

The regular monthly meeting of the Gallatin Airport Authority was held June 7, 2007 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna and Steve Williamson. Greg Metzger and Deborah Dietz were unable to attend the meeting. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Administrative Assistant.

The first agenda item was to open bids for airfield construction projects. There were two bids submitted, Walker Construction, Inc. and JTL Group, Inc. both from Belgrade, Montana. Both companies attached their bid bonds of 10% and acknowledged addendum #1. Both bids appeared to be in order. Kenneth Walker, President, signed the bid from Walker Construction and David Schmidt, General Manager, signed the bid from JTL Group.

The bid from Walker Construction, contractor registration # 7758, for Schedule I was \$4,209,293.42. The bid from JTL Group, contractor registration #10089, for Schedule I was \$3,525,366.46. Richard Roehm moved to refer the bids to the Airport Director and Airport Engineer for review and to award a contract to the lowest qualified bidder. Steve Williamson seconded the motion, which carried unopposed.

The second agenda item was to review and approve the minutes of the regular meeting held May 10, 2007. Mr. Roehm moved to accept the minutes as mailed. Mr. Williamson said he hadn't been at the meeting but read the minutes and seconded the motion. John McKenna said he was present at the meeting and didn't have any additions or corrections to the minutes. The motion passed without opposition.

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

The fourth agenda item was to continue consideration of Interlocal Agreement for I-90 interchange – Larry Watson. Mr. Watson said he was here because he had an updated

agreement for the Gallatin County Commissioners, City of Belgrade and Gallatin Airport Authority (GAA). He said it had been changed because of comments and concerns expressed at prior meetings with the three governmental bodies. He asked if the board members had any more questions or concerns. He said the Montana Department of Transportation (MDT) had sent a letter agreeing not to require repayment of federal funds used for the project if something came up that stopped the project.

Mr. Watson said he would have taken this agreement to the commissioners meeting first but thought the GAA's next meeting had been cancelled for some reason. Ted Mathis said the June meeting was moved up a week but that the July meeting would be scheduled on the 2nd Thursday of the month as usual.

Mr. Roehm asked if the GAA would just pay \$3 million and Mr. Watson said yes and that the airport's responsibility would be on airport property, and that responsibility for the other roads have been moved to the county's and City of Belgrade's jurisdictions. Mr. Roehm asked Mr. Mathis, the Airport Director, what he thought of the agreement and Mr. Mathis said he likes it and that it is what the board requested. Scott Bell, the airport engineer, said that the \$3 million would be spent on improvements on airport property and he doesn't see any problems with it.

Mr. McKenna said he doesn't understand how all the funds will be allocated and when. He said he can't do anything about it but, as a partner, hopes that if the project doesn't go forward now, the land doesn't get approved for other development, thus preventing the project from happening at a later date. He said that the county impact fee is up in the air and asked how the county is going to direct the funds.

Mr. Watson said their largest concern now is that the county and/or city don't grow as expected. He said they will continue to move forward and protect themselves along the way

by all the involved parties working together and having quarterly meetings. He said not having to repay the Federal-aid funds for preliminary engineering if the project doesn't advance to construction was a huge hurdle that has been removed.

Mr. Watson said he would take the Interlocal Agreement to the county commissioners first. The commissioners might make changes and Mr. Watson said there are a few safeguard statements that need to be added before the agreement is approved and signed. The board said they are comfortable with the changes that have been made and would probably sign off on the agreement after the county commissioners approve it. Mr. Roehm noted that our other two board members are not present today.

The board thanked Mr. Watson for his efforts and for coming to the meeting and discussing the changes.

The fifth agenda item was to consider new ten-year Lease and Operating Agreement for Arlin's Aircraft Service, Inc. Mr. Mathis said the Lease and Operating Agreement expires on June 30th and that Arlin's has done a great job and provided excellent service over the years. Mr. Roehm moved to award a new ten-year Lease and Operating Agreement for Arlin's Aircraft Service. Mr. Williamson seconded the motion, which carried without opposition.

The sixth agenda item was to consider new ten-year Commercial Ground Lease Agreement for Yellowstone Jetcenter hangar #5 (former FedEx building). Mr. Mathis said the building is in good condition, is being used for the proper purposes and the lease terminates on June 30th. Mr. Williamson moved to approve a new ten-year Commercial Ground Lease Agreement for Yellowstone Jetcenter for hangar #5 and the motion was seconded by Mr. Roehm. The motion passed unopposed.

Mr. McKenna said he would like to consider the next four agenda items at one time rather than separately. The seventh agenda item was to consider the request by Mr. Carl Borgquist to construct a 60' x 60' non-commercial hangar. The eighth agenda item was to consider the request by Mr. Dennis Forhart to construct a 60' x 60' non-commercial hangar. The ninth agenda item was to consider the request by Mr. Lance Lerner to construct a 64' x 60' non-commercial hangar. The tenth agenda item was to consider the request by Mr. James Booth to construct a 60' x 60' non-commercial hangar.

