

The regular monthly meeting of the Gallatin Airport Authority was held July 10, 2008 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Steve Williamson and Kevin Kelleher. Greg Metzger was unable to attend the meeting. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Administrative Assistant.

Chairman Richard Roehm said that anyone wanting to make comments about an agenda item could do so during discussion on that item. The first agenda item was to review and approve the minutes of the regular meeting held June 12, 2008. Kevin Kelleher moved to accept the minutes as mailed; John McKenna seconded the motion and it was a unanimous decision to approve the minutes.

The second agenda item was the public comment period. Mr. Roehm said that anyone who wanted to make a comment for the good of the airport could do so. There were no public comments.

The third agenda item was the terminal expansion project – Jamie Lenon. Mr. Lenon said he wanted to go over the schedule briefly and let the board know what they have been working on this past month. They don't have an update design presentation but will have it for the August board meeting and wrap up the concept phase. He said they spent last month scheduling and putting together the next work order. Brian Sprenger has the draft of it now and after staff review, it will be sent out for peer review. They will present it for approval at the August board meeting along with the final presentation of the overall concept plan. With the approval of work order 2, they will proceed with the design phase for approval at the November meeting. They will also work on the schematic design, which they will present at the November board meeting. They plan to have the design development phase ready for approval at the March 2009 meeting. Sometime between February and April they will need

approval of work order 3, which is the definition of what will be built. At the last board meeting, it was approved to build scheme b/c, which shelled in the entire project, but there is a list of things to include or not include, depending on cost. They will be presenting cost items as they develop costs incrementally during the design phase. In February, they would like an indication from the board as to how far they are going to go to develop the scheme in phase one so they can put together the work order for that work and get it initiated at the March meeting. They will then send it off for independent review so they can keep on schedule. The longest item is the construction phase, which includes the structural package and the shell package that encloses the building and finishes that phase. It will then be followed up with the interiors and equipment packages with baggage handling and technology.

Mr. Lenon said the process has been slowed down quite a lot. Around the first of the year we will see how far we want to go. We can back off from moving the security passenger screening area, which seems to be working now. It is critical to obligate funds in 2009 so we don't lose discretionary funding. The board can slow down or stop the process whenever they want to. However, it is harder to accelerate. The first schedule was quite aggressive, but this one is much more doable.

Steve Williamson said that the board will be asked to approve the concept in August. He asked how much of a problem it will be to change the concept.

Mr. Lenon said the design phase is a general process that they have put a lot of time and effort into and they have been getting feedback from airport staff. He isn't sure what would change at this point. Mr. Williamson said the big thing is money. Mr. Lenon said the design phase is an eight or nine month process and they won't be making the decision until

February, March or April as to when to start to build. That's when we need to know how much we plan to spend.

Mr. McKenna said we are designing the building with optimism for the future. Hopefully it won't be a waste of money. He believes the worst case scenario would be to proceed with the design phase and have to put the plans on the shelf. Mr. Lenon said they slowed the plans to wait for more information.

Ted Mathis said the decision next month is important also because, if the figures are the same from the peer review, Mr. Lenon will be asking for \$1.3 million to continue.

Mr. Roehm thanked Mr. Lenon.

The fourth agenda item was to consider the request by Dolittle Construction to transfer their Non-Commercial Hangar Ground Lease Agreement for Hangar ER3 to Sky River Holding Co. Mr. Mathis said that Dolittle Construction has reached an agreement with Sky River Holding for purchasing their hangar. That was the first hangar to be built in that area and has not been completed. Dolittle needs to finish the landscaping and do some work on their front metal truss. The note at the Bank of Bozeman also needs to be cleared. He recommended approving the transfer with those stipulations.

Mr. Roehm asked if it is redundant to approve the transfer with these stipulations since the lease already requires these things. Mr. Mathis said he believes it is for the protection of the purchaser. Mr. Roehm read these items for the record: (1) Dolittle shall complete the required landscaping; (2) the assignment with the Bank of Bozeman must be cleared and (3) Dolittle will paint the metal truss on the center of the hangar door to match the adjacent sheet metal. Mr. Williamson said we are putting the purchaser on notice that this needs to be done.

Mr. McKenna said we don't have much leverage with the purchaser and we want to leave ourselves clear. Mr. McKenna moved that the request by Dolittle Construction to transfer their lease will be granted with the conditions that the landscaping, hangar door and the bank be cleared as conditions to the transfer. Mr. Williamson seconded the motion. The decision was unanimous to approve the request by Dolittle Construction.

