

The regular monthly meeting of the Gallatin Airport Authority was held November 8, 2012 at 2:00 p.m. in the Airport Conference Room. Board members John McKenna, Carl Lehrkind, Ted Mathis and Kevin Kelleher were present. Kendall Switzer was not able to attend. Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director and Cherie Ferguson, Office Manager, were also present.

John McKenna, Board Chair, said that no one signed up to make comments but they could address the Board now, or during discussion on agenda items.

1. Review and approve minutes of regular meeting held October 11, 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: Carl Lehrkind moved to approve the minutes of the regular meeting held October 11, 2012. Kevin Kelleher seconded the motion and all board members voted aye.

2. Public comment period

There were no public comments at this time.

3. Congratulate Ben Walton at Summit Aviation and Kent Foster at Yellowstone Jetcenter on their recent awards

Mr. McKenna said that he has felt that the fabric of the airport is not always in the terminal and the first person he wanted to talk about has a flight school that has generated a lot of activity outside the terminal. He said Ben Walton of Summit Aviation and his crew were recently recognized in Palm Springs at the Aircraft Owners and Pilots Association (AOPA) meeting as one of the five outstanding flight schools in the country. He thinks that is something we should all be proud of and he is proud of Mr. Walton and his crew.

Mr. Walton showed his award from the AOPA and said it was an honor for them because they were one of five flight schools chosen out of 2,500 flight schools around the

country that were nominated. They had to be nominated by their students who graded the school on 47 different parameters like customer service, effectiveness and community involvement. Summit Aviation had a lot of nominations from their students, who are happy with the school and believe Summit is doing a good job. Mr. Walton attributes that to Janine Nunez and their staff of instructors. He said this airport has a part of this award as well because it has allowed them to be successful, to grow, and the board and airport staff have been great to work with.

Janine Nunez said they have thirteen Certified Flight Instructors (CFIs), three part-time CFIs and fourteen aircraft. Mr. Walton said they probably have over two hundred students per year because, in addition to their regular students, they have students who come from all over the world for mountain flying and other specialized training.

The board congratulated Mr. Walton.

Mr. McKenna said he was in Florida for a business meeting and was at the dinner that was hosted by Signature Flight Support. At the dinner, an award given by Signature Flight Support went to Kent Foster, General Manager of Yellowstone Jetcenter by Signature Flight Support. Mr. Foster and Yellowstone Jetcenter were given the Best New Business Opportunity award in Signature's entire system. Mr. McKenna said what this really means is that they feel that this acquisition is one of their best, is performing way above standards and has now become the benchmark and Mr. Foster and his operation are featured across the Signature system to be copied and emulated. Mr. McKenna said it was nice to be there and be a part of it and see Mr. Foster recognized and Bozeman brought to the forefront. Mr. Foster was kind enough to mention how nice it was to be a part of this airport.

Mr. Foster said the award was a crystal engraved with "Best New Business Opportunity by Signature". It was a total shock and surprise to him and well worth what they

went through in the acquisition. He said he felt honored and happy to receive the honor for the team at the Jetcenter. The board congratulated Mr. Foster.

Mr. McKenna said all too often you forget why you do things, why you build new buildings, why you cut the grass the way you do, and why you try really hard to maintain good relationships. These two gentlemen and organizations are an example of why Gallatin Airport is the airport that it is. He thanked everyone for their contribution and especially Mr. Walton and Mr. Foster for bringing the spotlight on the airport in a real positive way. He said he appreciated their efforts very much.

4. Consider lowering the threshold from 10,000 s.f. to 5,000 s.f. for hangar leases with 20-year terms and 10-year options

Brian Sprenger, Airport Director, said we have had a threshold of 10,000 square feet for 20-year leases with ten-year options on new leases for new hangars. With the changes in financing, available funding is becoming more difficult to obtain, especially in the upper range close to but not exceeding 10,000 square feet. He said we are looking at how we can help potential hangar owners in that area. We have looked at other airports around the state and they range from a lease term similar to ours in Billings to a twenty-year term with two ten-year options in Helena. Kalispell and Missoula offer a twenty-year term with two five-year options so there is a wide variety. Some airports have changed their lease terms to make financing more affordable.

