

The regular monthly meeting of the Gallatin Airport Authority was held July 12, 2012 at 2:00 p.m. in the Airport Conference Room. Board members present were Kendall Switzer, John McKenna, Ted Mathis, Kevin Kelleher and Carl Lehrkind. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director and Cherie Ferguson, Office Manager.

John McKenna, Board Chair, said we have a new board member today. He said he appreciates the deliberations the County Commissioners had to go through and the work they put into choosing a board member. He believes they recognize that this board has great value to the community and have blessed us with good folks. Mr. McKenna welcomed Kendall Switzer, our new board member.

Mr. Switzer thanked the Commissioners for their support and the confidence they placed in him to be part of this great team. He said he is a Bozeman native and graduated from high school in 1979. He then went into the Naval Academy and then flew with the Marines for eleven years. He knows board member Carl Lehrkind who was also in the Marines. After eleven years, he retired and went to work at Martel Construction for ten years as the Safety and Personnel Director but continued to fly F-16s with the Air National Guard.

After 9/11, he went on active duty with the National Guard and after retiring, is still affiliated with them part time as Chief of Staff of the Montana Air Guard.

Mr. Switzer is married and has three grown children.

Mr. McKenna said Mr. Switzer was a member of the Blue Angels as well and is happy to have a quality individual on the board. He welcomed Mr. Switzer.

1. Honor Board Member Steve Williamson for twenty years of service to the Gallatin Airport Authority

Mr. McKenna said it has been a great privilege for him to sit on this board with Steve Williamson who he could always count on to look at things with a little bit of a different perspective for the airport and the community, and more specifically watching our money. Steve Williamson completed 20 years on the Gallatin Airport Authority Board.

County Commissioner Joe Skinner gave a plaque to Mr. Williamson on behalf of the Gallatin County Commission and all the residents of Gallatin County in honor of his service from 1992-2012.

Mr. Skinner said the Commissioners were very appreciative of Mr. Williamson. The airport is a great facility and Mr. Williamson had a big part in it. They are very thankful for his service.

Sue Leigland, former board member, thanked Mr. Williamson and said he was always a very sensible board member and always stuck up for her. She said the airport was beautiful when she left and is even more beautiful now, thanks in part, to Mr. Williamson.

Richard Roehm, also a former board member, thanked Mr. McKenna for the opportunity to speak and said twenty years ago the County Commissioners made a really good decision when they appointed Mr. Williamson to the Airport board. He joined Bob Taylor, Jim Taylor, Sue Leigland and Mr. Roehm and fit right in because he was an excellent board member. Even though it was difficult for him because he is a CPA and work took up a lot of his time, he took time to attend the meetings and was always knowledgeable and made cogent remarks.

Mr. Roehm thanked Ted Mathis for being the Airport Director and said the board knew the airport would expand but not how much. He said Mr. Mathis probably knew. Looking back, they now know the number of passenger enplanements grew from 150,000 to

over 400,000. We went through five different terminal expansions and went from 40,000 sq. feet to over 200,000 sq. feet, which took a lot of money.

They built a new control tower because of the increased air traffic. Most of the board members, including Mr. Williamson, were aviators and wanted to work with general aviation (GA). If anyone had a problem, they all talked it over because they are kind of a family. If one member had a problem, they would all circle around him.

Mr. Williamson brought an appreciation of how to spend money to the board, and his philosophy is, if you don't have it, you don't spend it. Mr. Roehm expressed thankfulness to Mr. Williamson when they got the bonds for the \$40 million expansion. They also acquired over 600 acres of land, went through two major law suits and funerals of two board members during the twenty years.

He said Mr. Williamson has a unique ability to spot a problem on a spreadsheet from across the room. Mr. Williamson has been a wonderful asset and Mr. Roehm thanked him from the Board, the residents of Gallatin County and the flying public.

Mr. Mathis told Mr. Williamson it has been a distinct pleasure to serve twenty years with him and that Mr. Roehm pretty much said it all. He said Mr. Williamson was a great board member and someone they could always go to when they had questions regarding finances and budgets. He and Brian Sprenger, Airport Director, presented a plaque to Mr. Williamson "In Appreciation for Twenty Years of Dedicated Service to the Flying Public of Southwest Montana as a Member of the Gallatin Airport Authority Board from 1992-2012."