The fifth agenda item was the report on the audit review process – Terry Alborn. Mr. Alborn said this year they will start a little early and do some preliminary work in July due to the increased work they have to do. There are new auditing standards that are effective this year that require additional checks on financial risk assessment. When August comes and the books are ready to audit, they can get the work done faster and be ready when Mr. Sprenger gets the MSDS done. He informed them that they could contact him if they have any issues or issues with the work they do. He said he is the representative and they work for the board. He also said he appreciated being awarded the audit for the next three years.

Mr. McKenna said Mr. Alborn mentioned that they are starting earlier because of broader requirements. Mr. Alborn said there is increased work looking at the internal controls and increased documentation on their part. More testing of general controls and disbursements and receipts for Airport Improvement Project (AIP) grants and Passenger Facility Charges (PFC) is required. They have to do more testing and see how it affects all major areas. This is all a result of Enron a number of years ago and has filtered down to all audits. This is the reason all auditing fees have gone up.

The board thanked Mr. Alborn.

The sixth agenda item was to consider the extension of the Public Parking Lot Concession Lease Agreement with Standard Parking Corporation. Mr. Mathis recommended extending the lease and operating agreement with Standard Parking. He said they are a

model concessionaire here and have done an excellent job. We receive compliments frequently about their service. Their payments are timely and their reports are accurate and informative. They have been working with us on the parking lot expansion and are willing to make an initial investment in equipment of about \$267,111. They would recoup that investment with a rent reduction and it would take about five months to pay them back.

They paid us about \$1 million last year. They manage the parking lot and hire all the people who operate the lot. They take care of the cleanliness of the lot, paint the stripes, remove the snow and provide battery jump start service free of charge. They provide security to the extent they are there. Mr. Mathis said they generate any reports we ask for. Mr. Roehm said he didn't envision people coming back from a long trip coming to the office and making a complaint. Mr. Mathis said people can easily make comments via the Internet. For example, we have received four nice compliments on the website since it was improved last month.

Mr. McKenna asked if we should consider operating the parking lot ourselves. He said we are big enough to have our own police department, which doesn't generate any income and said the parking lot would generate income.

Mr. Mathis said we would have to hire the people as public employees and pay them more than Standard Parking does. He said Standard Parking has the expertise and that we don't know much about running a parking lot. He said there are several ways we could do it with one option being to hire a management company. He said that experience shows what we have is working well.

Mr. Sprenger said it costs Standard Parking about \$165-\$175 thousand per year to operate. They have more than one person on duty. He said it would be pretty tough for us to operate for the same cost. He said it isn't within our expertise and he doesn't believe there

would be any increase in revenue. He believes the biggest impact would be administration and that turnover would be higher than our other areas. We would need more office staff for operating the parking lot. Our six police officers have reduced duties for office staff.

Mr. Roehm said he is intrigued with the idea that we do it ourselves. Mr. Mathis said we have the option to review the agreement again in two years. Mr. McKenna said we hit a point where it is more cost effective to provide our own law enforcement. He would like us to educate ourselves on operating the parking lot. Mr. Williamson said Mr. McKenna's point is well taken. He said he would extend the lease this time but look at this as a revenue generator in the future.

Mr. Mathis said the way technology is progressing, in the future, a person may just have to swipe a credit card when they come in and when they go out and eliminate the need for personnel. Mr. Roehm asked for a motion. Mr. Williamson asked if they should separate the rate from the lease extension and Mr. Mathis said they go hand in hand. Mr. Mathis said Mr. Roehm had a concern about raising the daily rate from \$5.50 to \$7.00.

Mr. Williamson asked if the rates are at our discretion and said that as a point of order, he doesn't know if we need two motions.

Mr. Roehm said the Minimum Annual Guarantee (MAG) would increase from \$610,000 to \$750,000 and the percentage of rents would remain the same. Mr. Mathis said Standard Parking asked for the proposed rate change. The rates have remained the same for the last five years. Mr. Roehm said he has quite a bit of empathy for passengers hit by higher costs, including airlines tickets going up. He said that we need to keep up with inflation so we don't have to raise prices too much when we do raise them. We also need to insure that raises are warranted. Mr. Mathis said the increase is very reasonable. He said he compared our fees with Billings and Missoula.

Mr. McKenna said we have some of the best rates and charges and he asked if we need to raise rates just to raise them or for good business. He asked if we need the additional revenue or if we can keep our existing rates.

Mr. Mathis said raising rates increases Standard Parking's revenue and revenue for the airport for terminal expansion and public safety costs. Mr. Sprenger said it is an income source that offsets needs from the airlines. He said office staff struggled with the increase just like the board members are doing. We need to take care of the airlines' needs.

