

The regular monthly meeting of the Gallatin Airport Authority was held December 9, 2010 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, Ted Mathis, Kevin Kelleher and John McKenna. Steve Williamson was unable to attend so John McKenna, Vice-Chair, presided over the meeting. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director, and Cherie Ferguson, Office Manager.

John McKenna welcomed everyone to the final meeting of 2010 and said no one had signed up to make comments during the meeting. He said the Board encourages comments so anyone wishing to comment on a specific 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 November 9, 2010. Richard Roehm moved to accept the minutes of the November 9, 2010 meeting; Ted Mathis seconded the motion and it was a unanimous decision to approve the minutes.

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

The third agenda item was Airport Business Update – Summit Aviation. Brian Sprenger, Airport Director, said he thought it would be a good idea to get an update from various businesses on the field and he asked Ben Walton to come and give an update on Summit Aviation.

Ben Walton said he is the owner of Summit Aviation. The company started about ten years ago in a small office in the brown hangar and they had a Cessna 150. He said they have come a long way since then and have been in their new location since 2004. They have nine airplanes; five 2-seat Diamond DA20s, two DA40s, a Twin Star, which is the only

certified diesel airplane in the world. It burns jet fuel and is pretty technologically advanced. They also have a Cessna 182RG and an American Champion Explorer Citabria, which is a tailwheel airplane.

Mr. Walton said people probably wonder why they chose Diamonds because they may look strange in the sky. In the past, Summit Aviation had the typical Cessna 150s, 172s, Mooneys and other aircraft. As the flight school was growing, he was looking at other airplanes to see what made the most sense and the Diamond aircraft fit perfectly. They are the safest airplane in their class, which is important to the flight school. They want good, safe equipment. Most of their aircraft has glass panels, which is the newest technology in aviation. The Diamond DA40 was the first aircraft to get the G1000 Garmin glass panels. It has worked well for them because now almost every manufacturer of general aviation aircraft uses the G1000s. Summit Aviation is training people in aircraft with the avionics that you will see in all different types of airplanes.

The Diamonds also are very inexpensive to operate, so they can keep costs down for the students while they fly new airplanes. The Air Force academy in Colorado Springs uses these airplanes for much the same reasons; safety, inexpensive to operate, at high altitudes they perform very well. Mr. Walton said their 150 would be about 100 feet off the ground when they reached the end of the runway but they are much higher than that in the Diamonds and the performance has helped quite a bit. With these aircraft, they give students the capability to move on. Summit mainly trains career pilots who move to jets and aircraft with this advanced technology. They do have the tail-wheeler too so they have the grassroots type aircraft people can use.

Summit Aviation currently has fifteen employees and thirteen of them are Certified Flight Instructors (CFIs). The CFIs are professional and experienced. He said the office

people are great to deal with and he is very happy with all of his employees. He said they have one airplane at their operation in Helena, which is doing pretty well. Because of the number of airplanes and number of employees, they are the largest flight school in Montana and one of the largest in the northwest.

They recently received FAA 141 approval and are an FAA approved school. They also got VA approval. They are one of a few flight schools in the western states that have VA approval, which allows veterans to have their flight school training paid for if they go through the University. The VA will pay for veterans to go from beginning training to flight instructor.

They work with the Aviation Program at Montana State, and about one half of their business comes from there. MSU Great Falls had been running the program but for the last few months MSU Bozeman has been running the program through Gallatin College. All the two-year programs at the University are through Gallatin College.

In the last few months that they have been working with MSU Bozeman, there has been a world of difference. He said their recruiting is much better. They are very aggressive and there is a lot more visibility in the recruiting process. Students can get financial aid through the College plus Veterans can have their program paid for. A year ago there was almost no financial aid for students to get into aviation locally. They used to go through Sallie Mae, which has quit giving loans to almost all flight schools in the country due to the financial crisis. Now students can get loans through the University at much lower rates than they used to be able to get them through Sallie Mae. Mr. Walton said MSU Bozeman likes the program and the planes so they are using them as their flagship program for the two-year college.

