

The regular monthly meeting of the Gallatin Airport Authority was held November 14, 2002 at 3:00 p.m. in the Airport Conference Room. Board members present were Yvonne Jarrett, John McKenna, Richard Roehm, and Tom Nopper. Steve Williamson was not present. Ted Mathis, Airport Director, Brian Sprenger, Assistant Director and Cherie Ferguson, Clerk, were present.

The first agenda item was to review and approve the minutes of the regular meeting held October 10, 2002. John McKenna moved to accept the minutes as mailed, Yvonne Jarrett seconded the motion and it passed unopposed.

The second agenda item was the public comment period. The public comments were related to the third agenda item and were held until then.

The third agenda item was to consider the request by Corpat, Inc. to offer Alamo rental cars along with their current National Car Rental franchise. Andy Wilcox, of Corpat. Inc., introduced Steve Jacobsen, also of Corpat. Inc. Mr. Jacobsen said that Corpat is seeking written permission from the Airport Authority to exercise their right to install signage that best represents their franchise's new marketing strategy. They are not seeking new counter space, additional parking, they are not starting a new business, not merging any businesses and not acquiring any businesses. They don't want any terms or conditions to be added to the existing concession agreement. They are simply seeking permission to update their signage to reflect their single franchise's new market strategy.

Mr. Jacobsen said the need for the new signage came about because on November 13, 2001, ANC, Inc. (Alamo and National Car Rental) filed a voluntary Chapter 11 bankruptcy, which flowed from the 9/11 tragedy and spurred ANC to cut costs through the consolidation of National and Alamo brands under a single concession agreement. As a result of the consolidation, ANC licensees were given the option of keeping the existing National Car

Rental franchise and potentially and quite possibly have that franchise rejected by the bankruptcy court and be put on a long list of unsecured creditors or else signing a new franchise agreement with higher fees that requires them to open both the Alamo and National brands. He restated that Corpat was given the option to keep their existing license agreement and have it rejected by the bankruptcy court or to sign this new agreement that requires them to operate both brands. Mr. Jacobsen said that dual branding will benefit their company and the airport by increasing revenues because having Alamo will open new opportunities. National markets to business travelers and Alamo markets to leisure travelers. He also said that objections to their request are due to lack of information. He asked the Board's permission to put up the new signage.

Mr. Mathis asked if there would be separate rental contracts for the two franchises. Mr. Jacobsen said that National is in the process of scrapping their computer system and going to Alamo's Legacy system. Eventually, they will go to one system and have one contract. The only cars in the lot will be National cars.

Steve Jones of Overland West (Hertz), Bruce Bradford of P.C. Rentals (Budget Rent A Car) and Rex Leipheimer of Avis said they believe that it wouldn't be fair to the other franchise operators in the terminal to allow dual branding at this time. They all bid on the basis of the companies existing at the time of the bid.

Mr. Roehm asked when the current contract expires and was informed that it is June 30, 2004.

Peter VanValkenberg then made a rebuttal for National. He said that there are four agreements at the airport, and there still would only be four concessionaires. There is nothing in the agreements that prohibit dual branding. He said they don't want favoritism and that anyone with another brand should be allowed. He said that every company at the

airport has different rates for different kinds of customers. He also said that many airports have allowed National to dual brand.

Mr. Nopper asked what would happen if the Board refuses to allow dual branding; would they close up shop? Mr. Jacobsen said they would try not to. Mr. VanValkenberg said ANC has the right to decide to pull National out of the existing contract if they choose to.

Mr. Mathis said that National and Corpat have been good concessionaires at the airport. The overriding issue is fairness. He said that it was very clear when the car concessions at the airport went out for bid, there were four locations and four concessionaires. By allowing Corpat to dual brand, it won't be fair to the other concessionaires, and he recommended that the Board deny the request.

The Board members were in agreement that bids are different than a mid-stream change. Following further discussion, Mr. McKenna moved to deny the request by ANC for dual branding, Mr. Nopper seconded the motion and it passed without opposition.

The fourth agenda item was to consider the request by PC Rentals, Inc. to transfer the lease on their hangar #91/113 to Stephen P. Connell.

Mr. Mathis said that agenda items four through seven were all requests to transfer hangar leases and suggested that the Board could consider them all at the same time. He recommended approval of the four lease transfers. The Board members agreed to consider them together.

