

The regular monthly meeting of the Gallatin Airport Authority was held February 8, 2007 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Deborah Dietz, Greg Metzger and Steve Williamson. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Administrative Assistant.

The first agenda item was to review and approve the minutes of the regular meeting held January 11, 2007. Deborah Dietz moved to accept the minutes as mailed, Greg Metzger seconded the motion and it passed unopposed.

The second agenda item was the public comment period. Larry Watson, the County Grants and Contracts Administrator, gave the board an update on the I-90 interchange planning process. He said the County Commissioners and Representative Sinrud met with the Montana Department of Transportation (MDOT) about 2 weeks ago to discuss the master Memorandum of Understanding (MOU) with Gallatin County and the MDOT. On Monday, Scott Bell from Morrison-Maierle, Darryl James from HKM Engineering and he met with departmental staff to discuss Mr. Watson's first cut of the interlocal agreement. The local planning committee will meet with Ted Mathis, Scott Bell and him in the Bridger Room in the airport terminal at 2:00 p.m. on February 26th to discuss the interlocal agreement at greater length. Board members may attend if they wish.

He said they hope to finalize the MOU and begin to circulate it to the airport board, the City Council of Belgrade and the County Commissioners for comments. After receiving feedback, he hopes to present the interlocal and state agreements at one of the airport board's regular meetings, possibly near the end of March or the first part of April. He said they hope to address who pays, how much and what kind of controls they have of governing phases. He said there needs to be flexibility because they don't know if Alaska Road will be annexed

into the City of Belgrade or if the developers will pay the county. He said that the figures from the spreadsheet Mr. Bell presented at the last meeting have been put in the interlocal agreement breaking the project into 4 major areas of improvements: the airport bypass, Frank Road, Northern Pacific and Alaska Frontage Road and designating which of the 3 local parties is responsible for each. He said there will be a time line with a number of milestones where the project will stop until all parties have given approval to proceed. He said that they will put in every possible leverage and control at the local level and then carry that language into the MOU with the state department. He said the County Commissioners plan to go to Washington D.C. to lobby for funds for the project.

Richard Roehm asked why the county has chosen this interchange location rather than one to the west of Belgrade. Mr. Watson said that the funding they have tapped for the project is intermodal and requires enhancing two types of transportation, which raises the priority for receiving federal funds.

John McKenna, board Chair, thanked Mr. Watson on behalf of the board.

The third agenda item was to continue consideration of extension of Overland Express, Inc. Food and Beverage Agreement. Ted Mathis said that Brian Sprenger and he have met with the proprietors of the Overland Express in the last month and have made good progress in a number of areas. He said some promises have been made and some have already been fulfilled. Mr. Mathis recommended the board extend the agreement for a year. He said that if the board approves the recommendation, the minimum annual guarantee (MAG) will be raised from \$65,000 to \$67,500. Mr. Roehm moved that they offer a one-year extension of the Overland Express, Inc. Food and Beverage Agreement under the terms negotiated by the Airport Director. Mr. Metzger seconded the motion.

In discussion, Mr. McKenna said that last month Mr. Mathis had expressed some concerns and he asked Mr. Mathis if the concerns were documented and if there is a way to know if they had been addressed before the end of this extension. Mr. Mathis said he wrote up a checklist and will conduct a quarterly inspection of the facility. All the board members voted aye and the motion carried.

The fourth agenda item was to continue consideration of extension of Sharbert Enterprises, Inc. Agreement for the Operation of Gift Shop Concession in the Gallatin Field Terminal Building. Mr. Mathis said that at the last meeting the board agreed to allow staff to negotiate an agreement with Sharbert Enterprises for the board's consideration. He said that Sharbert Enterprises has done a tremendous job for the flying public and since then, they have negotiated areas they are willing to participate in. He said that currently they are paying 14.25% of gross gift shop sales and 10% of snack bar sales, with a MAG of \$92,000. Over the next 3 years, if the board approves the extension, they will pay 15% of gross gift shop sales, with a MAG of \$105,000. They currently purchase their food items from the Overland Express and they would like the board to agree to allow them to purchase their own food items if the Overland Express is no longer a concessionaire at the airport. Mr. Mathis said he believes that is a fair request and he recommended that the board approve a 3-year extension of their agreement with those changes.