Mr. Sprenger said the next agenda item is similar but the request is for a new lease and lower threshold on an existing lease. This agenda item is for a new lease on a new building and lowering the threshold to 5,000 square feet.

Ted Mathis said he thinks it is a good idea as the buildings that have been built on the airport here have been high quality and, if the hangars are well maintained, he is in favor of

this proposal. Mr. Kelleher said he agrees. Mr. McKenna asked if we would put additional language for standard maintenance in the lease for a new hangar with the longer lease period and Mr. Sprenger the language is in place now so that we can inspect the building but he believes we should add specific language to ensure the integrity of the building for the remaining ten years.

Mr. Sprenger said we checked with legal counsel and they have no issues. Mr. Sprenger said he wanted to emphasize that this language is already in effect for hangars 10,000 square feet and above and this request is just to lower the threshold to 5,000 square feet.

MOTION: Mr. Mathis moved to lower the threshold from 10,000 sq. ft. to 5000 sq. ft. for new hangar leases or hangar leases on new hangars with twenty-year terms and ten-year options. Mr. Kelleher seconded the motion. All board members voted aye and the motion carried unopposed.

5. Consider request by Ford Family Limited Partnership to transfer their interest in Hangar 66 to Mr. Jim Albright under a new lease

Mr. Sprenger said this is a non-commercial hangar and he showed its location on the Airport Layout Plan (ALP). He said it is the hangar that had the residence in it that resulted in the lawsuit that defined the “no residence use” at the airport.

Mr. Sprenger said Mr. Albright is having difficulty getting financing with the current lease terms and that is why he has submitted this request. We will generally assign the current lease for hangar transfer for the remainder of the lease term. His bankers have indicated that this is not sufficient.

Mr. Sprenger said it opens up several questions: Does it potentially increase the value of the hangar for the current owner? How will the hangar withstand the time frame? This

hangar is about 15 years old and a new twenty-year lease with a ten-year option would make it a 45-year-old hangar. He said staff sees both sides of the issue. If it is difficult to find financing because of the lease terms, that is a concern of ours because we want people to be able to transfer their ownership but how do we ensure the integrity of the buildings over the long term. This request is for a fifteen year old building that will become a forty-five year old building if the request is granted. What happens when you have a thirty-year-old building with a thirty-year lease? Mr. Sprenger said Mr. Albright would like to have a new twenty-year lease with a ten-year option on this building and that is the question.

Mr. Lehrkind asked about the current condition of the hangar and Mr. Sprenger said it is in good shape.

Mr. Albright thanked the board for the opportunity to speak to them and said it is a financial issue for him. The difference between a twenty-year mortgage or a thirty-year mortgage makes a big difference in what the payments are going to be and whether he can even afford the hangar. He believes the hangar is in excellent shape. He said he doesn't want to use it as a residence and plans to move some of the residence stuff out. He said he is very interested in general aviation and he can guarantee this board that the hangar will always be in good shape and if it is not, it will be put back in good shape and it won't be an issue if the hangar is ten, twenty, thirty or forty years old, it is going to stay that way. He said the hangar has been for sale for four years and he wants to get that sign off the front. He wants to clean up the area and proceed with general aviation and make it as great as it is. He said there were awards given for what is going on at this airport and he wants to be part of this. He said he has been flying for 48 1/2 years and he wants to fly for another year and a half so he can get a trophy from the FAA that says he has been flying for fifty years, which

he can put in the hangar. Mr. Allbright asked the board to really consider renewing his lease to the twenty years with a ten-year option and he thanked the board.

Mr. Mathis said what they would be doing is committing future boards to a long-term lease that they have no idea of knowing how it would play out. To start over by virtue of the fact that the hangar is being transferred from one owner to another sets a precedent that he doesn't think is appropriate.

