

The regular monthly meeting of the Gallatin Airport Authority was held June 14, 2012 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Kevin Kelleher, Carl Lehrkind and John McKenna. Steve Williamson was unable to attend. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, Paul Schneider, Assistant Airport Director – Operations, Bill Dove, Public Safety Chief and Cherie Ferguson, Office Manager.

John McKenna, Board Chair, said this would have been Steve Williamson's last meeting. He has served 20 years on the Board.

1. Review and approve minutes of regular meeting held May 10, 2012

Mr. McKenna asked if everyone received their copy of the minutes and if they had any questions, corrections or additions. Hearing none, he entertained a motion.

MOTION: Ted Mathis moved to approve the minutes. Kevin Kelleher seconded the motion and all Board members voted aye. The motion carried.

2. Public comment period

There were no comments for the good of the order at this time.

3. Consider request by Mark Duffy to construct a 100' x 120' commercial hangar

Brian Sprenger, Airport Director, said Mark Duffy asked the Board to table this item for the month. Carl Lehrkind said he wanted to know why Mr. Duffy is tabling this item again and Mr. McKenna said he doesn't want to table it. The Board agreed that Mr. Duffy would need to come back to the Board and reapply if he wants to build a hangar.

4. Consider Application for Screening Partnership Program (Opt-out)

Mr. Sprenger said the Screening Partnership Program has been in effect for over ten years and locally we have discussed the program several times. He gave a short overview of why staff believes this would be a good time to consider opting out and suggested reasons

and benefits the Board might want to consider. He said there are sixteen airports in the program and seven of them are in Montana. The West Yellowstone Airport recently received approval and the Bert Mooney Airport in Butte and Glacier Park International Airport in Kalispell have also applied. On a national basis, the Sanford Airport in Orlando, Florida was just approved.

Mr. McKenna invited comments but no one from the public sector chose to speak.

The Board members discussed passed Board discussions, incidents, customer service and what they believed would be in the best interest of the flying public.

MOTION: Mr. Mathis moved to approve submitting the application for Bozeman Yellowstone International Airport to participate in the Screening Partnership Program. Mr. Kelleher seconded the motion. All Board members voted aye and the request was approved. The motion carried unopposed.

5. Consider Fee for New Construction Requests

Mr. Sprenger said we recently have had three construction requests and of those three, the first request will not happen; it is doubtful that the second one will, and today the Board said the third requestor will have to reapply if he wants to build a hangar.

Mr. Sprenger said last month the Board tasked staff with suggesting fees for construction requests and their recommendation is \$100.00 for a non-commercial hangar, \$1,000.00 for a commercial hangar and \$1,500.00 for non-aviation construction.

Mr. Lehrkind said he doesn't think the fees are high enough and he would like to see them doubled or tripled. Mr. Mathis said he thinks staff's time is valuable and we should recover a portion of the cost. He has seen several times when requestors have played the landlord against the airport. Mr. Kelleher concurred. Mr. McKenna said the money would be like prepayment of the land rent if the requestor completes the construction project.

MOTION: Mr. Lehrkind moved to add the fee for new construction requests using these numbers with a multiple of three; so \$300.00, \$3,000.00 and \$4,500.00. Mr. Kelleher seconded the motion and all the Board members voted aye. The motion carried without opposition.

6. Consider preliminary budget for fiscal year 2013

Mr. Sprenger said for the fiscal year 2013 budget, staff is proposing a budget that includes an increase in income of 10.06% to \$6,469,000 and an increase in expenses of 0.36% to \$4,088,000. He said there wasn't a big increase in expenses because last year we budgeted high for the terminal expansion and the expenses came in better than we expected. Those expenses should be within the budget this year.

Mr. Sprenger said the Board has approved some capital expenditures for the next fiscal year. We should receive \$2.6 million in Airport Improvement Project (AIP) funding for reimbursement for the terminal expansion project that is completed. He said there is a possibility that we might need \$661,000 from our Capital Improvement account for an additional project, but if we don't do it, we expect a \$2 to \$2.2 million project increase in cash flow.

Mr. Mathis said he spent quite a bit of time going over the preliminary budget and it is well written. He said the budgeted amount of \$70,000 doesn't reflect the total cost of operating the control tower because our operations and maintenance costs are not included. He thinks expenses exceed \$100,000. The Helena, Great Falls and Billings airports don't pay anything for the FAA to operate their towers. Mr. Mathis said the FAA stepped in and built beautiful towers for them and we had to build our own. Two of those three towers are not nearly as busy as ours, and operations at Billings are similar to ours. He thinks it is time to ask the FAA to consider taking over the control tower.

Mr. Mathis is absolutely pleased with the work Serco does for us, and although he is in favor of the private sector doing the job over the public sector, it is not fair for us to have to pay while other airports in the state don't. He would like staff to move forward with at least a letter of request and possibly work with the American Association of Airport Executives (AAAE).

He said there are other airports, like Mesa, Arizona, that have become much busier, as we have. He has been told the FAA has a program to move from FAA controlled towers to contract towers but not the other way. He believes they should. That is his primary concern with the budget. Overall it is fine and he is very much in favor of it.

