

The regular monthly meeting of the Gallatin Airport Authority was held August 13, 2009 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Greg Metzger, Kevin Kelleher and Steve Williamson. Also present were Brian Sprenger, Airport Director and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held July 9, 2009. Richard Roehm moved approval of the minutes as mailed and Kevin Kelleher seconded the motion. All board members voted aye and the minutes were approved as mailed.

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

The third agenda item was to meet the staff – Bill Dove. This agenda item was tabled.

The fourth agenda item was to consider the request by Paul D. Wasserott to transfer his interest in hangar #102 to Timothy T. Gram. Brian Sprenger said this is just a simple transfer as Mr. Wasserott is selling his 50% interest in the hangar to Mr. Gram, who already owns the other 50%. John McKenna made a motion to approve the request by Paul Wasserott to transfer his interest in hangar #102 to Tim Gram. Mr. Kelleher seconded the motion. Mr. Roehm asked if the rent was current, it was painted the right color and was well maintained. Mr. Sprenger said this is one of our newer hangars and is the right color and well maintained. The motion passed with all board members voting aye.

The fifth agenda item was to consider the request to extend the Ground Lease Agreement for Car Park II Owner's Association for an additional year and to change their name to Car Park II-Condominium Unit Owners Association. Mr. Sprenger said the fourth and fifth agenda items were pretty much the same. We are extending the leases year to year

so they all have the same termination date. The name changes are just their legal requests and don't affect us. John McKenna said he knows the buildings are in good shape. He asked if we are getting to a point where all the leases will end at the same time and Mr. Sprenger said they will in 2017. He said we hope to come up with a plan early next year to allow them to extend their leases by agreeing to move to a new location at their expense. He said it will be 6 to 8 months before we get something to the board but this will allow them time to think about it. He said Ted Mathis recommended extending the leases one year at a time and get to the end date.

Mr. McKenna said that gives us the opportunity to say no and he said he believes we need to retain the right to say no. Mr. Sprenger said the extensions can continue on a one year basis as long as the board is comfortable with that. Mr. McKenna said it provides an incentive if we can't come to an agreement with them.

Mr. Kelleher said the car condominiums are the single biggest headache for him. He asked if it is a fair price for the service and he wants the ability to use the land if we need it. He said if we throw a 5-year lease we will see for sale signs. Steve Williamson suggested we stick to one year leases. Mr. Sprenger said we could go to a year to year lease. He said we plan to present to owners a new piece of land and a new lease but they have to move the building. They are looking to us to know what their direction will be.

Mr. McKenna moved to extend the ground lease on Car Park II and approve the name change to Car Park II-Condominium Unit Owners Association. Greg Metzger seconded the motion. The motion carried with all board members voting aye.

The sixth agenda item was to consider the request to extend the Ground Lease Agreement for Car Park III for an additional year and to change their name to Car Park III-Condominium Unit Owners Association. Mr. McKenna moved to extend the ground lease

on Car Park III and approve the name change to Car Park III-Condominium Unit Owners Association. Mr. Metzger seconded the motion. All board members voted aye and the motion was approved.

The seventh agenda item was to consider the Bond Resolution of Intent to Issue Airport Revenue Bonds. Mr. Sprenger said the finance committee of the board, Mr. Williamson and Mr. McKenna, and he came up with a recommendation which is to issue up to \$16 million in Airport Revenue Bonds. Based on their discussions with D.A. Davidson, they expect an interest rate of approximately 5.3% on a 20-year term. He said they would also be reviewing up to a 25-year term depending upon the terms. The annual bond principal and interest payments on those terms would be approximately \$1.307 million. This is just a little more than what our Passenger Facility Charge (PFC) revenue will be but less than PFC revenue and Customer Facility Charge (CFC) revenue would be. They believe this will give us the flexibility to borrow only what we need, it would minimize our interest expense and provide a cushion for unforeseen circumstances because we are not obligating our CFC income toward bond repayment so we have approximately \$600,000 more per year that we can apply toward other financing should the need occur. If the board approves this recommendation, then we would need to adopt the Resolution of the Intent to Issue Airport Revenue Bonds and Authorizing and Providing for the Issuance and Negotiated Sale of up to \$16,000,000 of Airport Revenue Bonds. He said this would be the recommendation from staff.