Mr. Kelleher said he is concerned about going out to a thirty-year lease and asked how encumbering that would be for future development of that area of the airport if it needed to be used for something other than what we are using it for now, which is general aviation. Mr. Sprenger said we have clauses that permit us to change usage of the land although there are some restrictions on the timing and how that can occur. He said he wanted to emphasize that this board has not ever not renewed a lease for a building that is in good shape and that has been relayed to the banks as well but appears not to be adequate for Mr. Allbright's financing. He said, in the past, we have worked with a few banks but First Interstate Bank representatives say banks are being more cautious than they used to be.

Mr. Lehrkind said he believes Mr. Allbright is very sincere and would keep the hangar up as he said. Mr. Lehrkind is wondering if there is some way that they can come up with a compromise like a shorter term with a couple of extensions or something else that would satisfy the bank and not tie the board's hands for the future.

Mr. Sprenger said whatever they do is precedent setting and that is a concern. Having an option can be good. The lease on this building was a ten-year lease with a ten-year option and has about four years left on the ten-year option. He said we can see the dilemma and there will probably be more people in the same situation. This one hangar probably has another thirty years in it but there are others on the field that do not and twenty years from

now, even this hangar may not have another thirty years. How do we account for that situation? The other Montana airports have not found a clear-cut answer either.

Mr. McKenna said there is probably not a member past or current that did not have a strong interest in general aviation (GA) but his concern is the precedent they will be setting. He wondered what would happen if the hangar was sold five years from now, not that Mr. Allbright would do that, but if that person came in and needed a thirty-year lease to finance it too. Mr. McKenna doesn't want to make a negative decision without the board having time to think through other choices that might help them get where they need to be. He wants to make a business decision that applies across the board. He doesn't want anybody to think he is doing a personal favor, or not, and he wondered if there is something the board could do, like if the lease was within the last 5 years of the option.

Mr. Allbright asked if he could suggest a ten, ten, ten lease. He said the leases spell out very explicitly what the airport can do and if it wants to put a runway or a terminal where the hangar is, it can do that. Mr. Lehrkind asked Mr. Allbright what would happen if the board tabled the request and Mr. Allbright said the contract is signed for the hangar and his earnest money will be lost if the lease is not signed in 30 days. Mr. McKenna said he hates being in this position but it is not the boards doing. Mr. Allbright agreed with that.

Mr. Kelleher asked Mr. Allbright if he had tried owner financing and Mr. Allbright said the Ford family is difficult to negotiate with and it took quite a while to go back and forth to get the contract signed. It was signed on Tuesday and he has thirty days to get them the lease on the land. The difference between a twenty-year or thirty-year mortgage is going to raise the payment by about \$500 per month.

Mr. McKenna said he does not believe the age of this structure is an issue but he wants to set a positive precedent because he values general aviation. He wants to do the right

thing for GA across the whole field and not just one hangar. Mr. Allbright said the problem is that ten, fifteen, or twenty years ago, when you had a 10,000 sq.ft. rule and gave a twenty plus ten lease, the reason was because those were more expensive hangars. The hangar he is in the process of buying will cost him just as much as if he were to build one of the big hangars ten or fifteen years ago. He said we are looking at the same amount of money or more than what was approved at that time, and to be able to pay for them, the board gave a twenty plus ten lease so the owners could pay for them, and he is asking for the same thing.

Mr. McKenna said he understands that but he is not thinking about just a big hangar, but how it fits for everybody. He hasn't thought about it enough to do that. He said this is a financing question.

Mr. Kelleher asked if the property has been appraised and Mr. Allbright said the bank would do the appraisal after seeing the lease. Mr. Kelleher said that if we were going to change the terms of the lease in the appraisal, it might not be acceptable to him or the bank, causing the contract to fail. Property doesn't sell because it doesn't meet the seller's or the buyer's needs. Mr. Kelleher said that is one problem he sees and the other problem he sees is that Mr. Allbright is asking the board to change the lease based on Mr. Allbright's personal financial needs. Mr. Kelleher said he understands that would have an impact on the entire general aviation hangar ramp area and other lease properties. He said it is not a good decision for them to make now because they would be looking at making a decision for the whole airport.

