

The regular monthly meeting of the Gallatin Airport Authority was held February 12, 2009 at 3:00 p.m. in the Airport Conference Room. Board members present were John McKenna, Steve Williamson, Richard Roehm and Kevin Kelleher. Greg Metzger was unable to attend the meeting. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Office Assistant.

The first agenda item was to review and approve the minutes of the regular meeting held January 8, 2009. John McKenna moved to approve the minutes of the meeting held January 8, 2009; Kevin Kelleher seconded the motion and it was a unanimous decision to approve the minutes.

Chair Richard Roehm said one board member was not present but there is a quorum, so the meeting will be held.

The second agenda item was the public comment period. Mr. Roehm said public comments are welcome now for items concerning the airport or can be made when the appropriate agenda item comes up. There were no comments at this time.

The third agenda item was to consider the request to transfer Non-Commercial Hangar Ground Lease for Bastiani Hangar #67 to Sparrow's Nest, LLC of Bozeman. Ted Mathis said this is a two-step process. The first is to transfer the lease agreement for Hangar #67 from the Estate of James Bastiani to his two sons, Justin and Jonathan Bastiani. They are in the process of selling it so they are requesting that it be transferred to Sparrows Nest, LLC. Mr. Mathis said the building is in good condition and the rent is current and he recommended approval of the request.

Mr. McKenna asked if Mr. Mathis had all the documentation necessary for both transfers and he does. Mr. McKenna moved to transfer the non-commercial hangar lease agreement for the Bastiani Hangar #67 to Justin and Jonathan Bastiani, with a subsequent

transfer to the Sparrow's Nest, LLC of Bozeman. Steve Williamson seconded the motion, which carried unanimously.

The fourth agenda item was the report on Airport Director recruitment - Richard Roehm. Mr. Roehm said that our search consultant, Jon Simon, has reviewed and responded to over 200 people seeking information about the airport director position here at Gallatin Field. Out of this group, 21 candidates have submitted all the requested materials, which was an updated resume and in-depth addendum information. Mr. Simon interviewed all of these candidates and weighed their abilities against the board approved position description. He has forwarded, via FedEx, the resumes of 10 candidates, which the search committee, Mr. McKenna and he, received yesterday. After they review the packets, they will select a group of semifinalists for further consideration and interviews via video conferencing. This will take place in the latter part of this month, right now the 19th or 20th. Mr. Simon will be here in Bozeman during these interviews. Following these interviews and additional investigation, the selection committee will submit to the board an unprioritized list of 3 to 5 finalists for board interview and selection. He said they have tentatively planned meetings on April 8th and 9th so the board can make a final decision.

The fifth agenda item was the report on TSA general aviation security directive - Paul Schneider. Mr. Mathis said Paul Schneider, our Operations Manager, and Bill Dove, our Public Safety Chief, would make a presentation on the new general aviation security directive from the Transportation Security Administration (TSA). John McKenna, the local DFSD, and Curt Carlson, the AFSD of Inspections, of Missoula, are here representing the TSA.

Paul Schneider said that when the TSA determines that additional security measures other than ones currently in the ASP are necessary to respond to a threat assessment or a

special threat against civil aviation, they issue a security directive setting forth mandatory measures. The airport must acknowledge that they received the directive within the time specified in the directive and must specify the method by which measures have been implemented. If the airport is unable to implement the directive, it must submit a proposed alternative and may comment on it in writing to the TSA. The airport must restrict the availability of the security directive (SD) or information that is contained in that directive to those with an operational need to know. That is under sensitive security Part 15-20 of the regulations.

He said the TSA is continuously reviewing vulnerabilities in all aspects of the airport security system. The TSA is implementing this SD to reduce vulnerability on the general aviation (GA) side of the airport. This SD 154204AF went into effect on December 10, 2008. Mr. Schneider said the major impact here is that the General Aviation community will have to get Airport Operations Area (AOA) identification. The AOA is the area inside the perimeter fence. He said Curt Carlson will give a definition of the security threat assessment (STA) that everybody will have to go through. He said Chief Dove will cover the application process.