Mr. Sprenger said Mr. Williamson was involved when the bear came. The bear is something people remember about this airport and they should remember Mr. Williamson because of his involvement. Mr. Sprenger gave Mr. Williamson a small bear statue.

Mr. Williamson said he was overwhelmed and he appreciated all the fine words. He said he basically enjoyed the twenty years he was on the board. It gave him the opportunity to give back a little to the GA community and helped with his passion for aviation. He has been able to serve with some fine board members and he believes they have done an exceptional job for the flying public with the terminal expansion. He thanked everyone who came to honor him.

2. Review and approve minutes of regular meeting held June 14, 2012

Mr. McKenna said he had asked that the slate of officers be listed in the minutes and that the board members had a draft copy of his requested change. The other board members didn't have additional changes or corrections.

MOTION: Carl Lehrkind moved to approve the minutes with the addition of the election of officers. Kevin Kelleher seconded the motion and all board members voted aye. The minutes were approved.

3. Public comment period

Mr. McKenna said there was a public signup sheet for anyone wanting to comment on items that were not on the agenda. He said the public could comment on agenda items at this time or when the agenda item is being discussed.

4. Report on Audit Review Process – Troy Watling

Mr. Watling said Junkermier, Clark, Campanella, Stevens PC (JCCS) was engaged to audit the financial statement of Bozeman Yellowstone International Airport for the year ended June 30, 2012 and he thanked the board for the opportunity to do the audit for another year. Professional standards require that they provide the board with information related to the audit. He said they appreciate having this opportunity to meet with the board since a two-way dialogue can provide valuable information for the audit process.

Mr. Watling read their responsibility under the U.S. Generally Accepted Auditing Standards and told the board what they will consider and test as part of their audit. He also informed them of the planned scope and timing of the audit, taking into account internal controls, assessing risks of material misstatements of the financial statements, and if there are any material misstatements on the financial statements, why they have occurred. They expect to begin their audit on approximately September 10, 2012 and issue their report on approximately October 31, 2012 so the audit will be ready for the board's approval at the November meeting.

He said they will have to do A133 reporting because the Airport Authority has received more than \$500,000 in federal funds. They will also have to perform additional testing due to Airport Improvement Project (AIP) and American Recovery and Reinvestment Act (ARRA) grants.

Mr. Watling asked if the board would like the audit to be reviewed by an independent auditor to avoid having a material misstatement of the audit and said it hadn't been necessary when Mr. Williamson was on the board because he is a CPA. The board would like an independent auditor to review the audit and management can determine who that would be.

Mr. McKenna said the board is looking forward to receiving the audit report.

5. Consider Insurance Proposals

Scott Humphrey, Assistant Airport Director, said the board was given a handout with the insurance matrix and coverage. He said the Airport Authority had put out an RFP in May. Three agencies submitted proposals by the deadline on June 11, 2012. Those three were: Central Insurance Agency, First West and Western States.

Our current insurance coverage costs \$103,584. After staff considered the bids, they recommended having Property Insurance through Western States Insurance at \$53,511; Auto/

Inland Marine, General Liability, Directors and Officers, Crime and Law Enforcement through First West at \$31,957. Our savings with this proposal is approximately \$18,000 over current coverage.

Mr. Lehrkind asked how often we get proposals for insurance and Mr. Humphrey said we get them annually but can extend for two terms.

MOTION: Mr. Mathis moved to approve the selection of Western States for Property Insurance and First West for Auto/Inland Marine, General Liability, Directors and Officers, Commercial Crime and Law Enforcement Insurance. Mr. Kelleher seconded the motion.

Mr. Switzer asked if this is the same coverage we currently have and Mr. Humphrey told him it is. All board members voted aye and the request was approved without opposition.

Mr. McKenna thanked Mr. Humphrey and suggested that we have a professional consultant to assess our insurance in the future due to our growth in size and complexity.

6. Consider Sick Leave Transfer Policy

Mr. Sprenger said we have had requests from some employees to allow them, under certain circumstances, to transfer sick leave to a person who has a need. He talked to other government agencies our size and to Trent Gardner, our legal counsel. If the policy is approved, his recommendation is to keep it simple.