Summit Aviation provides training for private pilot certificates, instrument ratings, commercial, all the flight instructor certificates, and multi-engine rating. They also do accelerated courses, 10-day instrument courses and preparation for knowledge tests. He said they do weekend classes for preparing for the tests. They also do mountain flying, aerobatics, upset training and tailwheel training.

They do training and recurrent training for the FAA so they know the local Flight Standards District Office (FSDO) people and some from the regional FSDO. Summit Aviation also trains Customs and Border Protection pilots. They also do aircraft recurrency training for pilots of high performance aircraft because insurance companies require them to get flight safety training once a year. In the past, they had to go out of state for their training but now they can stay here.

Mr. Walton said they have received a lot more interest from people outside the state in the last couple of years. Many come for instrument and multi-engine training and mountain flying. Mr. Walton said a lot of that is because of the airport. It is a great airport in a beautiful location and he is thankful to be able to have his school here.

Mr. Walton asked Janine Nunes to discuss the Part 141 and VA training. Ms. Nunes said 141 training means that they had to put together curriculum and the FAA had to certify it. They put together curriculum for private, commercial, everything through flight instructor ratings. Everything is spelled out, every single lesson, all had to be standardized and certified by the FAA. This improves safety of their curriculum and also the efficiency of it. They can put students through their private pilot's certificate in a minimum of 35 hours. The national average is around 70 hours.

Students can get their instrument rating in a minimum of 35 hours also. This has improved safety because there is a lot more dual and less solo time for students to learn bad

habits. It improves efficiency. Being 141 certified means there are more checks and balances. The FAA is always coming over to audit them and their training records. They also audit their flight instructor proficiency records and their maintenance. They were recently audited and passed successfully.

Because of the 141 rating, students can get their certificate in less time and are able to get flight training in newer aircraft for the same price they would be paying for more hours in older aircraft that don't have the same advancements in technology. To get VA approval, a flight school has to be 141 certified, so after one year as a provisional school, they became a fully certified 141 school and then sought VA approval and got it for all their single engine courses. They are working to get certified for the multi-engine rating. This has brought in a lot of veterans from out of town and has increased greatly their activity. MSU's VA department is getting swamped with people who are interested in the flight program for next year using their VA benefits. Their estimates are 50 VA students alone for fall semester.

This past summer, they offered day camps for kids nine to twelve years old. The airport helped by doing tours of baggage claim, the fire department, maintenance and the snow removal equipment, which they found pretty exciting. They got to go up in an airplane. Ms. Nunes said it is a good way to get younger generations interested in aviation. They also hosted the International Learn to Fly Day in May with the help of local pilots who flew over one hundred kids ages six to sixteen. She said it was a big success. There were aircraft on display. It was free and fun for people to come out and see the Bozeman airport. A lot of people have not been out to the Bozeman airport and to see Bozeman from the air was fun for them.

Summit Aviation has been going to all the high schools around the area within a 30 to 40 mile radius and talking to the high school students about fields in aviation. They don't

limit their information to being pilots, but all things that are related to aviation; airlines, corporate, fixed base operators (FBOs), maintenance and options that are available to them. She said many people don't know how to get into aviation-related fields.

Ms. Nunes became a fast team representative for the FAA WINGS program so they have hosted a couple of seminars here. Hopefully that will continue. They have been getting good participation with people on field and from around the area. They had a couple come from Billings to their seminars.

Mr. Walton said Ms. Nunes as the Chief Instructor has been an excellent addition to the flight school and really has helped get the 141 and VA approval here and has brought more structure to the flight school. He said it is great having her here and he hopes she stays a long time.

Summit Aviation is also involved with aircraft sales and brokerage. He said they have had a lot of interest in their aircraft purchasing assistance program. They help people pick the right airplane for them, find one, see that they are getting a good deal on it, see that there are no maintenance issues and it has a good safety history. They are getting more involved in that. He said it is nice to see more local people become part of the local aviation community.

Mr. Walton expects there will be twice as many students in the flight school next year, if not more. This semester they had 25 students. They are expecting a huge increase due to the interest and inquiries they and the University have received. Airlines are starting to hire more pilots and there appear to be more opportunities in aviation if the economy continues to improve.