Mr. Williamson said they met with Bridget Eckstrom and Craig Jones of D.A. Davidson and discussed how bonding would work. He said we need somebody to be available when the bonds are issued because things happen pretty fast the day that we issue bonds. He said we will advertise and so will D.A. Davidson. The price will be kind of set

but it may change a little bit and they need someone on hand to make decisions that need to be made at that time. Mr. Williamson said, if the board approves, it would be Mr. Sprenger, Mr. McKenna and himself. That is part of the background of the resolution.

Mr. McKenna said that some of the things he gathered from the discussions is that the institutional market seems to have more risk than the retail market. They tend to be pretty demanding about the terms, structure and call dates. The retail market is more forgiving. From his perspective, we should approach it from the retail market. D.A. Davidson can advertise pretty heavily a week in advance. They can advertise in their other markets, not just locally and that can give us better rates. It can come right down to the day of issue that the rate can be changing. They anticipate 5.3%, but if they get a lot of interest, they can reduce our interest rate. If D.A. Davidson sees that most of the bonds are sold, they may close the sale and purchase the remainder themselves.

Mr. Williamson said if we go to the retail market, we may not see much change in the interest rates.

Mr. Roehm asked what terms the Chair, Vice Chair and Airport Director would approve if the board approves them making the final decisions. Mr. Williamson said they would be approving basis points and interest rates and the board has already said 98.6% of the \$16 million is lowest we will receive. That is determined by whatever the market dictates on the day the bonds are sold.

Mr. McKenna said they are asking for the board's approval to make final decisions on the bond sales if they are selling on better conditions that we currently expect. Mr. Williamson said you would be allowing them to take a purchase price of not less than 98.6% less than par, which is \$224,000. If the interest rate goes up, we get less. That's what is in the resolution. Mr. Roehm said he wanted conversation for the record. Mr. Roehm said it is

an involved matrix and it affects our flexibility for the future. Mr. Williamson said most of the parameters are set. There are a few little things that may change. Mr. Sprenger said because we didn't commit the CFC revenue for bond repayment, it limits how much we can bond and still maintain our A rating.

Mr. McKenna said he wasn't sure we would have gotten a better rating if they had committed the CFC revenue. We would have just been able to get more money. Mr. Williamson said Mr. Sprenger has done a pretty good job in the financing discussion. It looks like we have \$3.2 million to get the total project done. If we borrow \$3.2 million to finish it, we have the CFC revenue to offer the bank. If we get a good a bid opening we may not need to get the loan.

Mr. Metzger asked if the fees come out of issuance. Mr. Sprenger said yes. Mr. Metzger said he wished we were bonding more. Mr. Williamson said he is probably more in his ball park. He said he doesn't want to have an unfinished project. We have some variables and unknowns. Mr. Roehm moved we approve the Resolution of Intention to Issue Airport Revenue Bonds in authorizing and providing for the issuance and negotiated sale of up to \$16 million of Airport Revenue Bonds and to allow the Chair, Vice Chair and Airport Director to negotiate the terms of the bond issue. Mr. Metzger seconded the motion, which carried with all board members voting aye. The bond resolution has been approved.

Mr. Metzger asked when the bonds will be issued and Mr. Sprenger said 2 weeks after October 7th.

Mr. McKenna said they do a pretty exhaustive search to pick a good date. There are a lot of factors they look at.

The eighth agenda item was to review Airport Director FY 2010 Goal. Mr. Sprenger said at the last meeting the board asked him to have them available for public request or

comment. He said we haven't had any requests or comments. A number of these are between the board and himself. He doesn't know how public they should be.

Mr. Metzger said he doesn't think they should be public. They should be between the Chair and Mr. Sprenger. Mr. Williamson said he would leave it to Mr. Sprenger's discretion. Mr. Sprenger said he has no problem with having it public if that is what the board wants. He said in the past, the board and Mr. Mathis went over goals at the Airport Director annual review in executive session. Mr. Roehm moved to accept Brian's goals for FY 2010. Mr. McKenna seconded the motion. The motion carried. All board members but Mr. Metzger voted aye and he voted no. The goals will be brought up at Mr. Sprenger's review time next year.