This will be a large undertaking for the airport as we currently have approximately 600 GA cards out. Fortunately, our new public safety department will absorb much of the time costs within the existing budget.

Mr. Schneider said we will have to conduct one full audit of all of our badges annually. This will include all AOA, sterile area and secure area badges so once a year we will have to audit approximately 1,000 badges. 150 hours at \$50.00 per hour equals about \$7,500 for each audit. 600 new badges at ½ hour each for processing equals \$15,000. The initial cost for the badges is about \$10.00 per badge, which equals \$6,000. The airport must

meet 5% accountability or it will have to reissue all the badges. The initial charge to apply for each badge is \$25.00 and \$15.00 of that will be returned when the badge is turned in to the airport office. There will be a \$50.00 charge to replace a lost badge.

Mr. Roehm asked if this is an unfunded mandate and was informed it is. He asked if it is a national directive and it is. He also asked Mr. Schneider how they computed the cost at \$25.00 and Mr. Schneider said Mr. Mathis, Brian Sprenger and he had considered \$50.00 but settled on \$25.00 as a fair amount. Mr. Roehm asked who will handle the money and Mr. Schneider said the Airport Authority will.

Mr. Williamson asked what an audit is and Mr. Schneider said they have to contact every ID badge holder and make sure the person still has the badge. Mr. Williamson asked if there are startup costs of \$15,000, plus \$6,000, and then \$7,500 annually and Mr. Schneider said that is correct.

Mr. Williamson asked about visitors and Mr. Schneider said they must be escorted at all times by a person with the appropriate identification from the time before they enter the AOA or secured areas until they leave the AOA or secured areas.

The current gate cards will expire on April 30, 2009 and will be replaced by the new identification if the applicant passes the new requirements of the STA. It will take approximately two days to complete the STA. Applicants will fill out the application and have to wait until the STA results are back.

The board, Mr. Schneider, Chief Dove and the TSA representatives discussed how this affects our airport and other airports in the state.

Board member John McKenna said that some things are totally out of control, and that this is one of them. He said this doesn't make him feel safer. He said this is silly and that someone should start thinking of how you can bring some logic to some of this stuff. He

asked why a driver's license isn't sufficient. He said they should think of a common sense approach and that sometimes he doesn't think the TSA thinks things through. He said he thinks they are out of control, he is not happy about their directive and he will make a comment to the TSA. He isn't happy that they bring things to the airport at \$50,000 to \$100,000 per year and he doesn't think they are on the right track.

Mr. Kelleher asked Mr. Schneider what the method of notifying general aviation (GA) will be and suggested having several meetings. He said we're going to be fielding a lot of questions. Mr. Schneider said they wanted to present it to the board first and Mr. Sprenger and he will hold as many meetings as they need to because this is a big change for everybody. They are planning on doing a newsletter mailing. They want to make sure it is well communicated. These will be their access cards and they will have to have them on them.

Mr. Williamson asked what happens if an airport can't pay the expense and Mr. Carlson said if it can't meet the directive, it can't operate. Mr. Williamson said it is expensive and airports and airlines are already bleeding a lot of red ink and some airports may not be able to pay for this.

Mr. Roehm said it is expensive. The person will have to pay \$25.00 and the Airport Authority will have to subsidize the rest of the costs.

Chief Dove said the old application was one page. The new one asks for much more information so it can be sent to the TSA so they can check the STA. Another impact is that there won't be same day turn around for a construction card. Hangar owners will have to use contractors who already have a card or plan two days or a week in advance. Chief Dove said he has seen some go as long as two months if the person is born outside of the United States.

He said their biggest concern is the audits and Mr. Schneider, Brian Sprenger and he have discussed how they will accomplish this. Public Safety Officers are here from 4 a.m. until midnight so the hours someone can come in are very broad. Anybody from the Department of Public Safety can help facilitate the process.