Summit Aviation is planning to do other things and grow as a company. They will keep the Airport Authority posted. He said he had a lot of people he wanted to thank. He

feels really lucky to be at this airport with his flight school because there are more based aircraft here and there is a lot of activity. Pilots get together and there is a community feeling.

Mr. Walton said they are a success here because Arlin's Aircraft Service provides maintenance services and gives them priority if they need it. They are very easy to deal with. Yellowstone Jetcenter provides fuel and does a great job. They are there right away when they need them, which really helps to keep things moving because they run a tight schedule.

They talk to the Bozeman tower all the time to try to improve their procedures and radio communications. He said they are very easy to deal with. Mr. Walton said he can call Mitch Robison, the Control Tower Manager, at any time. If there are any questions or issues, they work through them and work as a team. He said there are a lot of airports where that doesn't happen.

The Bozeman Airport is a great airport. The snow gets removed quickly. We just had 12" of snow and the ramp was cleared quickly. They get great service. He said Mr. Sprenger is excellent to work with, is very personable and does a great job.

Mr. Roehm thanked Mr. Walton for his presentation and asked how much activity they have in a day. Mr. Walton said they have two hour blocks: from 0800-1000, 1000-noon and so on through 6:00 pm. Some people come in at 7:00 a.m. and they also have some night flights. They are busiest from 08:00 a.m. to 10:00 a.m. and often have five or six planes out at the same time at that time. Mr. Walton said they have had all nine planes out at a time. They have sixteen to twenty flight lessons on a good visual flight rules (VFR) day. When it gets too busy at Gallatin Field, they fly to the Three Forks, Ennis, Townsend or other small airports. He said it is good for their students to go to uncontrolled fields.

Mr. Roehm said he appreciated Mr. Walton's kind words on all the airport has done for them and asked if there are any limitations, if they have enough parking for their students or any problems with approach control.

Mr. Walton said approach control is the biggest issue. They need to do a lot of Instrument Flight Rules (IFR) training but they get very little. They do a lot of VFR training but there is no communication with Salt Lake Center and arriving aircraft. Airplanes just come out of nowhere and they have to divert and break off the approach. If we had approach control, they would be part of the system and it would be safer. They could have more of their planes in the air on IFR days too.

If the school doubles, they will need more places to park planes. The Board and Mr. Walton discussed competition for the school, if they would do rotor training and simulators. Mr. Walton said they have a monthly club that pilots can join and have unlimited use of the simulator to remain IFR current.

Mr. McKenna said he thinks he can speak for whole Board that we appreciate him and his flight school being here and being a part of the field. The Board has always felt general aviation is the heart of aviation. New pilots and new enthusiastic folks are what are needed today probably more than anything. He thanked Mr. Walton and Ms. Nunes and asked them to keep us in the loop, tell us when we're doing well and when we're not.

The fourth agenda item was to consider the request by Richard and Carol Roehm to transfer their Non-Commercial Hangar Ground Lease for Hangar #81 to Scott and Patti Bell. Mr. Roehm abstained from discussion and voting.

Mr. Sprenger said Mr. Roehm is selling his hangar and plane to Scott and Patti Bell. Mr. Mathis moved approval of this request and Kevin Kelleher seconded the motion. All Board members voted aye except Mr. Roehm, who abstained from voting.

Mr. McKenna said Mr. Roehm has flown for better than half a century and it's probably not Mr. Roehm's first choice. The airplane will be going to a good home. Mr. McKenna said we applaud all of what Mr. Roehm has done for aviation and the country.

The fifth agenda item was to consider the Audit Report. Mr. Sprenger said Terry Alborn and Troy Watling are here from Junkermier, Clark, Campanella, Stevens (JCCS) PC. Mr. Watling said for year ended 2010. He thanked Mr. Sprenger, Scott Humphrey, Cherie Ferguson, Jody Boyd and Connie Janzer and said they were all a pleasure to work with. He said it was a big year with the terminal expansion, issuance of bonds and everything else we usually have and it went smoothly. Mr. Watling wanted to go over a few highlights and the two letters from JCCS. He invited the Board members to ask questions during the presentation or afterward.

