

The regular monthly meeting of the Gallatin Airport Authority was held March 11, 2010 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Steve Williamson, Kevin Kelleher and Greg Metzger. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held February 11, 2010. John McKenna moved to accept the minutes as mailed; Richard Roehm 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. Steve Williamson said that the sheet was empty, but most people were probably interested in agenda items. He said they could speak when their item of interest comes up.

The third agenda item was meet the staff. Brian Sprenger said that Josh Norris is this month's focus employee. Mr. Norris is one of our custodians and has been with us almost 6 years. Joshua Norris thanked the Board members and said he grew up on a dude ranch near Cody, Wyoming, which is about ten miles from the east entrance to Yellowstone Park in the Shoshone National Forest. He said the ranch was marked on the map at the far western wall of the terminal. He said it says "ranch" but it was their ranch. The Crossed Sabres Ranch was on Libby Creek in the exact location shown.

He said apparently he missed the horsemanship genes that his other four siblings inherited so he performed maintenance or kitchen duties or trips and tours into the Park or Cody. He also was sent to the working ranch operation they had near Red Lodge to deal with irrigation and other issues. His family lost the ranch after an electrical fire in early 2004. He said it was a blessing in disguise as business was beginning to slide. His father found he

enjoyed driving trucks for the oil companies in Big Piney and that it wasn't as physically demanding as ranch life. Mr. Norris passed around pictures of his father and Philetus Norris.

Mr. Norris said his family has been in the region for quite a long time. His father's great, great grandfather's brother, Philetus Wesley Norris, was the second superintendent of Yellowstone Park from 1877 until 1882 and is the same Norris the geyser basin is named after. His most noteworthy achievement was greatly expanding roads and trails in the Park from 32 miles of roads to 160 miles and 108 miles of trail to 210 miles.

Mr. Norris said he came to Bozeman initially to attend Montana State University in 2001 and ended up staying because there is more work available here than in Cody. He worked at the Holiday Inn and other at odd jobs during the winters and springs and returned home to help out at the ranch during the summers until he was hired on here at the airport in September 2004. He said he is the fill in custodian; he works graveyard when the regular night custodian is off and evenings when Barbara Spatig, the regular afternoon and evening custodian is off. He said, if he is unfamiliar to most of them, that is why. He said he is the troll in the basement. He said this is a fun place to work and he knows overall what he is to expect each day but there's almost always something unusual that comes up that keeps it entertaining. He said he is typically alone and largely self-supervised and that is how he works best so it works out pretty well.

In his time away from the airport, he said he is usually at his part time job with CrossTac and IST Designs, a small Bozeman manufacturer of hunting, shooting and tactical gear. There, as well as at the airport, he does a bit of everything, from production to shipping to Internet sales. He said he doesn't necessarily need the other job as the airport takes very

good care of us and he thanked the Board for that. He said he enjoys being productive and it keeps him out of trouble.

Mr. Norris said, when possible, he attends meetings at the Bozeman Masonic Lodge #18 and participates in charitable functions there and with his church. He said he is also active in Toastmasters as a way to polish his speaking skills, which obviously needs some work and to do something to combat his terminal shyness as his natural inclination is to hide behind the podium. In his personal time, he is reading, online, skiing or out at the Logan shooting range indulging in his favorite hobby.

Growing up at the ranch, he learned to shoot at an early age and disposed of gophers and other pests as needed, which is something he has been told is rather common among Airport Authority employees. Growing up on the ranch, it became a lifelong hobby and it has grown as he has developed an interest in the history of Russia and Eastern Europe and he has acquired a few World War I and World War II era rifles from that region. When he has saved enough money, he plans to return to school to finish his education, probably an economics degree as that is his real area of interest. Like the rest of the custodians, he has been known to do a bit of dumpster diving at times, particularly for a copy of the Wall Street Journal. Mr. Norris thanked the Board for the opportunity to speak to them today. The Board thanked him.

Mr. Roehm asked him what suggestions he has for the terminal expansion or what problems he foresees since he has so much exposure to the building. Mr. Norris said the only real concern would be the wood flooring might tend to scratch too easily. He said possibly they will be using a commercial or industrial grade that will be more resistant. He said he put in a comment for the darker colored carpets. He said the tile is an excellent idea

as it is pretty easy to maintain, particularly around the entranceways. Overall, he believes the colors are good and should be pretty easy to take care of.

Mr. Roehm asked what causes the most amount of damage. Mr. Norris said traffic in general but probably the toughest issue they deal with is the tar buildup during the summer from the asphalt and it comes in on feet or luggage wheels but the tile should be easier to maintain. Mr. Roehm thanked him and wished him good luck with his economics degree. Mr. McKenna said he didn't need to worry about his public speaking skills.