Mr. Roehm moved acceptance to offer a three-year extension to Sharbert Enterprises under the terms negotiated and Mr. Metzger seconded the motion.

Steve Williamson said the food and beverage concessionaire and the gift shop concessionaire have been mutually exclusive and he asked if we are creating a legal problem by allowing the gift shop concessionaire to purchase food items. Mr. Mathis said that according to the current concessionaire agreements, it would be a problem. But this would

take place only if the current food and beverage concessionaire left. Mr. Williamson thinks it could be a detriment when we request food and beverage concessionaire bids in the future. He said it would make the agreements cluttered by allowing the gift shop to purchase food in the security area.

Bert Hopeman, owner of Sharbert Enterprises, said he had talked to Mr. Mathis and Mr. Sprenger and they discussed pros and cons. He said some reasons he would like the change is because the restaurant marks up the food items and that is passed on to the flying public, he would have greater control and flexibility on what is offered, he could be more creative and possibly increase sales. He said the Airport Authority receives 10% of sales from the snack bar and that could be increased. He said that Sharbert Enterprises has a luncheonette at Lewis and Clark Caverns and he believes that experience helps him to be qualified to operate the snack bar operation. He said he would be pleased to do as the board wishes and thanked them for giving him the opportunity to speak.

Mr. Sprenger said it is true that the change in agreements could affect future restaurant proposals. He said that when this was done, Sharbert was willing to take the risk to go into the sterile area, which was an unknown as it hadn't been done before. He said that Sharbert made it possible for people to purchase food items and gifts inside the security area. He said that the agreement between the two concessionaires was established because it wouldn't be financially feasible for both concessionaires to have employees in the secure area and Sharbert was willing to make it happen. At that time, Overland Express had the exclusive right to sell food in the airport. He said that Sharbert is not trying to change that part. They want the flexibility to make their own decisions inside the checkpoint regardless of what is happening outside. He said that with the terminal expansion, we may have more food and beverage concessionaires and we may need to separate these in the future.

Mr. Metzger said he disagrees with Mr. Williamson and believes it would be better if there were competition. He said that having higher prices is doing a disservice to the flying public. Ms. Dietz agreed.

All board members voted aye except Mr. Williamson, who voted nay. The motion carried and the negotiated terms will apply during the 3-year extension period.

The fifth agenda item was to consider the request by the Schaefer Family Trust to transfer their Non-Commercial Hangar Ground Lease Agreement for Hangar #68 to Evert Wierda, E W Aircraft LLC. Mr. Mathis said the hangar is in good condition and the rent is current. Mr. Williamson said an LLC operates as a partnership. Mr. McKenna said that if they want to have a commercial operation in this hangar, they will have to come back to the board.

Mr. Roehm moved to approve the transfer; Mr. Metzger seconded the motion, which carried unopposed.

The sixth agenda item was the Master Plan project update – Scott Bell. Mr. Bell introduced Michael Spitzer and David Nafie from RS&H and said they would make a PowerPoint presentation.

Michael Spitzer said that they were invited by Scott Bell to participate in planning how to expand the terminal as part of the Master Plan update, Chapter 4. He said that last month they completed task 1 and that this month they are working on task 2, refining and evaluating the alternatives. He said they have narrowed it to 2 or 3 concepts and are looking for comments from the board.

He said that the goals and objectives are to double the capacity from 6 gates to 12, to accommodate going from 350,000 enplanements to 700,000, which is about 1.4 million passengers, to centralize baggage and passenger screening and accommodate future

expansion. The apron, terminal and parking lots are in good shape but the parking lot needs to be expanded now. They want to minimize the impact of construction during the expansion phases, expand and use as much of the existing structures as possible, make the development scalable, construct arrival and departure curbs and try to separate arriving and departing passengers. They also want to make the terminal user friendly by minimizing walking distances and vertical movement, having the concessions in readily accessible locations and making way finding intuitive.