Mr. Watling said they have audited the accompanying financial statements of the Gallatin Airport Authority as of and for the years ended June 30, 2010 and 2009. He said these financial statements are the responsibility of the Gallatin Airport Authority's (GAAs) management and the auditor's responsibility is to express an opinion on these financial statements based on their audits. The auditors assemble the report.

Mr. Watling said in their unqualified opinion, they represent in all material respects, the respective financial position of the Gallatin Airport Authority as of June 30, 2010 and 2009. He said everything looks good and there weren't any deficiencies.

On page 19 of the audit report, Statements of Revenues, Expenses, and Changes in Net Assets, the Operating Revenues are up \$97,359 or about 2%. Operating Expenses are up about \$200,000 or 4%, showing a loss of \$60,000 from operations. That is \$103,000 less than last year. The major items are that Depreciation has increased \$100,000 over last year and there were \$38,000 more spent for Repairs and Maintenance.

Mr. Watling read a couple of paragraphs from the audit Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*. He said this is a summary of internal controls over financial reporting. They did not identify any deficiencies in internal control over financial reporting that they considered to be material weaknesses. He said everything looked good on the government auditing side.

The next report is on the Compliance and Internal Control over Compliance for the single audit portion. Because we had over \$500,000 in federal awards, we had to have a single audit, which entails basically selecting major programs, and in those major programs, doing additional testing over controls and compliance. Our major program was the Airport Improvement Projects, which was accounted for most of our federal awards and they performed additional testing over controls and compliance.

In their opinion, Gallatin Airport Authority complied, in all material respects, with the requirements that are applicable to each of its major federal programs for the year ended June 30, 2010. There were no issues to report.

Regarding the Financial Statements, they issued an unqualified report but didn't identify any material weaknesses or significant deficiencies not considered to be material weaknesses. They also issued an unqualified opinion on internal control over major programs and didn't report any material weaknesses or significant deficiencies. Gallatin Airport Authority was qualified as a high-risk auditee for the year ended June 30, 2010 because they didn't have to do a single audit report last year. The high-risk qualification determines what kind of testing is required.

JCCS also reported on Compliance and Internal Control Over Compliance for the Passenger Facility Charges Program in accordance with the standards in 14 Code of Federal

Regulations (CFR) Part 158, which is an audit guide put out by the FAA. They did not provide a legal determination on compliance with the requirements in the *Government Auditing Standards* issued by the Comptroller General of the United States and the standards in 14 CFR Part 158 but reported that, in their opinion, Gallatin Airport Authority complied in all material respects, with the requirements referred to that are applicable to passenger facility charge programs for the year ended June 30, 2010.

Mr. Watling said in the letter the Board of Commissioners, which is required communication to the Board, no new accounting policies were adopted and the application of existing policies was not changed. Since the Gallatin Airport Authority has about \$90,000,000 in fixed assets, Management's estimate of depreciation is based on the useful life of the assets and JCCS considered them for their significance to the financial statements and determined it was reasonable. He said there were no uncorrected statements. There were no disagreements with management during the audit and they have the representation letter from management. There were no outside consultants used during the audit.

JCCS also listed comments regarding internal controls they noted during the audit. The books were not closed until October 2010 primarily due to not having a structured closing process and ample time to complete those tasks. The Gallatin Airport Authority had a lot of things going on with the terminal expansion, the bonds and other things that kept it from getting done timely. JCCS recommends establishing a closing process, breaking it down in pieces and scheduling them so it can get done timely. The second comment was that bank reconciliations were performed timely but not finalized in QuickBooks until a later date due to questions on the treatment of specific outstanding items. Those should be completed by accounting personnel and reviewed by management on a monthly basis and any related issues resolved timely or left as outstanding items until they can be resolved.

The third comment was that, in looking at the balance sheet from QuickBooks as of June 30, 2010, it appears that combined balance for the operating accounts is less than the reserve requirement for the Operating Reserve account as established by the 2009 bond indenture and resolution. However, in their review of the bank accounts they noted compliance with reserve requirements based on operating funds held in other accounts because there was over \$5 million in the AIP account that is really considered operating funds. Their recommendation is for the bank accounts and subaccounts to be arranged to allow users to easily identify the amounts of available operating funds and reserves at the balance sheet date, while maintaining compliance with the accounts as established by the 2009 bond indenture and resolutions. They have been working with Mr. Sprenger and Ms. Ferguson to restructure for compliance and so they are easy to work with.