Mr. Roehm asked Chief Dove what a person would do if the STA is denied. Chief Dove said you would be denied an access card and would be restricted from your hangar, your property. He said there is an appeals process. Mr. Roehm asked if the person will know why they're denied. Mr. Carlson said they would have enough information to know which department to check with and that there is a 60 day redress period. Mr. McKenna asked if someone could be locked out of their hangar while all this is taking place and Mr. Carlson said they could be.

Mr. Sprenger said we have done this on the SIDA side and have never had one come up that was denied and he is optimistic that very few, if any, will be on the list.

Mr. Carlson said the STA is in the code of federal regulations and there is public access to it. It is an intelligence related check in searches of the domestic and international government data bases to determine if the applicant poses a threat to national security, transportation security or terrorism. He said there are several data points that are checked and if a person is determined not to be a threat, the TSA notifies us and we can generate the identification badge. If you are determined to be a threat you go through the adjudication process or the appeal process and TSA will provide the applicant all the information they need at that time so they know why they were determined to be a threat and what they need to do. The applicant has 60 days to get back to the TSA several times, if necessary, to get to a final disposition. The applicant has the ability to adjudicate.

Mr. Roehm said, as an American, he doesn't feel any safer because of this directive. Mr. Carlson said he has passed on comments from other airports in Montana with the same concerns. He said there are people in other states who have similar concerns.

Mr. Williamson asked if it can really be expected to be in place by April 30th and Mr. Carlson said he expects that it will be delayed until June 1st. Mr. Williamson asked if going through this process with no problems will allow him to go quickly through security for commercial flights and Mr. Carlson said no.

Mr. Williamson asked who the point person to communicate to the GA will be and it will be Mr. Sprenger. Mr. Roehm said that is taking staff time to implement a program mandated from on high.

Mr. Carlson said that using your passport for identification on the application instead of your social security number will lengthen the process.

Tom Nagorski asked if the fence could be moved to make the airline side safer and eliminate the need for the GA to have to comply with this directive. Mr. Carlson said if its part of a commercial airport, it wouldn't help to move the fence. Mr. Nagorski asked what the TSA is thinking. He said it will eliminate some of the pilots at commercial airports because they will say enough. He said just because it's a law doesn't mean it's a legal law because American citizens are to be assumed innocent until proven guilty. He said all GA pilots have to prove they are innocent before going on with their daily lives.

Mr. Carlson said he would pass the comments along. Mr. Roehm thanked everyone for their comments. He said this is serious and it is frustrating because there was no public comment period prior or no redress of grievances like the Constitution says.

The sixth agenda item was the Terminal Expansion Project - Brian Sprenger. Mr. Sprenger said there are five items he would like to discuss with the board or wants the board

to act on today. They are discussion on project financing, decisions on Proposed Phase I and whether to authorize the creation of Construction Documents Task Order for bid Package III and Bid Package IV, to begin the process to finance the project and to authorize Bid Package I to be put out to bid.

1. For the discussion on project financing, he said to obtain the optimum level for the terminal expansion, it looks like financing is the best option for several reasons. It will help maintain cash reserves, allow us to construct the right size of building, allows us to continue with a few more contingencies based on the economy, the project itself and the potential stimulus that may be coming. We are not counting on the stimulus in our planning. The estimate of \$16 million is what is recommended to borrow through the bond process for Phase I. He said he believes bond financing would be required and the rate is about 2%+ lower than getting a bank loan.

Mr. Roehm pointed out that all of the board members had met with Mr. Sprenger, including Greg Metzger, who is not here. Mr. Metzger sent an email to all the board members in support of the proposal, which they all have a copy of. Mr. McKenna said the economics are different than when we started with this process and we are asking that the contractor, their subs and bonding people to bring their numbers down.