Mr. Mathis said that three of the hangars would have water and sewer services but the fourth hangar wouldn't. He said the fence would have to be relocated and the taxiway extended. The cost to extend the taxiway and relocate the fence is approximately \$23,632 and has already been budgeted. Mr. Williamson moved to approve agenda items 7, 8, 9 and 10 for Mr. Carl Borgquist, Dennis Forhart, Lance Lerner and James Booth for 60' x 60' and 64' x 60' hangars; Mr. Roehm seconded the motion, which carried unopposed.

The eleventh agenda item was to consider the request by Arlin's Aircraft Service, Inc. to lease land for a future non-commercial hangar. Mr. Mathis said that it has been the board's policy not to grant leases for future hangars since he has been at the airport. He said the policy has been for the prospective tenant to have 90 days after approval of the request to enter into an agreement and then 180 days to build the hangar. He recommended denying the request.

He said that in 1977 Sunbird Aviation requested land for future development to the east of the old FedEx hangar. The lease ran concomitantly with their other lease. The land sat idle for several years and the board turned down numerous requests by other commercial developers. After that the current policy was put into place.

Mr. Williamson said he doesn't believe it is appropriate to do something other than follow the policy. If the policy needs to be changed, they should discuss that rather than make an exception. The board asked Arron Wass to explain why Arlin's was making the request.

Mr. Wass said they would like to build another hangar in the near future. Because spaces are being filled quickly, they would like to lease a spot that would be close to their other hangars so all their hangars would be in one general location rather than strung out. He said they have a hangar they want to sell before building another one and that is why they aren't making a request to build the hangar now. He said they are also requesting to expand their fuel tank farm and that is a substantial investment as well.

Mr. Roehm and Mr. Williamson said they understood the reason for the request but asked how they could deny making an exception if someone else had a similar request. An investor could then come in and tie up the land. Then Arlin's would be negotiating with someone other than the Airport Authority and would find themselves in a worse position than they are today. The board members said they would be comfortable working with Arlin's and that they appreciated them being honest with them and letting them know what they are thinking.

Mr. Mathis said that in the past, the Airport Authority has turned down other similar requests. Mr. McKenna said that he has felt the policy was okay and that there has been a lot of room for hangars. He said we have an extremely healthy general aviation (GA) thanks to companies like Arlin's. He said that changing the policy instead of making an exception would be the route to take if they want to allow for this kind of request. Mr. Williamson said he doesn't have a problem with the policy and doesn't believe it needs to be changed.

Mr. Roehm moved to deny the request for agenda item eleven. Mr. Williamson seconded the motion, which carried unopposed. The request was denied.

The twelfth agenda item was to consider the request by Arlin's Aircraft Service, Inc. to lease additional land to expand their fuel tank farm. Mr. Mathis said this is an actual expansion and recommended approval. Mr. Roehm moved approval of the request and Mr. Williamson seconded the motion.

In discussion, Mr. McKenna asked why Arlin's wants to expand their fuel tank farm. Mr. Mathis said that Yellowstone Jetcenter (YJ) and Arlin's share a loading area, which is crowded and there is also cross liability between them. The long term plan is for each of them to have their own loading docks. The fuel tank farms would be separated and give the two Fixed Base Operators (FBOs) more space. Land is available adjacent to both fuel farms for Arlin's to expand now and for YJ to expand their fuel farm in the future if they wish.

Mr. Wass said they have been dealing with a government inspector and past FAA inspectors and are making the request now because they have less than two years to comply with the Environmental Protection Agency's (EPA) Spill Prevention Countermeasures and Control (SPCC) regulations. This will give them time to get everything in order without interrupting their current operations. It will free up other areas for tankers and fuel trucks and will also separate the liability for EPA issues and spills.

Mr. Wass said they have a new fuel tank coming for the air show and a temporary spot for it.

Mr. Williamson said this looks like a good deal for everyone.

Kent Foster, general manager of YJ, said that in an effort to improve their systems, they had test wells installed. This was as a result of a fuel spill two years ago and for checking the condition of their tanks. They recently emptied their tanks and had them

inspected and re-lined. The test wells tested clean. He said he told Mr. Mathis about the wells and doesn't want them damaged or obstructed during construction. He said the Montana Department of Environmental Quality (DEQ) inspects the wells quarterly and they need access to the wells. He said YJ has no problem with the request and just wanted to get the information about the wells on record. Mr. McKenna said Arlin's expansion gives YJ more flexibility and Mr. Foster agreed.

