct a 60' x 60' non-commercial hangar. Mr. Mathis said that Clint Worman has a Piper Pacer and would like to build on the site next to Jarretts' hangar. Mr. Worman would like sewer and water also. Mr. Roehm moved approval of Mr. Clint Worman's request; Mr. Williamson seconded the motion and it carried unopposed.

The eighth agenda item was to consider the request by Thomas J. Nagorski to survey the public to determine which starting hour offers best opportunity for maximum local public participation in the Gallatin Airport Authority monthly public meetings. Mr. Roehm said that Thomas Nagorski doesn't need to get the board's permission to do a survey. Mr. Nagorski said his request is that the board does the survey.

The board members said that this issue has been dealt with more than once and that 3:00 p.m. has been the best time they could arrive at, that people appreciate consistency, and they know the meetings are the 2nd Thursday of the month at 3:00 p.m.

Mr. Williamson suggested putting a form in the quarterly newsletter. It was agreed that Mr. Mathis will follow through with that suggestion.

The ninth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that the triennial disaster exercise will be held at approximately 9:10 a.m. Saturday, October 22nd on the east ramp.

He also reported that our new fire truck is en route from the factory. Our staff inspected it and it looks good. We will park it at the shop until the new fire station is ready. The fire station project is lagging behind but should be ready next month.

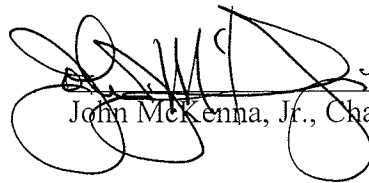
Mr. Mathis also reported that he is working with some people who intend to build a church building off the west end of the airport. The airport has an easement on the property that prohibits this use of the land. The owners have been notified.

The interchange committee is continuing to move forward and the environmental assessment is in progress.

The paving is done on the east ramp for the new FedEx complex and construction on the building has begun.

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

The meeting was adjourned at 5:38 p.m.



John McKenna, Jr., Chairman