The State of Montana has a pool system and administration is intensive. Mr. Sprenger also had our flex plan group manager look at the proposed policy and there is not a conflict. It requires board approval and if the board approves it, it will be kept simple.

Mr. Sprenger said the agenda item should be “Consider Sick Leave Transfer Policy for Gallatin Airport Authority”, not just “Consider Sick Leave Transfer Policy”.

Mr. Lehrkind asked what happens to a person's sick leave balance when they retire and Mr. Sprenger said one fourth of it would go to VEBA. Mr. Lehrkind said the County had a sick leave transfer policy at one time but they did away with it because of some issues that came up about who got sick leave and who didn't. His recommendation, if the board approves it, is it can only be used for a long term illness, like cancer. He said it needs some kind of limit. He is opposed to the policy because one bad apple can ruin it for everyone.

Mr. McKenna said this is not a pool and it is not automatic. If you have days and someone is sick, you have the option to give it to them.

Mr. Mathis said employees should use their sick leave as a medical insurance policy and to guard those days because it is a tremendous benefit a lot of people don't get. Since there is a maximum and the type of events are spelled out that would qualify, he would endorse the policy.

Mr. Switzer asked if there had been any requests from employees and Mr. Sprenger said only once. Mr. Switzer said the policy could be significant and asked if we could consider a trial period, like a year. Mr. Sprenger said we would always have the option to opt out but if you open a door, it is harder to close. If you have concerns, you shouldn't open the door at all.

Mr. McKenna said sick leave is money in the bank. If you plan for the worst, then you're okay, but you might find yourself in the situation of trying to be a good guy and becoming the bad guy. Mr. Sprenger said the Authority contributes eight hours per month to each employee, so it is a significant benefit.

Mr. Kelleher said he has always been an independent businessman and has never had a sick leave transfer policy. He is a cancer survivor for three and a half years but would never have made it without help from others. He has the highest regard for our employees

and always asks Mr. Sprenger or Mr. Humphrey if there are any issues. He would accept the policy.

MOTION: Mr. Kelleher moved to approve the sick leave grant policy as an eligibility to receive sick leave grant and eligibility to gift sick leave per the exception noted in the agenda item prepared by staff. Mr. Mathis seconded the motion.

That exception is that the sick leave transfer policy would be just for Gallatin Airport Authority. Ted Mathis, Kevin Kelleher, Kendall Switzer and John McKenna voted aye. Carl Lehrkind voted nay. The request was approved by a majority of the board members voting aye.

7. Consider request by Yellowstone Jetcenter to sublease Hangar ER1 and the building at 305 Aviation Lane to Bozeman Aviation Services

Mr. Sprenger said we had two prior requests by this group to build a hangar that were approved. Since then, space at Yellowstone Jetcenter opened up because Aero Flight School has been discontinued. Constructing a hangar was more expensive than Bozeman Aviation Services realized and this is a good option for them.

Kent Foster, General Manager for Yellowstone Jetcenter, said this group planned to build a hangar but space became available. This prevents one building from being empty and is a win for them and for Yellowstone Jetcenter. Mr. McKenna thanked Mr. Foster.

Mr. Mathis asked if there are other tenants in that building and Mr. Foster said ACM Aviation, Rocky Mountain Rotors and TowHaul Corporation are the current tenants. He said Bozeman Aviation Services asked for a right of refusal when space opened up. Mr. Mathis asked if there is enough parking and Mr. Sprenger said he would have to check on that. Mr. Lehrkind asked if the facilities are sufficient and Mr. Sprenger said they are.

Mr. Sprenger doesn't think TowHaul has been approved to sublet from Yellowstone Jetcenter and he recommended the board approve this agenda item contingent upon the sublease and parking.

MOTION: Mr. Lehrkind moved to approve the request by Yellowstone Jetcenter to sublease Hangar ER1 and the building at 305 Aviation Lane to Bozeman Aviation Services with the contingency that Mr. Sprenger check out parking and the TowHaul lease. Mr. Switzer seconded the motion. Mr. Kelleher asked if the TowHaul sublease would be considered at the next meeting and Mr. Sprenger said it would be. All the board members voted aye and the request was approved. The motion carried unopposed.