Mr. Lehrkind asked why field maintenance increased 9% and Mr. Sprenger said every other year we bump up the budget so we can order deicing materials. Mr. Lehrkind asked about the increase for personnel costs and Mr. Sprenger said it is for a 3% COLA increase and we may hire an IT person.

Mr. Kelleher said he didn't have any comments about the budget but he does concur with Mr. Mathis regarding the FAA taking over the control tower.

Mr. McKenna said we have enough expenses in our budget and we want to be on parity with other Montana airports.

Mr. Sprenger said the FAA pays for controllers for sixteen hours and we pay for two hours, plus we pay for operations and maintenance. He said the FAA operates the towers at the Billings, Great Falls and Helena airports.

MOTION: Mr. Lehrkind moved approval of the tentative budget for fiscal year 2013 and Mr. Mathis seconded the motion. All Board members voted aye and the budget passed without opposition.

7. Election of officers

Mr. McKenna said we usually keep the same officers for two years.

MOTION: Mr. Mathis moved to retain the current slate of officers for FY 2013 and Mr. Kelleher seconded the motion. All Board members voted aye and Mr. McKenna thanked the other Board members for their vote of confidence and said he would do his best in the upcoming year.

The officers will be: John McKenna, Jr., Board Chair; Kevin Kelleher, Vice Chair; and Ted Mathis, Secretary.

8. Report on passenger boardings and flight operations – Scott Humphrey

Mr. Humphrey reported that tower operations for May were up 11.3%, driven by general aviation, in particular the flight schools. Enplanements of 28,281 were up 6.3% from last May. Allegiant Air started direct service to Oakland, CA (OAK) on April 27th. Alaska Airlines will start daily service to Portland, OR (PDX) on June 4th and United Airlines will start Saturday service to Newark, NJ (EWR) on June 9th.

Rolling year enplanements were 403,199. United's enplanements were down 7.5% from May 2011, but the Asia-Pacific Economic Cooperation (APEC) meeting was held at Big Sky last year. Frontier's load factors were down 22.9% for May. They started bringing in their A318s and A319s and Mr. Humphrey believes they might have brought them in about a month early. Overall, load factors were down 4.3% but it was still a record because we had 12% more seats than last May. Corporate landings were down 9% but the Fixed Base Operators (FBOs) are optimistic that corporate landings will increase this summer.

Mr. Humphrey reported that June enplanements are expected to be 14% above last June and we expect to have another record summer. There will be a 20% increase of 9,000 available seats over last June. Delta is running 757s from Atlanta. The summer schedule

shows a load factor of about 80% for United's Newark, NJ flight, which is performing extremely well.

Mr. Humphrey reported that last month he met with representatives from Allegiant Air. They would like all airports to provide the fuel and handle the bags. They rank airports from one to sixty-eight for costs, with a one being the most expensive. We rank from 33 to 32. They rate flights from one to three and flights to BZN rank at 2.1 to 2.2, which is a moderate cost for them. They include Passenger Facility Charges (PFCs) in their costs, which is not a true cost for them. They just collect the fee for the airports that have PFCs but they give better ratings to airports that don't have PFC-funded projects. Mr. Humphrey said we provide good service at a reasonable price for all our airlines, not just Allegiant.

10. Airport Director's Report – Brian Sprenger

Mr. Sprenger showed a video of ten planes on the ground at 5:00 Sunday morning that were scheduled to depart between 6:00 AM and 9:00 AM. He said the number of Regional Jets (RJs) is decreasing as airlines replace them with larger equipment. Delta is taking over Southwest's leases for eighty-eight Boeing 717s, which is the newest version of the DC9 aircraft. Delta plans to retire 215 fifty-seat aircraft. Our terminal was designed to handle bigger planes, and in the future we may see fewer, but larger, aircraft on the ramp.

Mr. Sprenger reported that Customs is slowly moving forward and this week they are putting in a T1 line. They are working toward July 1st, but they have been very hush, hush and haven't given us an official opening date.

9. Consider bills and approve for payment

The thirteenth agenda item was to consider the bills and approve for payment. The Board members and Mr. Sprenger reviewed and discussed the bills.

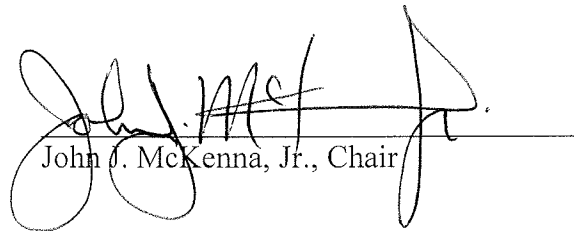
MOTION: Mr. Mathis moved to pay the bills and Mr. Kelleher seconded the motion.

The motion carried unopposed.

10. Adjourn

The meeting was adjourned at 2:50 p.m.

Following the regular meeting, a closed meeting was held for the purpose of conducting the annual Airport Director performance review.



John J. McKenna, Jr., Chair