The fourth agenda item was to consider Food and Beverage and Gift Shop Concession Proposals. Mr. Sprenger thanked all the responders who prepared the proposals. He said we were very fortunate to have several very qualified firms to propose for our concession program. He said the Board should have received the financial information including the concession fees proposed and the minimum annual guarantees (MAG). Five of the responders have asked to make a five minute presentation to the Board regarding their proposal and after that staff will give their recommendation.

The first presentation was from Overland Express – Jim and Phil Schneider. Jim Schneider thanked the Board and said that he's been looking at the numbers and they have been have been outbid. He said he believes the numbers are inflated. He would like the Board to consider the fact that he and Phil have eighty-two years of experience in the food and beverage business combined. They have operated a number of different organizations but they have operated this concession since December 1996. They feel no one is better suited to help lead the airport into the new terminal expansion. They see great potential with the new facility and are excited to be a part of the next generation at Gallatin Field. He said what they have in the Overland Express is a decade's long history of honesty and integrity,

experience, professionalism and expertise in food and beverage. That's what they do and that's all they've ever done. Phil Schneider, president of the Overland Express, said in reference to catering opportunities, that if the Board decides to go that direction, they would advertise and do brochures for in-house as well as off-site catering at a percentage that has been listed in their proposal. He thanked the Board and its administration.

The next person to speak was Bert Hopeman with the Montana Gift Corral. He is the owner of Sharbert Enterprises, and he thanked the Board for the opportunity to speak. He said he is speaking in reference to both the gift and food and beverage concessions. He knows choosing the right concessionaire is extremely important. If he was a Board member, he would want the concessions run by someone who stresses quality and service and is committed to Gallatin Field and offers a good financial return to the airport. He then addressed those points. He said their offer produces the best results when compared to any combination of other offers. Over a five year period, their offer should provide the airport at least \$160,000 more income due to the higher percentage they bid on the food and beverage concession. He then discussed commitment, quality and service. They renovated the main level gift shop with their own money; opened the store behind security and built a warehouse to service them. They gave both stores a professional look. They focus on customers and continually train staff. They want to use the same approach to make the airport restaurant and lounge one of the best in the nation and they are confident they can do that. They have done that with a cafeteria style restaurant at Lewis and Clark Caverns. They have hired a proven restaurant manager who has thirty years experience and his second in command has twenty years experience. To sum up, he said they have provided the best financial offer, are totally committed to Gallatin Field, and are ready to provide gifts, food and beverages along

with great service that will wow the Board and everyone who uses the airport. He thanked the Board for being part of their team for the past eight years and said they would be honored to work for them for the next five years.

The next person to speak was David Sheldon, president of Air Host, and he said we have a wonderful community and he is excited to be here. He said we have done a good job with this RFP. They have been exclusively in airport concessions for 40 years. He said he has been affiliated with the company since 1979. Their company has been in the Great Falls airport since 1985 and they have had a great rapport with airport administration there. Brian McKinney, their manager there, has done a wonderful job moving forward with their events catering operation and has produced a significant amount of additional income for the airport and for them. Since 2002, they have been the food and beverage concessionaire at the Billings airport. Every airport and community is different. They don't have two operations that are the same. They are excited about the plans here and he said the airport itself has a warm feeling. They would be proud to be our food and beverage concessionaire and if they are given the opportunity to do so, we would be proud of the work they would provide. He thanked the Board and the Board thanked him.

The next presenter was Jess Backhouse from Tailwind and he had a short PowerPoint presentation. He thanked the Board for the opportunity to be here today. He gave a short introduction and history to their company and discussed their experience in airport concessions and their proposal to the Board. He said they operate food and beverage concessions as well as gift concessions in three airports in the Southeast. Their first was opened in January 2005 and the second they opened was in January 2008. They opened their third one in April of last year. He said they are a big company but they give each airport a

small company feel. He said he is the operations managers and general manager of all openings and he is the one that you would deal with on a day-to-day basis if they are selected. He said we would also work with Alan Giaquinto, who is the president and owner. Mr. Backhouse prides himself on having a good relationship with airport administration. Any issues we would have, we would call him and he would deal with it right away. He said they are bidding on both the gift shop and food and beverage concessions and they believe it is important to have one provider for both concessions in a regional airport. He feels it's the best way to serve the passengers and maximize revenues for the airport. He said they have wanted to be a part of this airport and this team for a long time. He and Mr. Giaquinto are both from Colorado. He said they would both like to be here and provide a high-class and successful concession within the airport. He thanked the Board and said he looked forward to working with them in the future. The Board thanked him.

