

The regular monthly meeting of the Gallatin Airport Authority was held May 10, 2012 at 2:00 p.m. in the Airport Conference Room. Board members present were Carl Lehrkind, Steve Williamson, Ted Mathis, Kevin Kelleher and John McKenna. Also present were Brian Sprenger, Airport Director and Cherie Ferguson, Office Manager.

1. Review and approve minutes of regular meeting held April 12, 2012

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

MOTION: Ted Mathis moved to approve the minutes and Carl Lehrkind seconded the motion. All Board members voted aye and the motion carried.

2. Public comment period

Mr. McKenna said everyone was welcome to make comments at this time for the good of the order or to comment later on agenda items when they were being discussed. There were no public comments at this time.

3. Consider request by Leask-Belgrade Properties, LLC to transfer their commercial land lease to Clifford Family Intervivos Trust

Brian Sprenger, Airport Director, said this is regarding the land that the FedEx facility is on. Cynthia Leask of Leask-Belgrade Properties is selling the lease to the Clifford Family Intervivos Trust. The terms will remain the same.

MOTION: Kevin Kelleher moved to approve the transfer request by Leask-Belgrade Properties, LLC for their commercial land lease to the Clifford Family Intervivos Trust. Mr. Mathis seconded the motion. All Board members voted aye and the request was approved.

4. Consider Land Acquisition Priorities

Mr. Lehrkind recused himself from this item due to a conflict of interest because he is a part-owner of the property in question. Steve Williamson said land acquisition is an important function of the Board and the other Board members would like to hear what Mr. Lehrkind has to say. He said they are not negotiating with a buyer and this is not a buy sell. Mr. Lehrkind said he would like to recuse himself so anyone reading the minutes wouldn't be able to say he was pro or against. Mr. Williamson said he didn't have a problem with Mr. Lehrkind making comments.

Mr. Kelleher said he sat on the Gallatin County Big Sky Planning and Zoning Board for fourteen years and that many of the Board members recused themselves because of a perceived conflict of interest. He believes Mr. Lehrkind recusing himself is the appropriate action. Mr. McKenna said he doesn't believe it would reflect on the Board one way or the other.

Mr. Sprenger said part of the land under consideration isn't covered by zoning or an easement. Mr. Sprenger said he talked to Kevin Cook, one of the owners of Airport Road LLC, and Scott Bell, airport engineer, and decided that it is something the Board should have an opportunity to consider. The sellers want to sell part of the land and retain a portion, but they might be willing to adjust property lines. Mr. Sprenger showed the property on a map.

Mr. Bell said the total area of the property is 318 acres and the current owners would like to keep 26 acres. The Airport Authority paid \$110,000 for an easement that restricts usage to commercial on part of this property twenty years ago. Part of the commercial land was being used as a gravel pit but is being reclaimed to the level required by the DEQ. Mr. Sprenger said a portion of the property is eligible for federal Airport Improvement Program (AIP) funding at a 90% level and another portion isn't currently eligible, but may be at a later

date. We would get an appraisal on the property. If both parties were still interested at that time, we would get a determination from the FAA and then get a review appraisal.

Mr. Williamson asked how much an appraisal would cost and Mr. Bell said it would cost \$6,000 to \$7,000. An appraisal could probably be done within ninety days. Mr. Williamson asked if we need the other part of the land if the appraisal is respectable. Mr. Sprenger said we have enough property for the airport but we have to rely on the City of Belgrade and Gallatin County for zoning protection if we don't own the land.

The Board, Mr. Sprenger and Mr. Bell discussed reasons to consider purchasing the property, the benefits of owning it, if the funds would be available and if we could sell a portion of the property in the future if we decided we wanted to.

MOTION: Mr. Kelleher moved to instruct staff to order an appraisal on the land acquisition priorities as discussed at the May 10th meeting. Mr. Mathis seconded the motion and all Board members voted aye and the request was approved. Staff will request the appraisal so the Board can decide on the next step.

5. Report on passenger boardings and flight operations – Brian Sprenger

Mr. Sprenger reported that Scott Humphrey is in Las Vegas meeting with Allegiant Air representatives. Service to Phoenix-Mesa is not meeting expectations in the late summer/early fall period so Allegiant has discontinued service from the end of August until the end of September. Mr. Sprenger said they did that with the Billings to Los Angeles flight last year and brought service back this year.