8. Consider request by Bozeman Aviation Services to provide Aircraft Sales, Aircraft Maintenance, Aircraft Leasing and Flight Training at BZN

Mr. Sprenger said this is a follow on request and lists the services Bozeman Aviation Services wishes to provide. They are working towards being a Diamond Service Center to maintain Summit's Diamond aircraft. The other services would be related to Combined Air Ventures and converting aircraft.

MOTION: Mr. Kelleher moved to approve the request by Bozeman Aviation Services to provide Aircraft Sales, Aircraft Maintenance, Aircraft Leasing and Flight Training at BZN. Mr. Mathis seconded the motion and all of the board members voted aye. The motion carried unopposed and the request was approved.

9. Consider Educational Display Proposal by the Yellowstone Park Foundation

Mr. McKenna thanked all the people from the Yellowstone Park Foundation and the Yellowstone Association for coming to the meeting.

Mr. Sprenger said the board may recall that they approved the proposal in principle but now will be considering what is acceptable and would work for the educational portion of

Destination Yellowstone, which would be provided by the Yellowstone Park Foundation. The store is operated by the Yellowstone Association. He said the Foundation has incorporated many of the suggestions from the board to reduce congestion yet still provide the displays. Some benefits are that this request could become the benchmark for earlier requests by MSU and the City of Bozeman stipulating reciprocal benefits.

Karen Kress, President of the Yellowstone Park Foundation, Steve Iobst, Deputy Superintendent of Yellowstone National Park, and Jeff Brown, Executive Director of the Yellowstone Association spoke to the board and believe this would benefit us as well as them.

The board members and the interested public went out in the terminal and looked at the spaces that were being discussed. Matt Wren, Special Projects Manager for the Yellowstone Park Foundation, said they would pay to move the fire extinguisher if necessary to accommodate the display. He also said they could put the speakers in the one exhibit and make it an entire unit so it would be easier to move. The speakers are directional speakers and won't stick out. The board members think the concept fits the airport and want to move forward with the realization that some adaptation may be necessary. Mr. McKenna thanked everyone for taking the board's suggestions and coming back with something that works.

MOTION: Mr. Lehrkind moved to approve the educational display proposal by the Yellowstone Park Foundation and Mr. Switzer seconded the motion. All board members voted aye and the request was approved without opposition. Staff will work with the Foundation.

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

Mr. Humphrey reported that tower operations were up by 4.5% for June. Enplanements were up 14.4% and rolling twelve month enplanements were 408,199.

General aviation operations for the last twelve months are showing extraordinary numbers, mainly because of the flight schools, especially Summit Aviation.

Tower operations were 6,404 for June and twelve month rolling tower operations were 82,116, up 15% from last year. We had 19% more available seats for the airlines so overall load factors were down a little. Allegiant Air's load factor was 93.8%, which is up 7.7% due to the Oakland service. Delta's was down 5.2% to 68.8%. Frontier is up 0.2%, which is encouraging because they are flying A319s now. Fuel dispensed is up 2.5% for May.

Mr. Humphrey reported that there will be 15% more available seats for July over last July.

11. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the New York service has about an 80% load factor for both inbound and outbound traffic for the summer season. The winter schedule is approximately 30% booked this far out. The bookings are mainly for groups that book early so some flights are almost full while others are almost empty.

Mr. Sprenger also reported that last Sunday we had a record 2,500 enplanements. We had more tower operations here from January through May than Reno, NV, but the mix is much different.

Mr. Sprenger reported that we are seeing some struggles by United/SkyWest handling the four or five flights around the noon timeframe. He said staff has been making some suggestions but have been frustrated.

Mr. Sprenger also reported that we have had about three flights a week requiring customs services. The hangar request by Sunbird Aviation has lapsed and Gregg Fuller said they are adding a restroom in hangar 114, where they are currently located.

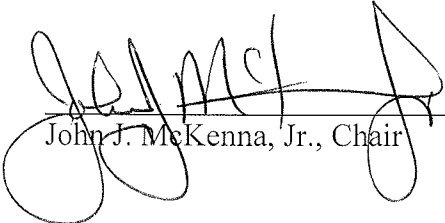
12. Consider bills and approve for payment

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. Mathis seconded the motion. The motion carried unopposed and the bills will be paid.

13. Adjourn

The meeting was adjourned at 4:05 p.m.



John J. McKenna, Jr., Chair