Dennis Davies, from Flight Box, was the next speaker. He said April Myers would be the manager of the gift shop if they are successful in getting the bid and Tom Pratt would be running the restaurant side. April Myers read a letter from Iven Rosheim who was unable to attend. He said he and Mike Lucero, manager of Hertz at the airport, have had prior engagements out-of-state. He said he flies out of the airport commercially or privately one or more times per week and that is why he is trying to become involved in airport concessions. He said his proposal was a better way to serve the passengers at Gallatin Field Airport and he would offer a greater selection of goods and services from local providers and healthier options in food and beverages from the Belgrade and Bozeman area as well as Montana in general, and the USA. He said they would form partnerships with Montana businesses to keep the concessions fully stocked, fresh and exciting. He said they project

generating \$1.435 million of payments to the Airport Authority. He thanked the Board in his letter.

Tom Pratt, prior manager of the Gourmet Gas Station, said they would strive to make it a unique experience at the airport. He said he thinks he did that at the Gourmet Gas Station that he operated for 12 years. He said they catered out of the same spot on Saturdays when they were quite busy and he works well under pressure. He likes challenges and thinks working out of the airport would be a unique experience. He thanked the Board for their time.

Dennis Davies said he runs a furniture store and the only difference is a gift store carries what they call accessories. The only item they don't carry is T-shirts and they have a source for them. In their store, they have worked extremely hard to get rid of imported items. They have one item from China. Some is sourced in the United States and most is sourced in Montana, which helps provide jobs in the concession as well as outside the concession. He thanked the Board for their time.

Mr. Sprenger said there were five very good responders and five good proposals. He said it was difficult to look at these and know some weren't going to be successful. Based on the combined operation, we estimate that the Sharbert Enterprises proposal is the best financially for the Airport Authority. The combined projected five-year revenue is just over \$2 million with a total minimum annual guarantee over the five year period of \$1.35 million. After that, they reviewed the experience and service levels to see if there were any reasons to disqualify their proposal and they did not find anything. They believe Sharbert is qualified, eligible and capable to be a concessionaire at the airport. Based on the financial

consideration and the past experience with Sharbert Enterprises, our recommendation is to award both the gift concession and the food and beverage concession to Sharbert Enterprises.

Mr. Roehm said all the presentations were good. One thing that stood out was uniqueness so we are doing our best to not make our airport like every other one in the country and that should extend to both the gift shop and the restaurant. He said one pushed hard that they were unique and he asked Mr. Sprenger to go through uniqueness, reliability, sourcing and ability to work with staff. Mr. Sprenger said in regard to uniqueness, each one brings unique standards in their own ways. He said they looked at stores and facilities they all have operated. He said we have seen what Sharbert has done over the eight years they have been at this airport and their store downtown in Bozeman. He said they looked at several of the others too and they are also unique. He said we are happy with the uniqueness the Montana Gift Corral has provided here and feel it is a matter of opinion what is unique. They felt the Montana Gift Corral did step above the average out there and was very comparable and maybe above some of the other proposers. Regarding sourcing and different aspects, this is based on what people actually buy. Montana Gift Corral started with some different items but they didn't sell so they changed their product over time. Several proposers are very much in the same range on the gift shop side so nothing stood out over and above Sharbert Enterprises.

Mr. Roehm said the Schneider's have provided reliable and trustworthy service. Mr. Sprenger said Phil and Jim Schneider have done a wonderful job over the past 13 years and he said he doesn't like making recommendations against someone who has done a good job over the years. He said Bert Hopeman has also done a good job over the years. The Board has tasked him with the financial part of the airport and he has to go with the financial

recommendation and he believes Mr. Hopeman will operate at the same level that Jim Schneider and Phil Schneider would.

Mr. Roehm asked him to go over disadvantages of one concessionaire versus two concessionaires. Mr. Sprenger said, from a competitive standpoint, they are basically two different businesses. We are offering an exclusive food and beverage concession and an exclusive gift shop concession. Even on an individual basis, they would be a monopoly within the terminal. On a combined basis, there are some efficiencies that can occur and were probably accounted for in some of the proposals. Allocating staff that may ebb and flow based on the need of the service may increase the potential for more sales. A disadvantage is if someone is focused on one more than on the other or losing focus on both. Mr. Williamson asked what our position is on catering. Mr. Sprenger said the information went out to all proposers and we wanted to know what they proposed. He said because of the kitchen investment, it may not pencil out the way we want and we don't recommend catering at this time. Mr. McKenna said the guarantee is the base and he asked if there were any combinations that don't show Sharbert Enterprises having the best proposal. Mr. Sprenger said that Sharbert's was \$35,000 more than any other combination. Mr. McKenna said it appears to be beneficial to have both unless there is a loss of focus. Mr. Sprenger said with our experience with Mr. Hopeman, we have no indication that would be an issue.