Mr. Mathis said he believes all board members are on the same wavelength regarding a new thirty year lease but perhaps they should back up and consider the original question to transfer the non-commercial lease from the Ford Family Limited Partnership to Mr. Allbright.

Mr. Mathis said he had a couple of questions because of the history of the building and he asked Mr. Allbright if he would confirm that he would not stay overnight in that hangar. Mr. Allbright said that is what the lease says and that's what he understands and if he breaks the lease, he is in jeopardy of losing the land and he wouldn't want that.

Mr. Mathis said it's a non-commercial hangar and asked Mr. Allbright if he would confirm that he is aware of that and that he will not use it for commercial purposes and will limit himself to only working on his own aircraft. Mr. Allbright said he is not buying a hangar to open up a maintenance shop. If he has something small to do on his own aircraft he will do that. He said he is retired and will only work on his own aircraft.

MOTION: Mr. Lehrkind moved to approve the request by the Ford Family Limited Partnership to transfer their interest in hangar 66 to Mr. Jim Allbright under the existing lease rules of the airport. Mr. Mathis seconded the motion and all the board members voted aye.

Mr. McKenna said he would table the other question. Mr. Sprenger said it could be researched more and he will see what airports outside the state may be doing that might be an option.

6. Consider request by Mr. Richard Wecker to transfer his non-commercial hangar lease interest on Hanger 98 to BlackWolfDen Aviation, LLC

Mr. Sprenger showed the location of the hangar on a map. He said this is a two-plex hangar and that Larry Blakesley of BlackWolfDen Aviation purchased the other half of the interest in hangar 99 in 2011 and now is in the process of purchasing hangar 98.

MOTION: Mr. Mathis moved to approve the request by Mr. Richard Wecker to transfer his noncommercial hangar lease interest on Hangar 98 to BlackWolfDen, Aviation LLC. Mr. Lehrkind seconded the motion. All Board members voted aye and the request was approved without opposition.

7. Consider donating 4.44 acres Fee Title and 6.93 acres through Easement to the State of Montana subject to the construction of the East Belgrade Interchange

Scott Bell, airport engineer, said it has been a long time getting to this day and showed the area being discussed on a map. The Interchange is getting ready to go and the request is for us to donate the fee title for 4.44 acres for property that is necessary for right-of-way located on the north side of Highway 205. That would be in fee title and would go to the State of Montana in a deed. The deed would have a reversionary clause so if the project doesn't go forward and get constructed within five years, it property would revert back to the airport. The second parcel is the part for the crossroad coming into the airport for 6.93 acres and that would be just an easement for that section of the road. Mr. Sprenger and Mr. Bell have been working with the FAA to release the property and last Friday the FAA gave approval for the land to be used for non-aviation purposes for the road. The second letter from them allowed the donation of the money to go to the East Belgrade Interchange. That is the \$3 million plus the Environmental Assessment and \$377,400 for the donation of the land. We are finally to the point of acquiring the right of way for the Interchange as well as start moving utilities. The project may go into construction next year.

The board members, Mr. Sprenger and Mr. Bell discussed the Interchange project.

Mr. Sprenger thanked Mr. Bell, Mr. Mathis, Pat Abelin and all those who worked on the project. He said it was probably the most cooperative project with the State Highway Department and involved funding from three different local entities. State and federal representatives and our state senators helped get the TIGR grant. Mr. Sprenger said it would not have happened without all the cooperation.

Mr. McKenna said he appreciates their efforts too and knows it has been a lot of work and sacrifice with several all night and all day meetings. Mr. Bell said it has been fun.

MOTION: Mr. Mathis moved to approve the donation of 4.44 acres Fee Title and 6.93 acres through Easement to the State of Montana subject to the construction of the East Belgrade Interchange. Mr. Kelleher seconded the motion. All Board members voted aye and the motion carried.