Mr. Williamson moved to approve the request by Standard Parking to extend their present lease for an additional two years with the rate schedule outlined by Mr. Sprenger in the memo. The minimum annual guarantee would increase from \$610,000 to \$750,000.

Mr. Kelleher said he would prefer a 50 percent increase per hour rather than the recommended 100 percent increase. The motion failed for lack of a second.

Mr. Kelleher questioned the two year extension. He asked about reviewing it in one year. He also said he would like to see only 50% of the proposed increase in the hourly rate.

Mr. Mathis said the lighting costs will increase because the parking lot is larger, plus energy costs are going up. Mr. Sprenger said that because of Standard Parking's initial investment they may not feel comfortable with just a one year extension. He said he believes we would be in a better position to consider taking over the parking lot in two years.

Mr. Sprenger said the 50% increase would leave the first 30 minutes free and increase the second thirty minutes to \$1.75. The daily maximum would increase to \$6.25 or \$6.50 and the weekly rate would be five times the daily maximum or \$31.00.

Mr. Kelleher moved to approve the request by Standard Parking for a two year extension with a rate increase at the proposed rates of the first 0-30 minutes remaining free, 30-60 minutes will be \$1.75, each additional 60 minutes \$1.00, that remains the same. The

daily maximum will be \$6.25 and the weekly maximum will be \$31.00. The MAG would remain as proposed. Mr. McKenna seconded the motion, which carried unopposed. Mr. Roehm asked if we would send a counter proposal and Mr. Mathis said we will. If they don't accept, we will have to consider it next month.

The seventh agenda item was to consider fiscal year 2009 budget increase for higher energy costs. Mr. Mathis said that since the budget approval two and a half months ago, Northwestern Energy has requested a significant increase. We don't need to increase landing fees or other rates at this time but he would like the additional spending authority. The funds will come from the Capital Improvement Fund. Mr. McKenna moved to approve the 2009 budget increase of \$50,000 annually for anticipated higher energy costs. Mr. Kelleher seconded the motion and it was a unanimous decision to approve the motion.

The eighth agenda item was the election of officers. Mr. Roehm is currently the Chair, Mr. Metzger is the Vice-Chair and Mr. McKenna is the Secretary. Mr. Williamson moved to continue this slate of officers for the next year; Mr. Kelleher seconded the motion and it carried without opposition.

Mr. Roehm asked the board to consider appointing a committee to start the process of selecting a new airport director. Mr. Mathis hasn't given a definitive date, except it may be within a year, but the board wants to be prepared. Mr. Roehm suggested that there be two board members on the committee. He said the board wants to do it right and needs to consider everything methodically. The committee would develop a step by step process and let the other board members know what they propose. The committee will consider whether to hire a professional team to assist. The entire board will be involved in the decision.

Mr. Roehm said he would volunteer if the other board members want him to, as he has had some experience. Mr. Williamson said he has no experience and would appreciate it

if Mr. Roehm was on the committee. They would like Mr. Mathis to be involved too. Mr. McKenna said he would volunteer. Mr. Kelleher doesn't have any experience but said Mr. Metzger does. Mr. Roehm and Mr. McKenna will be the committee members. They will start to develop a plan and discuss it at the next board meeting.

The ninth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that in June there were 779 air carrier operations, 790 air taxi, 2,847 GA itinerant and 13 military, for a total of 4,429 itinerant operations. Local GA operations were 2,796, for a total of 7,225 tower operations, down 2.2% from June 2007. There were 241 landings of aircraft weighing 12,500 pounds or more, down 2.7% from June 2007.

Mr. Sprenger reported that we boarded 33,024 passengers during the month of June. That was up 14.2% over the previous June record in 2007. Year-to-date boardings are 166,124, up 4.7% this year. Mr. Sprenger said Gallatin Field's passenger enplanements are up 10% right now. At this time, there are no indications of impacts on flights to BZN. Hopefully the airlines will make money or at least break even. Mr. Sprenger and the board discussed leisure and local traffic and the trends we are watching.

The tenth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that the Interchange Committee met with the Montana Department of Transportation (MDOT) in Helena on June 19th. The County Commissioners and the MDOT have signed a Memorandum of Agreement (MOA) to move forward with the interchange. A public hearing will be held on the Environmental Assessment this fall. Then the MDOT will begin the design phase for the interchange. Mr. Roehm asked about the \$14 million they are short and Mr. Mathis said they are hoping for an earmark from Congress within the next few years. They don't expect it all at once and they don't need the money now to move forward.