Mr. Williamson said he expressed at a meeting a couple months ago that he didn't think we could do this without financing and the bond financing is preferable to bank financing. He said he is comfortable with issuing bonds and without financing it would have been too closely financed for his comfort level for this magnitude of a project. He said the present environment is probably as good as we've seen for quite a while for selling the bonds, for us as well as the investor.

Mr. Kelleher said he pretty much agrees with Mr. McKenna and Mr. Williamson. He said bonds are preferable to bank financing. He also said passenger projections don't seem that far off. Because the FAA requires the discretionary funds to be used by May, he is in favor of proceeding with the site work.

Mr. Sprenger said the recommendation for Phase I is to construct the minimum on the terminal, bringing it down to the base project and building the shell to a certain degree for the next 20 years. Their recommendation for the main level is to complete the new baggage area, new central lobby and relocate the car rental agencies into a new section of the new building. Relocating the airlines would be a bid alternate in case the bids are way under expectation or if we get stimulus money, but they don't feel it is necessary at this time to move the airlines. With the Northwest and Delta merger, Allegiant and Frontier can move into their own area. If we are wrong or another airline wants to operate out of Gallatin Field, that area could be completed in a fairly short time. The critical function would be that the baggage belts would need to be ordered and installed. He said the rest is interior work and could be completed fairly quickly.

On the upper level, the passenger checkpoint would be relocated. The two gates at the end of the concourse that are currently used by Horizon, Allegiant and Frontier would become real gates and there would be expansion capabilities for two additional gates at the other end for improved airline service.

Mr. Roehm asked about kitchen services in the building. Our current restaurant is underutilized because people like to get through the screening checkpoint. Mr. Sprenger said we would build a kitchen inside security, which would have both a quick serve and sit down style. Mr. Sprenger said that in order to do they had to look at how to facilitate food movement. There was some discussion as to how that would be accomplished. This would

be built in the first phase. Mr. Sprenger said the current kitchen would be used for KMG and other catered functions, plus limited food and beverage service for people wanting services outside of security. It will be maintained for future growth. Other concessions will be added within security as the concourse grows. This would provide expanded services beyond the checkpoint. Not having enough services beyond the checkpoint is one of the areas we receive comments from the flying public.

Mr. Sprenger said the recommendation includes the canopy on the main level, curbside check in. Tony Martel and Jamie Lenon have refined the tunnels to reduce the costs for that substantially.

Mr. Sprenger explained what will be done to accomplish the first phase of the site work. There will be some changes where the rental cars park, some sewer and water lines will be relocated and they will build the curb for phase II in front of the terminal. The employee lot will be bid at a later date because it will be used during construction. The engineer's estimate is \$2 million.

2. Mr. Sprenger said they are asking today, if the board is supportive, approval of Phase I Scheme as outlined; and 3. the Authorization for Creation of Task Order for Construction Documents for Bid package III (shell) and Bid Package IV (finishes and equipment). All of those would go through independent review. Mr. Lenon is working on getting the Task Orders. After the independent reviews, the board would be advised what they came in at and ask for the board's authorization to begin creating those documents.

4. Mr. Sprenger said the fourth thing they are asking for is authorization for staff to begin the process required for financing the terminal through bond financing. That is primarily to get us to where we would get a rating for the investments on the bonds.

Mr. Roehm said Mr. Williamson met with Mr. Sprenger to understand all of this. At another time, Mr. McKenna and Mr. Kelleher met with Mr. Sprenger, and also Mr. Metzger met independently with Mr. Sprenger. They are not asking millions of questions now because they asked questions earlier.

Mr. Roehm said Mr. Metzger sent an email to all the board members that he is supportive of these items, but wants a review in March. Mr. Sprenger said Mr. Metzger thinks it might be beneficial to build Phase I and II now because of the economic climate. They might get better bids now and the cost of carrying the financing may be offset by the better bids. Mr. Sprenger said they would review it in March.