He said they took the proposed terminal expansion from our current Master Plan to see how it fit the goals and objectives. Because of passenger and bag screening requirements since 9/11, this concept didn't look real favorable. They then began to develop other concepts and have narrowed it down to two schemes. Because of current structures, development to the west is preferred. Scheme 1 has the ability to meet the goals and objectives but it is more costly due to having a dual loop road and elevated roadway. Scheme 2 would have a single roadway loop from the proposed interchange roadway but wouldn't preclude future elevated roadways. It also makes greater use of the existing terminal building.

Mr. Spitzer said we are very fortunate to have Brian Sprenger here. He said he is very astute in understanding the inner workings of the building and the space required. Mr. Spitzer said that the facility has grown in pieces and been adapted to our needs. But staff has asked them to look at what is necessary for the next step.

Mr. McKenna asked what decisions he needs to make now as these changes will take place in the future, possibly after he is no longer a board member. Brian Sprenger said some of these decisions will need to be made sooner because right now we are extremely constrained in the screening check point area and would be very constrained if we had

another airline here. He said that another area that is constrained is the ramp space. He said that Scott Bell, Ted Mathis and he worked on schemes for terminal expansions at the same time RS&H was designing them. He said that there was a lot of similarity in one schematic design. Because of that, they know they are on the right track in developing to the west and knowing the ramp can be expanded to the west. He said that architectural design could start as soon as next year.

Mr. Sprenger said that on the revenue side, the Airport Authority has taken the Airport Improvement Project (AIP) money and set it aside. We have maintained the asphalt surfaces, the general aviation (GA) side and given money for the radar installation. He said we have reserved five years of AIP money, potentially for terminal development. We have set up the current Passenger Facility Charges (PFC) projects to be completed about the time we are ready to start on this. He said we have worked very hard to get all the pieces to come together. Because we have flights to Chicago, Atlanta, Denver, Salt Lake City, Seattle and Boise and they all happen around the same time, it increases the need substantially for development. He said the board will be involved very quickly.

Mr. Roehm asked how much we can afford. The consensus from Mr. Sprenger, Mr. Spitzer and Mr. Bell is that they are working on that for next month. They said that they have to consider all the elements of the project; the access roads, infrastructure, parking, how much can be done in phases and how much of the existing terminal can be used.

Mr. Spitzer said that they will probably recommend scheme 2 and the board will have a chance to decide on that at the next board meeting. Mr. Bell said that the financial side will be a separate chapter to the Master Plan and includes revenues, expenditures, phasing, AIP and PFC funds.

The board thanked them for their presentation.

The seventh agenda item was to consider capital improvement projects for the summer construction season. Mr. Mathis said the first items he would address are projects that are eligible for federal funding. He said he has talked to the Airports District Office in Helena and the FAA concurs that the projects are eligible for AIP funding and are good, worthwhile projects.

The first project is to construct a runup and deicing pad at the west end of Taxiway "A" similar to the one near the end of Runway 30. He said it is big enough for two 757s to pull over and allow a smaller aircraft to taxi past. He said we would also have a service road for the deicing trucks, tugs and snowplows. He said we would tie the ramp to the old Dry Creek Road with a short road so law enforcement and airport service vehicles could keep out of the movement areas and off the taxiways. The estimated cost for this project is \$500,000.

The second project is the airline apron, which we need to do now. We need the space as SkyWest will fly as United Express twice a day instead of once and we will have more overnights. Part of the apron will be concrete and part will be asphalt. The estimated cost for this project is \$1.8 million.

The third project is land acquisition. He said we are still working on acquiring parcel #55. The appraisal is done. The estimated cost is \$500,000.

The fourth project is building additional taxiways. We already have requests for additional T-hangars and need the taxiways in the east hangar area. The estimated cost is \$600,000.