Mr. Sprenger reported that there were 7,240 tower operations in April 2012, which is a 67.1% increase over April 2011. Year-to-date tower operations were 27,186, which is a 37.7% increase over the same period in 2011. He believes that through April we have had

more tower operations than Billings. This is significant because they usually take a substantial lead during that period and we never catch up.

April enplanements were 25,425, which is up 4.1% over April 2011. Rolling year enplanements were 401,516. Delta operated a 124-seat Airbus in April and they usually operate a 76-seat Embraer. They took passengers from United Airlines and Frontier. Frontier increased the size of their aircraft and also lost passengers to Delta so their load factors went down from 79% to 59%. Seats through August are up 15%. Every carrier increased seats, so the summer is looking pretty good.

Mr. Lehrkind said he heard Bozeman is ahead of the national average and the airlines are full. Mr. Sprenger said in general, we have higher load factors and higher passenger fares than the national average. Frontier's load factor is the lowest they've seen in some time. Fares out of Bozeman are the lowest in the state-about ½¢ per mile less than Billings-and that is part of the reason our traffic has grown. Traffic through Billings is growing due to the energy traffic. Right now we are in front but they may pull ahead in November and December.

Mr. Mathis asked about the decline in the corporate landings and fuel flowage. Mr. Sprenger said we don't have all the information yet and there may be an upward adjustment but there is some weakness on the corporate side. We had a poor start to winter and that may have lingered through April.

6. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that Customs is doing everything they can to make sure we don't open until July 1st. July 4th is a big holiday and they have been receptive to opening a few days before that but there are no guarantees. One of the hang-ups was the regulated

garbage and we expect full approval on that within the next week and a half. Senator Baucus and Senator Tester are trying to help get an earlier opening date.

Mr. Sprenger said there is a growing interest in the TSA opt-out Security Partnership Program because of the success in San Francisco. They believe they can show that private industry can do screening more efficiently than the TSA. Mr. Sprenger said the TSA and private contractors pay the same amount but private contractors manage people more efficiently and focus on peaks and valleys. People flying out of BZN see all the TSA people here, the number of passengers and say there are a lot of TSA people just standing around. For airports like ours, a private contractor might be more efficient and hopefully would provide better service to the customers.

Mr. Sprenger and the Board discussed if it would be more cost effective here if we opted out and what the process would be.

Mr. Mathis asked if there was anything new on the leases for approved new hangars. Mr. Sprenger said there is nothing new and it might be a good time to consider charging for starting the lease process. This would be an upfront cost for potential lessees to bear. He said we are not trying to make money, but we would like to know someone is serious prior to bringing requests before the Board. A tenant might be less likely to use the request as a negotiating ploy with the landlord. Mr. Mathis said the deposit could be refunded or credited. Mr. McKenna said we accommodate them, the time to sign a lease expires and then they come back in 90 days and we have to go through the process again. This would be an application fee and we would keep the money if they don't move forward or offer a credit if they follow through. Mr. Williamson said he was on board with it.

MOTION: Mr. Lehrkind moved that Brian and staff come up with some figures, including engineering fees and other things, with a recommendation for the Board to look at

for the next Board meeting, for what the fee would be if based on if people want to build or do certain things at the airport. Mr. Williamson seconded the motion. The Board and Mr. Sprenger discussed what would be factored into the fee. When the motion was called to a vote, all the Board members voted aye and the request was approved.

The Board agreed this motion was acceptable because it was just giving Mr. Sprenger and staff direction so they could propose a fee to be discussed at a future meeting.

Mr. Sprenger reported that the properties meeting with Frontier, SkyWest and Delta went very well and they were pleased with the terminal and proposed rates.

7. Consider bills and approve for payment

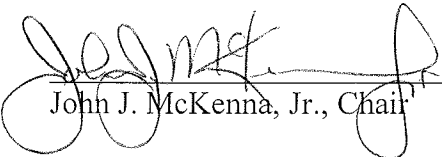
The seventh agenda item was to consider the bills and approve for payment. The Board members and Mr. Sprenger reviewed and discussed the bills.

MOTION: Mr. Williamson moved to pay the bills and Mr. Kelleher seconded the motion. The motion carried unopposed.

8. Adjourn

The meeting was adjourned at 3:05 p.m.

Following the meeting, Mr. Sprenger presented an informal educational program on Airport Capital Improvement Funding. Board members and others who were interested were welcome to stay.


John J. McKenna, Jr., Chair