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

Mr. Humphrey reported that he and Mr. Sprenger had a meeting on October 31st with United Airlines regarding the Newark/New York service for last summer and continuation of the service next year. The service outperformed United's expectations. The community committed \$620,000 and used \$154,000 of that amount toward the service for last summer. In the meeting with United, Mr. Sprenger and Mr. Humphrey asked if United thinks the service is sustainable and they believe it is. United will submit two proposals for next summer to take to the community group. United's enthusiasm exceeded Mr. Sprenger's and Mr. Humphrey's expectations. United is happy and think they can grow this service.

Mr. Humphrey also reported that tower operations were down 2.4% from October 2011. Year-to-date tower operations were up 13.5%. Rolling 12 month operations were 82,076. Corporate landings were down 11% compared to October 2011. Mr. Humphrey said he talked to Customs and they are still clearing 2 to 3 flights per week, as predicted.

During October 2012, there were 32,093 enplanements, which is up 13.8% from last October. Rolling 12-month enplanements are 428,991. Mr. Humphrey thinks we will have about 435,000 to 436,000 enplanements during 2012. Airline landings were up 6.5%. Delta had 179 landings versus 193 for October 2011, mainly because they are flying A320s to Minneapolis. Last October they were using more regional jets (RJs). Load factors were 84.5% versus 89.3% for last October with 21% more seats this October. That's about 7,000 additional seats available, and an increase of about 4,000 more passengers. Mr. Humphrey

said that we are sitting at 12% better for November than last November with 9% more seats and we should finish with about a 12% increase for 2012.

Mr. Humphrey said United Airlines brought in their own manager. He will be working at both the Rapid City and Bozeman stations until he comes here full time. Mr. Sprenger said they added two additional self-service check-in devices at the ticket counter. They are the leading airline in putting in the technology for the mobile boarding pass, which other airlines with that technology will be able to use.

Mr. Humphrey said gate seven boarding bridge is attached to the building and gate four boarding bridge will arrive on Tuesday. This will allow United to consolidate gates and Delta will be able to consolidate as well. We should have eight gates operating by the next meeting. Mr. McKenna thanked Mr. Humphrey for his presentation.

9. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that Frontier Airlines has announced they will be discontinuing service to Billings on January 23rd, but they're intending to continue service to Bozeman. Long-range we don't know how this will impact us. Initially we're the only airport in this state to have two low-cost carriers. Mr. Sprenger cautioned that airlines are always dynamic and changing.

Mr. Sprenger also reported that at the next meeting they will discuss capital improvement programs for the next five years. Some of the things they will be considering are a parallel runway, a potential parking garage, the impact of the I-90 Interchange, and possible land acquisition. Everything costs money and we can't afford all of the projects so the board will have the opportunity to set priorities and decide which projects they want to proceed with.

Mr. Sprenger also reported that over the years we continue to see many non-aviation related items in the noncommercial hangar area. He said that there are barbecues, trailers, excess vehicles and other junk, which impacts our ability to mow and maintain the areas around the hangars and makes it look like a junkyard. He would like discussion regarding these items and the possibility of setting up an area where the different items could be parked. Because we have a relationship with the FAA, we must use the area for aviation. He would like the board to consider what is an acceptable level of items and consider proposing a rule so we could accept public comment.

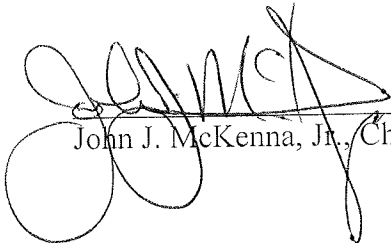
10. Consider bills and approve for payment

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. Kelleher moved to pay the bills and Mr. Lehrkind seconded the motion. All the board members voted aye. The bills will be paid as presented.

11. Adjourn

The meeting was adjourned at 3:25 p.m.



John J. McKenna, Jr., Chair