Mr. Sprenger said they have been extremely conservative in their cash flow analysis by projecting 20% reductions in passenger boardings. They have not included any kind of stimulus package and full contingencies on the construction project of 8% on the building and 10% on the site work. He said they also want to maintain minimum cash reserves of at least six months expenses. They moved up the Interchange one year and accounted for that in the cash flow analysis. Mr. Roehm said there are about a dozen factors that go into it and when something changes significantly the board wants to know that the parameters have changed.

Mr. Williamson asked if the board would have to authorize bonds for over \$16 million if they construct Phase I and Phase II. Mr. Sprenger said Phase II has fairly well self contained components and staff's recommendation is to not go forward with it at this time, but it will be bid as an alternate at the first bid opening in June when we will know more what our situation will be financially. We could decide to secure more financing at that time.

Mr. Williamson moved approval of Phase I Scheme as outlined in the Proposed Phase I Scheme Memo and also authorize the creation of Task Orders for Construction Documents

on Bid Package III, which is the shell, and Bid Package IV, which is the finishes and equipment, as well as authorizing staff to begin the process required to finance up to \$16 million on the terminal project through bond financing. Mr. Kelleher seconded the motion and all the board members voted aye. It was a unanimous decision to approve the motion.

Mr. Roehm thanked Mr. Sprenger for putting together a very complex presentation that was understandable and straightforward. He said Mr. Sprenger did a great job.

The seventh agenda item was to review airport outreach and public relations measures.

Mr. Mathis said he forwarded a list of what we consider to be our outreach in public relations efforts and they are ongoing. He said we review them from time to time. Our biggest and most effective outreach is our website with 20,000 unique sessions per month. We know it is effective because it has cut down on the number of phone calls we receive and the airlines have reported the same thing. The amount of information is very important. We recently updated the website and it is much easier to update from the office.

Mr. Mathis said we are always looking for additional measures that are valuable to the flying public. He said we've received very few complaints about people not knowing what is going on at the airport, from the board publishing the agendas, individual discussions the board members have with constituents and members of the flying public and input the board has, which is very valuable. Mr. Roehm said this was generated because of Mr. Kelleher's report on the meeting at Big Sky where Mr. Sprenger made a presentation. Mr. Roehm questioned how we coordinate and said he asked Mr. Mathis five questions. 1. Are our marketing goals based on our strategic plan? 2. Do we have a marketing budget? 3. Are mechanisms in place to track our return on investment? 4. How do we know what our traveling public and communities think? 5. Do we place too much stock in press coverage?

Right now as a board we have an objective of letting the public know how and what we're doing.

Mr. Kelleher asked about the possibility of releasing a DVD with MSU's College of Communication, something we could get a break on producing that we could send out to chambers of commerce in the region and people interested in the airport.

Mr. Mathis said the airport has cooperated with several and the most recent one cost \$20,000. He said they were very disappointing. He got many copies and handed them out to every school in the county and showed them frequently at meetings. His opinion is that it wasn't worth the effort and cost. They can't be updated quickly and are costly.

Mr. McKenna said we just approved moving forward with the terminal expansion and maybe the average person on the street may wonder why. He said maybe we could use e-marketing or some of the current technology to tell the community we're investing in the future. He said he agrees with Mr. Mathis regarding CDs but he doesn't think we can ever quit telling our story. He said the general aviation and the commercials sides are both great stories and suggested allocating some funds for marketing the airport.

Mr. Mathis said that not too many years ago he put a line item in the budget for marketing and the airlines came unglued. He said they want to do their own marketing. He said Mr. McKenna made a good point because you have to look at the whole facility, not just the commercial side. He said we have to let the community know the impact of the facility, the number of jobs it creates, the payrolls and economic impact it has on the community.

Mr. Roehm said he learned we are doing more than he realized.