The final letter is a compliance letter regarding the bonds. This is a requirement from the indenture to provide a report on compliance on the covenants in the indenture to the bank and Board members. In connection with their audit, nothing came to their attention that caused them to believe that the Authority failed to comply with the terms, covenants, provisions or conditions of the Airport Revenue Bonds as they related to accounting matters. However, their audit was not directed primarily toward such noncompliance. They didn't have any issues. There are twenty-six or so compliance requirements. A lot of them are not applicable yet because the Authority hasn't started making the principle payments and some of the reporting requirement deadlines haven't become applicable yet.

Mr. Roehm said he was concerned with the statement regarding noncompliance because it is sort of a caveat. Although you're not directly looking at this, there is an inference that there may be something but you didn't catch it. Mr. Watling said that is pretty standard because their engagement wasn't to perform an audit of compliance of the bond

covenants. They performed procedures over general covenants and information they have been provided but if there is information they didn't receive, there could be other issues. Mr. Roehm asked what other areas there are that they didn't cover and the Board should worry about. Mr. Watling said they were noted in the audit report if they weren't giving an opinion on that area; for example internal controls. He said that would be a different audit. They don't audit internal controls but they do consider them.

Mr. Roehm said that at the Missoula Airport, the Airport Director was arrested and now is in federal prison. The problem wasn't caught by the auditors. Mr. Watling said they go through detailed steps in documenting controls and the process by special areas. It may apply to several areas of the operations and they test to make sure there is proper segregation of duties and proper approvals. In Missoula they were purchasing land for over twice what the appraised value was. We have controls in place here that would prevent that because we wouldn't be purchasing land without several stages of the property appraisal being approved before any disbursement would be made. Mr. Watling said the segregation of duties will apply to almost anything that we make disbursements for. The Airport Director in Missoula had set up a personal bank account and a company outside of the airport and routed funds from the airport to himself. We have controls, especially with the involvement of the Board over disbursements that would easily prevent that. We don't have transfers to outside accounts without approvals along the way, especially at those higher dollar amounts. Even though JCCS is not offering a report on internal controls and the effectiveness of those controls, they do extensive testing as part of the audit on the whole control process in each one of those areas. Mr. Roehm said it still doesn't say what they've missed and maybe they don't know what they've missed. Mr. Watling said they consider materiality when they design their audit procedure and the areas they are going to look at. They don't consider

something that may be \$100.00 but they take a pretty close look at anything above what they consider as material. If we have prepaid expenses of \$100,000, they are tying that balance out to original records or records prepared by management and determining that the balance is reasonable based on those records. They do that with each material balance sheet account and they also do additional testing on the revenue and expenditures. He said it is pretty comprehensive even though materiality is a consideration.

Mr. Roehm asked about the timeliness of the audit report because the Board didn't receive it until December and the fiscal year ended June 30. He asked Mr. Watling if he would have had found something significant earlier and if the Board would have been notified. He also asked why the report wasn't completed closer to June 30. Mr. Watling said they did a lot of the A133 testing in June and if they had found significant deficiencies in June, it would have been found before year end. They do a lot of control documentation in August. Part of the delay in getting the books closed is based on entries Ms. Ferguson makes on the Accounts Receivable Manual from July activity. The earliest those things can be done is August. Mr. Watling said there were things that came up this year that extended us through September and the normal auditing procedures occurred in October. The report was dated November 4th, which was almost in time for our November Board meeting. A number of things extended it this year beyond a normal year.

Mr. Roehm asked if management was responsive in providing all the data they needed and if there was any hold up there. Mr. Watling said they tried to start at the end of August and early September but there were several areas that hadn't been closed so they put a hold on things until all the entries could be made to close the books for the year. He believes establishing some of those closing processes would allow scheduling them so they know when they are done. He said there are so many schedules and things to put together

outside of QuickBooks, it is hard to know when it's all is done. He thinks formalizing it would make it possible to get it done sooner. He said they would work to help make that happen.