The motion was voted on and Mr. Williamson and Mr. Roehm voted aye. The motion carried.

The thirteenth agenda item was to consider the preliminary budget for fiscal year 2008. Mr. Mathis said he would touch on some of the highlights of the budget and answer any questions the board has. He said that in the operating income section on page 1, the airline revenue is expected to be up 4%. He said he and Mr. Sprenger met with the air carriers on Tuesday and they signed off on the increase. He said that on page 2 the total terminal rent and concession fee revenue was expected to be up 4.32%. The air cargo revenue has dropped because DHL is trucking their freight in from Billings. Non-commercial income is up 29.47%. This is because of the rate increase effective July 1st plus additional hangars and increased fuel flowage fees. Interest income is up because rates have improved and we have more money in the bank. Passenger Facility Charge (PFC) income is expected to be up 4.9% reflecting the increase in boardings.

Regarding the operating expense section, he said the control tower expenses were up because the rent is increased by Serco each year. It is based on the National Labor standard and the same increase goes to every contract tower. We pay for control tower operators from 6:00 a.m. until 7:00 a.m. and from 11:00 p.m. until midnight each day. He said control tower expenses are higher because we hope to get a display in the tower. We would pay for the

display and then turn it over to the FAA to maintain and operate. We expect to pay something for those expenses. If the FAA owns the display, they would assume liability.

Mr. Mathis said that on page 6, the wages and salaries increase of 8.54% is listed. Personnel costs are up 28%; however, this includes a contingency in case we choose to hire our own law enforcement staff. Costs include paying for training. He said he and Mr. Sprenger met with the Sheriff's department and they are asking for a substantial increase to continue law enforcement at the airport. Mr. Mathis said that our maintenance supervisor is retiring and that we will have to hire someone to replace him and would have an overlap of expenses, plus have payout expenses. Mr. Mathis said general expenses are expected to increase by 15.85%.

Mr. Mathis said that the parking lot expansion, interchange and tower radar display are included in capital improvement projects, as well as purchasing a new broom truck. Ten years ago, we paid approximately \$30,000 to modify a surplus crash truck into a broom truck and that is the unit that we want to replace. A new truck is approximately \$500,000, which we can purchase with PFC funds.

Also included in our projects is Airport Improvement Project (AIP) 32, which we received bids for today.

Mr. Williamson asked if the budget was in balance and Mr. Mathis said it is. Also included with the information for the board was a quarterly accounting report showing we have \$13 million in the bank for capital improvements.

Mr. Roehm said the longer we wait on land acquisition, the more it will go up, and he asked if that was built into the budget. Mr. Mathis said we will continue to try to purchase some small parcels and that the costs are included in the budget.

Mr. McKenna said that one of the reasons he enjoys being a board member at the airport is because the budget is always in order. Mr. Roehm moved approval of the budget and Mr. Williamson seconded the motion. The motion carried unopposed and the budget is approved.

The fourteenth agenda item was the Master Plan project update – Scott Bell. Mr. Bell said he has a draft of the financial section of but he hasn't reviewed it with Mr. Mathis or Mr. Sprenger yet. He said they will do that after they return from the meeting in Washington, DC and he will have a draft copy of the financial section to the board before the July meeting. Then he will start on land use planning and should be able to finish the Master Plan this summer. He said he was delayed because he had to get the grant out for the project they opened the bids for today but he hopes to get back on schedule.

He said he was thankful to receive two bids for the project and not just one. He said it would not be advantageous to split the project.

The fifteenth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that May tower operations were about equal to last year's except for local general aviation, which has been down almost all year. There were 607 air carrier operations, 695 air taxi, 2,636 general aviation (GA) itinerant and 18 military, for a total of 3,956 itinerant operations. Local GA operations were 2,532, for a total of 6,488 tower operations in May, down 6.2% from last year. It was still the second best May we've had. There were 141 landings of aircraft over 12,499 pounds, up 6.1% from May 2006. He said we had some bad Instrument Flight Rules (IFR) days. He said fuel flowage usage has been consistent over the last 8 years.

Mr. Sprenger reported that passenger boardings were 22,756, up 5.7% from May a year ago. Year to date is up 4.5% compared to the record May in 2005.

The sixteenth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that the air show plans are progressing well and David Smith said fund raising is going quite well. He asked if the board would look at the carpet now or after the meeting so a decision could be made regarding how much to replace. The board chose to look at it after the meeting.

The seventeenth agenda item was to consider the bills and approve for payment. After review and discussion, Mr. Roehm moved to pay the bills and Mr. Williamson seconded the motion, which carried.

The meeting was adjourned at 4:23 p.m. and the Airport Director's annual performance review followed the meeting in closed session.

John McKenna, Jr., Chair