Mr. Williamson said we will need two separate concession agreements. Greg Metzger moved that the food and beverage concession be awarded to Sharbert Enterprises. Kevin Kelleher seconded the motion and all Board members voted aye.

Mr. McKenna said he is consistently impressed with the people who show up in Bozeman for proposals. Mr. Metzger moved we award Sharbert Enterprises the bid for the

gift shop concession. Richard Roehm seconded the motion and all Board members voted aye. Mr. Williamson thanked all the people who made presentations and submitted proposals. He also thanked Jim and Phil Schneider for their good service over the past thirteen years.

The fifth agenda item was Transportation Security Administration – Dan Fevold. Mr. Sprenger thanked Mr. Fevold for coming and said there are a number of issues that cannot be discussed. Dan Fevold said he doesn't have a presentation. He is just here to answer any questions the Board members may have. He said he works with fourteen airports across the state. Before working for the TSA, he worked for United Airlines. He and the Board discussed what would happen if this airport opted out of having the TSA do the screening at Gallatin Field; if we could opt back in, if it would reduce costs, how they allocate numbers of screeners at each airport. The TSA still has oversight of security if an airport opts out.

They also discussed improving security and communications at the airport due to the handgun that a screener missed on December 13th. Mr. Fevold said they will continue to work on improving security but they can't do much about media communication, especially since the Christmas Day problem. Communication comes from the Federal level. Mr. Roehm said he doesn't want Mr. Sprenger or the Board left holding the bag because the public and media want answers.

The Board members are also very concerned about the attitudes of some of the TSA screeners at Gallatin Field and feel many are more customer service oriented at other airports around the country. Mr. Fevold said that he will work with Mr. Sprenger on that. He said he

will try to get Dwayne Baird, regional director from Salt Lake City, to come to a meeting.

The two of them are contacts for Mr. Sprenger.

Mr. Fevold said he was glad he came to the meeting and saw how the Board is concerned about good service for the flying public. He will continue to work with us for our screeners to provide better service. Mr. McKenna said he wants our airport to be one compared to rather than compared against.

The sixth agenda item was to consider the request by Yellowstone Jetcenter to store equipment from Walmart for up to four months. Kent Foster, general manager for Yellowstone Jetcenter said that Walmmart is looking for storage for equipment while they refurbish their big block building. They have about 40,000 sq. ft. of material to store. Mr. Foster said he knows the Board's policy of using the airport facilities for airport business and the only reason he brought this up is because it is a temporary endeavor for a local customer in Bozeman.

Matthew Mingew, with Sperry MS, in Bozeman has been approached by Walmart to find storage for their temporary storage space for the equipment during a remodel project. It would be from May through mid-July and this is a slow time for Yellowstone Jetcenter and they have the space under one roof. He can find places that are 1,000 to 5,000 sq. ft. It is very difficult to find an open floor space in Bozeman to accommodate this amount of space. He recognizes it is not an airport related project. Walmart would like to have one location to store their equipment and this is the only place in the valley they have found where they could have it all under one roof. They have found a place in Butte and are talking to several places in Gallatin Valley where they could store part of their equipment.

Mr. Roehm asked Mr. Sprenger to speak to the long-standing policy. Mr. Sprenger said we've always had a strict policy and whenever a request for a variation comes up, there is always a discussion. He said there are probably other locations available. He said we struggle when competing with the private sector. Mr. Sprenger said he talked with Mr. Foster about providing service to his customers. He thinks he has the required hangar space to take care of his customers but there is a possibility that another need may come up. Last year when President Obama came in, it created a sudden need for a lot of hangar space. The Board has done a great job in keeping the airport from non-airport related business. Mr. Metzger said from his perspective it hurts him to deny the request but we can't cross the line unless we change our policy. He regrets not being able to support this request and recognizes it loses some money for Yellowstone Jetcenter. Mr. McKenna said he agrees and said someday we may change the policy on some of ground we own, but he currently cannot support the request, but it is not because of Mr. Foster. He said we have told a lot of nice people no. Mr. McKenna moved to deny the request by Yellowstone Jetcenter to store equipment from Walmart. Mr. Roehm seconded the motion and all Board members voted aye. The motion was denied.