The next project he mentioned was rehabilitating the taxiway lighting. He said it was installed in 1988 but recently there has been a breakdown in the wire and some of the electricity has been going to ground. The conduit is already in place. We would put in LED lights. The estimated cost of the project is \$400,000.



Mr. Mathis said this totals \$3.8 million, of which 95% is fundable. We would use this year's entitlement of \$2.3 million plus the carryover we loaned to the Sidney airport last year. Our portion would be 5%. Mr. Mathis said we would like to do all these projects this year because they are necessary and it is also the last year of the current AIP program. It is uncertain if we will be able to carry any funds into the next program.

Mr. Metzger moved to accept the AIP projects as presented. Mr. Roehm seconded the motion and it passed unanimously.

Mr. Mathis said there are also some non-AIP funded projects he would like to do this summer. There are sufficient funds in the budget to pay for them. One is the extension of the sewer and water line in the east hangar area to accommodate future hangars. The estimated cost is \$112,000.

Another project is the Spain Ferris Ditch extension so we can continue to water the Sande property and retain our water rights. We rerouted the ditch last year and the part of the ditch in the operation area was dry, so we can use the canal for a utility corridor. The estimated cost is \$60,000.

The next project is to insulate and reroof the old terminal building at an estimated cost of \$120,000. The cost of replacing carpet in the new terminal building in Phase I is \$75,000.

The board had already approved the budget, but because some of the projects are different, Mr. Williamson moved to approve the non-AIP funded capital improvement projects for 2007. Ms. Dietz seconded the motion, which carried unopposed.

The eighth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that in January there were 668 air carrier operations, 880 air taxi, 1,985 general aviation itinerant and 16 military, for a total of 3,549 itinerant

operations. Local GA operations were 1,788, for a total of 5,337 tower operations, down 19.1% from January a year ago. This is still the 2<sup>nd</sup> highest January record. There were 334 landings of aircraft over 12,500 pounds, up 34.7% from January 2006.

Mr. Sprenger reported that passenger boardings were 27,215, up 2.2% over last year's capacity impacted month and also beat the previous January record set in 2005 by 36 passengers. He also reported that United Express has announced a second daily non-stop to Chicago for the summer. Delta will also provide service to Atlanta four times a week.

Mr. Metzger asked what we can do to lower our fares to keep people from driving to Billings or Salt Lake City. Mr. Mathis said having a low fare carrier operating out of Gallatin Field would possibly help. He said we are filling our seats at this rate and there is no reason for the airlines to lower their fares. He said we are doing everything we can to keep rates low. Mr. Sprenger said we encourage competition. Because of support from the Bozeman community, he is optimistic we will get a positive response from Frontier. If they approve our proposal, he believes they will start operations here near the end of the year.

Mr. McKenna said he would like there to be less time spent waiting for baggage. Mr. Sprenger said they are trying to address that in the terminal design phase of the new master plan.

The ninth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that the radar is on schedule for commissioning at the end of March. The air show committee is working vigorously for the air show on July 28<sup>th</sup> and 29<sup>th</sup>. Mr. Mathis also reported that customs is in the federal jurisdiction and they are dealing with the letter from the governor and our request. He said he met with folks from the Museum of the Rockies and the T-Rex will be in the terminal soon.

Mr. Roehm said there were three fatalities of an aircraft recently. He asked if the radar we are getting would be able to detect aircraft that are below safe Instrument Flight Rules (IFR) levels and would show up in the display in the tower. Mr. Mathis said it would. The board thanked Mr. Mathis for being at the tower and assisting after the aircraft went down. The board extended their sympathies to the families of the three people who were on board the aircraft.

The tenth agenda item was to consider the bills and approve for payment. After review and discussion, Mr. Roehm moved to pay the bills and Ms. Dietz seconded the motion, which carried. The bills will be paid.

The meeting was adjourned at 4:50 p.m.

---

John McKenna, Jr., Chair