Mr. Sprenger said he forgot to ask the board to authorize Morrison-Maierle to put out to bid, Bid Package I (site work) with an expected bid opening on April 9th. This was item #3 on the project agenda he gave them. Mr. McKenna asked about funding and Mr. Sprenger

said we've received a grant from the FAA. Mr. McKenna asked if we will lose the funding if we don't do it and Mr. Sprenger said we would.

Mr. Williamson moved to authorize Morrison Maierle to put out to bid, Bid Package I. (site work) with an expected bid opening on April 9th. Mr. Kelleher seconded the motion and it was a unanimous decision to approve the motion.

The eighth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that passenger boardings for January were 27,527, which is down 5.5% from 29,118 passengers in January 2008 but it is above the 2007 numbers. Mr. Sprenger also reported that in January there were 611 air carrier operations, 985 air taxi, 1,847 itinerant general aviation (GA) and 14 military, for a total of 3,457 itinerant operations. Local GA operations were 2,647, for a total of 6,104 tower operations, up 8.5% from last January. Mr. Sprenger said there were 231 landings of corporate aircraft weighing 12,500 pounds or more, down a substantial 31.7% from January 2008.

Mr. Sprenger also reported that he was in Las Vegas the last two days meeting with Allegiant Air. He said they are pleased with the Las Vegas service and if it continues to do well, they may consider other destinations, possibly as soon as early fall.

He said we are getting the third quarter revenue reports from last year and for the first time ever for the third quarter, airline revenues at Gallatin Field exceeded those at the Billings airport. We boarded fewer people and they paid more. He said he was surprised to see that the revenues came in that strong even with the addition of Frontier in the market. Mr. Sprenger said that is why we continue to get airline seats while most airports our size are seeing decreases of 15 to 20%.

Mr. Roehm asked if Mr. Sprenger is comfortable with the way we review our ups and downs with the airlines and asked if we are tracking enough things. Mr. Sprenger said we

are tracking everything under the sun that generates revenue for the airport. He said for January, rental car revenues were down 3% for on airport car rentals, the gift shop was down 15% but the parking lot was up 15%, primarily due to Allegiant Air, which is generating a significant number of local travelers, plus the parking lot rate increase that was implemented last year. Mr. Sprenger said the parking lot revenue for January offset any other declines of any other concessions within the terminal.

The ninth agenda item was the Director's Report – Ted Mathis. Mr. Mathis said he will be out of the office quite a lot between now and May 31st and asked the Board to authorize Mr. Sprenger to sign checks. He said he and the board members are signers now and that anything over \$20,000 requires two signatures. He would appreciate it if the board would allow Mr. Sprenger to sign checks with the same restrictions until the new airport director is in place on May 31st, which is his last day.

Mr. Williamson moved to add Brian Sprenger to the check signing card to the extent of \$20,000, along with Ted, until May 31st. Mr. Kelleher seconded the motion. It was a unanimous decision with all the board members voting aye.

Mr. Mathis reported that the final public hearing on the Interchange Environmental Assessment will be held on February 24th. A copy of the final document is available on Gallatin Field's website and in the Gallatin Airport Authority office if anyone wishes to look at it.

Mr. Mathis said as an item of interest with tracking operations that generate revenue, there are 35 corporate jets scheduled to land today between 3 p.m. and 7 p.m. Hertz has 60 reservations and 25 of those are for Yellowstone Jetcenter and 10 are for Arlin's Aircraft Service. Mr. Mathis said this is probably due to President's Day. He believes these flights

are coming in early so they don't have to schedule with the FAA, which they would have to during the holiday and weekend.

The tenth agenda item was to consider the bills and approve them for payment. Mr. Mathis said the Northwestern Energy bill was \$ 38,536.81 and Mr. Roehm said utilities are a consideration for the new building.

Mr. McKenna moved to pay the bills and Mr. Kelleher seconded the motion, which carried unanimously with all board member voting aye.

Mr. Roehm thanked everyone for coming and the meeting was adjourned at 4:49 p.m.

Richard R. Roehm, Chair