Mr. Roehm said airports are unique because of our funding sources and federal requirements and asked how long JCCS has been auditing Gallatin Airport Authority. Mr. Watling said this is the seventh year and each year they are better able to gain an understanding of the operations and details of the operation so they gain efficiencies each year. While there are new things each year, their understanding makes the audit more efficient and more effective. Mr. Roehm asked if we should change auditors periodically and Mr. Watling said it is common to change auditors every three to five years as a matter of policy. Some request other auditors from the same firm be involved with the audit so they get a fresh set of eyes looking at the books and disclosures so they might catch things that might otherwise be overlooked. Mr. Watling thinks there is a benefit to having the same people doing things as far as internal controls and some other areas because they learn more each year and benefit the business being audited.

Mr. McKenna said he had a question in terms of closing the books. He said we have a lot going on that might be construed as unusual because we don't build new terminals every year. He asked Mr. Watling if he thinks we're properly staffed or if we need to contract some work out. Mr. Watling said with having Ms. Ferguson, Ms. Boyd and Ms. Janzer doing the daily accounting work will provide good segregation of duties. Without all of the extra work, there will probably still be more than enough for everyone to do while not getting behind on the extra things that have to be done. He said you can have great controls but if people don't have time to keep up, that becomes a deficiency in and of itself. He thinks it's

pretty good the way it is set up. Having Ms. Janzer and Ms. Boyd full time will help as we grow. He said it is better to be overstaffed than understaffed.

Mr. McKenna said the Board appreciates him and said he has spent the last four months looking at what they are trying to understand quickly but they expect their auditors to not go easy on them collectively. He commended Mr. Sprenger, Ms. Ferguson and everybody for what he considered to be a clean audit and the auditors for all their work.

The sixth agenda item was to consider placement of advertising signage on passenger boarding bridges. Mr. Sprenger said Simms Fishing Products has asked about advertising on the sides of one of the passenger boarding bridges. A lot of airports are doing that. It would provide additional income for the airport and would potentially generate one of highest returns of advertising in the terminal other than the LCD display. It is different than what we've had before so he wanted to bring it to the Board for their consideration. This side of the airport is what we would consider the uglier side with the diesel, trucks, equipment and other logoed equipment. Knowing that the Board has an interest in advertising, he is bringing it to the Board to see if they want to move forward.

Mr. Roehm said he has a real hesitations but not because of Simms. He knows they have a sign in the lobby area. One of his concerns is where the advertising stops and where and what is allowable. We have to consider security and the hangars. He would like us to have some sort of advertising policy. He would like to stop at commercial and not allow political, religious or social issues. He also wouldn't approve of the building looking tacky and is concerned with what someone will see on that side. He said we have a beautiful building and he would hate to see advertisements make it look commercial. Money isn't the primary concern. He said he would go along with loading ramps but nothing else on the outside of the building.

Mr. Mathis said historically airlines had their logos on the boarding bridges but now we own them so the logos are no longer there. He agreed that side of building doesn't look good. When sitting on a plane, passengers could look at a nice ad on the adjoining jetway. He said he would be in favor of that if they were tastefully done.

Mr. Kelleher said he agreed with both men and asked how they could create a priority for location. Mr. Mathis said on a first come first serve basis.

Mr. Sprenger and the Board discussed waiting lists, rates, recrimination for discrimination, future advertising spaces due to the terminal expansion and keeping advertising tasteful.

Mr. Roehm moved to withhold acceptance of agenda item number six until next month when the Board approves the policy, and that management provide a draft policy on advertising and a review of rates and costs. Mr. Kelleher seconded the motion. All Board members voted aye. The motion carried.

The seventh agenda item was to consider land acquisition priorities. Mr. Sprenger said we were approached by one of the owners of a parcel of land that in the past we had shown an interest in. The Board has a recap of our past offers and counter offers, as well as transactions where we actually purchased land. This land is owned by Carol Gerovac and in 2003 she was offered \$460,000 for 170 acres and she didn't accept the offer. In 2005, she said she would sell the property for \$26,000 per acre. The Airport Authority wasn't interested at that price. She currently has the property listed at \$3.25 million, which includes a residence and some outbuildings. Mr. Sprenger said we have done some checking on some comparable properties. His recommendation is to have an appraisal done on the property.