The seventh agenda item was to consider the requests to extend the Ground Lease Agreements for Car Park II, Car Park III, Car Park IV, Car Park VII, and Car Park VIII for one year. Mr. Sprenger said we will be getting requests for one year extensions every year and there is merit to approve them all at one time. It is the same request for a ground lease extension and there are no further options. Mr. Williamson said there is probably no reason why we can't. Mr. Sprenger said at some point we will say no. Mr. Roehm said when that time comes, car condo owners can't say they didn't know it was coming. Mr. Sprenger said

we are planning on having a proposal next month that will be beneficial to both the airport and the car condo owners. By 2017, all car condo leases will have termed out. Mr. McKenna said we are planning a new site and asked if we are doing anything. Mr. Sprenger said we have had very good discussions with association people and talked to some of the owners about the deadline to relocate. We would offer new terms. We are planning a site that is close to the terminal although not as close as the current ones.

He said he thinks we are getting close to a proposal and may have it for next month's meeting. Mr. Kelleher thinks parking will be a concern before 2017 and he would like Mr. Sprenger to talk to an attorney to see if we can offer new leases before 2017. Mr. Sprenger said we're looking at moving them in the next year. Mr. Kelleher said he believes we need this space and he doesn't want to go out to 2017. Mr. Sprenger said he doesn't either. He said he thinks we can achieve this by next year and not have cost to the airport. Mr. McKenna moved to approve the Ground Lease Agreements for Car Park II, Car Park III, Car Park IV, Car Park VII, and Car Park VIII for one year. Mr. Metzger seconded the motion. All Board members voted aye. A one year extension was approved.

The eighth agenda item was the request to extend the ground Lease Agreement for Car Park XIII for five years. Mr. Williamson said when we signed the lease, we didn't think we would need the land. Mr. Kelleher asked what our option is in buying out the lease to 2017 and believes we will need the land before then. He said he would like to see something from the attorney. Mr. Sprenger said he would be very hesitant to change the language in the leases as they are similar to our general aviation leases and he thinks we can work these out positively for all parties. Mr. Williamson said he thinks it is just a formality. Mr. Kelleher said he agreed with that and would like to see something from an attorney. Mr. McKenna

moved to defer agenda item #8 until next month. Mr. Roehm seconded the motion. Mr. Kelleher would like to see a legal opinion and a comment from the engineers. Mr. Williamson said Mr. Sprenger would do that. All Board members voted aye. The agenda item was deferred.

The ninth agenda item was the report on passenger boardings and flight operations – Scott Humphrey. Mr. Humphrey reported that he has very good news. In February, passenger enplanements were up 0.4% on an 8.1% reduction in available seats and there was a 6.7% increase in average load factor from 75.9% for 2009 to 82.4% for February 2010. United's enplanements were up 41.9% with a 32% increase in available seats. Delta's enplanements were down 16.8% with a 20.8% reduction in available seats. Frontier enplanements were down 25.3% with a 46.8% reduction in seats. Horizon enplanements were up 6.6% with no change in available seats. Allegiant enplanements were down 2.4% with no change in available seats. March 2010 projections should be ½ to 1% above last March so we are guardedly optimistic.

Tower operations decreased 25.4% from the previous year to 4,948 for 2010. Airline operations were up 4.7% and air taxi operations were up 3.7%. Corporate landings 12,500 lbs. and above were up 3.9% to 258 operations. March could be equal to or above last March. We are not seeing the local traffic rebound. Mr. Roehm asked what we have done for general aviation (GA) and Mr. Humphrey said we haven't done much but we could advertise the flight schools again and let people know what is happening on the airport.

Mr. Sprenger said there are four good flight schools on the airport and we did a focus on our flight schools in some of our advertising that we have been doing on GAPWEST. Mr. McKenna and Mr. Williamson thanked Mr. Humphrey for his report.

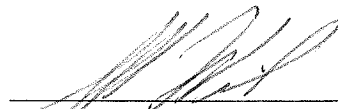
The tenth agenda item was the Director's Report – Brian Sprenger. Mr. Sprenger reported that Governor Schweitzer sent a letter to Customs and Border Protection.

Mr. Sprenger reported that at the Montana Airport Manager's Association meeting in Missoula, he talked to the FAA, who is working on our approach control. The Regional Director was grilled by the former Gallatin Field Airport Director and the current Airport Director.

Mr. Sprenger said we are testing having a massage therapist at the airport. If viable, we could put out a Request for Proposals (RFP) for the service. He said the rate was pretty good at \$1.00 per minute and he will give a follow-up report. He didn't think it would be viable but now thinks there may be potential. The massages are all done in the lobby and have been successful inside and outside of security. If the Board believes it would be viable, we would have to put out an RFP.

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

The meeting was adjourned at 5:06 p.m.



Steven H. Williamson, Chair