The ninth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that tower operations for the month of July 2009, there were 871 air carrier operations, 693 air taxi, 2,994 itinerant GA operations and 27 military, for a total itinerant operation count of 4,585. Local GA operations were 2,324, for an overall tower count of 6,909. This was down 13.6% from July of 2008. Year-to-date we are down 6.5% to 42,772 operations. There were 215 landings of corporate aircraft weighing 12,500 pounds or more, down 33.6% from July of last year.

Mr. Sprenger reported that we boarded 42,560 passengers during the month of July, down just .6% for July compared to the record year last year in July. He said he doesn't normally report the deplaned passengers but those numbers increased 3.2% and the overall count for the month was 86,678 passengers. That was up 1.3% over the previous all time record set in July of 2008 so July came in well above expectations. He said we expect August to do fairly well but we do expect some adjustments in the fall that will likely result in enplanements being down 5% - 8%. Year-to-date boardings are 204,521, down 2.1%

compared to YTD figures for 2008. He said we had the busiest 7-day period last week with right around 11,200 passengers on an enplanement basis. Mr. McKenna asked why deplaned passengers don't carry as much weight as enplaned passengers and Mr. Sprenger said Airport Improvement Project (AIP) entitlements and PFC revenues are based on enplanements. Mr. McKenna said the deplaned passengers use the terminal as well as the enplaned passengers.

Mr. Roehm said that already a number of government planes have landed here and asked if we gain any revenues from all this and Mr. Sprenger said just revenues from 200 or 300 additional cars rented. He said a stipulation of our entitlement grants are that government planes don't get charged any fees.

The tenth agenda item was the Airport Director's report – Brian Sprenger. Mr. Sprenger reported that the bid opening will be held on Thursday, August 27th at 3:00 PM for the car rental service facility and will bring those bids to the board at the next board meeting for review and hopefully, approval.

He said the board has the Terminal Flight Restrictions (TFRs) that will be in place tomorrow and part of Saturday due to the visit by the President. He said we expect the TFRs to be in place from 12:15 PM until 2:45 PM tomorrow. He said we will be impacted on the TFRs to the south of us within the air space but not within the airport approaches until about 9:30 AM on Saturday. He said we are passing that on to the local GA population. Mr. Williamson asked how it will affect the commercial flights and Mr. Sprenger said they should expect some delays. The event will be held at the airport and the President will be on the field for a couple of hours.

Mr. Sprenger said he will be working at the tower and work to negotiate exceptions with the Secret Service so the airlines can take off and land.

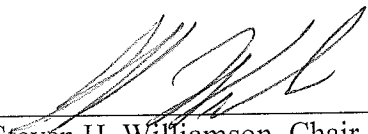
He said another part of the event that will be a challenge is that there will be 2 opposing groups here, protesters and those in opposition to the protesters. They will both be in fairly close areas. We have set up parking and set up where the people can meet.

He said we have been working with the papers trying to get the word out; we have had a lot of phone calls and have posted the information on our website. One of our concerns is the traffic coming to the airport from the protest groups, the town hall group, the airline terminal traffic, the people who just want to see Air Force One land and people just traveling on the two-lane highway. He said it is a big concern. All the local police forces, including some from Billings will assist us and we have emergency services involved. All of our staff will also help to make all of this work. We hope there will be limited impact. He said it is like planning an air show type event in about 4 days. He said our main concerns are the safety of the President, the safety of all the people at the airport and getting users of the airport in and out safely. He said we have to keep the general aviation people in communication with us as well.

Mr. Roehm said Mr. Sprenger drove him around where all the people will be parking and the hangar where the President will be speaking, and the areas where the two protest groups will be and he said he is extremely proud of the way the airport looks. He said he knows that the staff has worked at least 50 hours of overtime and they are all pitching in. He said they should be commended by the board for the staff doing such an excellent job. He thanked Mr. Sprenger and asked him to thank the staff. Mr. Williamson thanked Mr. Roehm for his comments.

The tenth agenda item was to consider the bills and approve them for payment. Mr. McKenna moved to pay the bills and Mr. Roehm seconded the motion. All board members voted aye.

The meeting was adjourned 3:52 p.m.



Steven H. Williamson, Chair