The Board, Scott Bell, the airport engineer, and Mr. Sprenger discussed getting an appraisal, the possibility of getting federal funds for it or any part of it, what other uses we may have for federal funds, and who to use as an appraiser. Mr. Mathis said he has financial concerns because of our bond funding for the terminal expansion and we have other expenses, such as the I-90 interchange that cause him concern. Mr. Mathis moved to authorize staff to move forward with an appraisal on this property, using an appraiser of our choosing not to exceed \$5,000. Mr. Roehm seconded the motion and all Board members voted aye. The motion carried.

The eighth agenda item was the report on passenger boardings and flight operations – Scott Humphrey. Mr. Humphrey reported that November was better than we predicted last month. Tower operations were up 3.4%. He said our big jump was local general aviation (GA), which was up 31% but itinerant landings were down 27%. Corporate landings were up 9.9% so overall we were up 3.5% for total operations.

We had another stellar month in terms of enplaned passengers, up 16.2%. Mr. Humphrey said a lot of that is driven by the success of the Allegiant Air Phoenix service. United was up 17.4% and Delta was up 19.1%. We should break 360,000 passengers this year and we are already above that in our rolling 12-month average. We may break 364,000 passengers for the year. That is about a 22,000 passenger enplanement increase over last year, which will give us a 6% increase for the year.

Allegiant Air had an 84.5% load factor. The total airport load factor was 74.3% with a 25% increase in seats. JetA for non-airlines is down 21% but JetA for the airlines is up 30.2%. Overall, November was much better than we anticipated both on the GA side and the commercial side. December boardings look to be about 10% to 15% above last December's and will bring us in close to 364,000 enplanements for the year. We may be reclassified as a

small hub. In 2009, the break was 380,000 enplanements. One ramification is that we may lose access to some federal funding. Mr. Sprenger said we already have funding for our terminal building but in the future we won't be able to get as much federal funding for terminal projects under small hub status. Mr. Mathis said the FAA thinks you can afford more of your terminal improvements when you reach small hub size. Mr. Humphrey said Billings will come in at 380,000 enplanements. We are at 360,000.

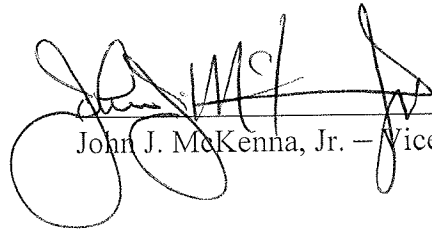
The ninth agenda item was the Director's Report – Brian Sprenger. Mr. Sprenger thanked Ms. Ferguson and Mr. Humphrey for their work on the audit. In the past year, we went \$16 million in debt and had to put a lot of effort into getting the bond covenants in place, had to handle \$23 million to Martel just on the terminal project, \$3 million on the car wash facility, and the new CFCs with the rental cars. He said it was a very good audit and it wouldn't have happened without their due diligence.

Mr. Sprenger said the missed approach procedure is still on track even though the RNAV departure procedures people don't know anything about it. The standard missed approach procedures are still on schedule for January 3rd with a June 30th charting date. He said we are staying on the FAA and have not let up on them in any way. Mr. McKenna said these other procedures would be very beneficial if our radar goes down because we have manual procedures in place. He said our tower people have gone out of their way to make it happen. He thanked Mr. Sprenger for dogging it. Mr. Sprenger said it's been an education and we expect to have approach control for Bozeman for next winter and we know it is possible.

Mr. Sprenger said we had a very nice event welcoming the Horizon Air Bobcat plane. It's too bad the Bobcat team didn't play as well as the plane looked but we will have it for next year.

The tenth agenda item was to consider the bills and approve for payment. After reviewing and discussing the bills, Mr. Roehm moved to pay the bills and Mr. Kelleher seconded the motion. The motion carried unopposed.

The meeting was adjourned at 3:55 PM.



John J. McKenna, Jr. – Vice Chair