The fifth agenda item was to consider the request by Mike Sidders to transfer his lease on hangar #28/30 to Gene Graff.

The sixth agenda item was to consider the request by Doug Chapman to transfer his lease on hangar #53 to Mike Sidders. Mr. Chapman asked that the Airport Authority either

reimburse him for the land rent he has been paying for additional hangar space adjacent to #53, or that the additional land be included in Mr. Sidder's lease. Mr. Mathis said that Mr. Sidder isn't interested in the additional land at this time. The matter of reimbursement or a credit to Mr. Chapman's account was referred to the Airport Director.

The seventh agenda item was to consider the request by Mark Borden to transfer his lease on hangar #93 to Doug Chapman.

Mr. Nopper made a motion to approve the four hangar lease transfers. The motion was seconded by Mr. McKenna and passed unopposed.

The eighth agenda item was the report on the annual audit. Chairman Roehm thanked Cherie Ferguson, Brian Sprenger, Scott Bell and Ted Mathis for their work on the audit, and asked Mr. Mathis if he thinks that the auditors were thorough and competent. He said the Board is interested in an accurate and thorough check, not just meeting auditing standards. Mr. Mathis said yes, and added that the Fixed Based Operators' audits were fine too.

Tom Nopper said there were no qualifications, it was a clean audit, and recognized the staff for doing a fine job.

The ninth agenda item was the report on passenger boardings and flight operations - Brian Sprenger. Mr. Sprenger reported that in October there were 506 air carrier operations, 696 air taxi, 1,952 GA itinerant and 24 military, for a total of 3,178 itinerant operations. Local general aviation operations were 2,520, for a total of 5,698 tower operations in October, which is down 11.69% from October 2001. There were 110 landings of aircraft over 12,499 pounds, up 15.79% from October a year ago. Mr. Sprenger said that the weather at the end of October this year was worse than last year, plus people were starting to travel after the events of 9/11 last year.

Mr. Sprenger reported that passenger boardings were 18,745, up 4.81% from October a year ago, but down 1.5% from October 2000. October 2000, a record month, was strong due to some September rescheduling because of the forest fires in western Montana. Year to date is up 5.32% compared to the same period in 2001. Inbound traffic rebounded in October 2002, up 1.1% over the record in 2000.

November projections are similar to November 2000, which were greater than November 2001.

The tenth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that the triennial disaster exercise, which was held on October 12th, went very well for us and the other organizations that worked with us on it. Mr. Mathis commended Woody Fogg, who worked very hard to put it all together. Communications between the different groups was a problem in the past, but there were great improvements in that area and it was not a problem this year.

Mr. Mathis also gave a report on the requirements and possibility of having Customs at Gallatin Field. There are two programs available to airports wanting to have Customs; a user fee type and a landing rights airport. The user fee type requires \$129,125 to start, with an annual fee of \$115,400. The airport must provide office space, storage areas, inspection rooms and other space necessary for operating customs. This will provide for only one inspector.

User fee airports don't have enough volume of business to have Customs service reimbursed by the Federal government, the Governor of the state in which the airport is located must approve having Customs at that airport, and the community or airport authority must reimburse the Customs Service for all costs, including staffing a minimum of one full-time inspector.

A landing rights airport must provide office space, storage areas and inspection rooms and other space as necessary for operating customs. Customs pays the inspector's costs. The Governor of the state in which the airport is located must approve Customs at that airport.

The requirements for Customs inspectors has changed since 9/11 so there are fewer inspectors at this time. Customs must be able to provide an inspector before the agreement can be approved.

Mr. Mathis asked for, and received the Board's approval to pursue Customs for a landing rights airport.

Mr. Mathis also reported on the status of Radar for Gallatin Field. Not much has changed since his report in August, except Sensis Corporation has recently been awarded a federal contract for ground surveillance systems at several large airports throughout the United States, so they are less interested in a demonstration project at Gallatin Field.

Gallatin Airport Authority has reached an agreement to purchase five acres plus the existing buildings from Mr. and Mrs. Brandstetter. The Board members had reviewed the terms of the sale and concurred with the purchase.

The AIP projects and other projects are going well, but have recently been slowed by weather.

At Mr. Mathis' request, Mr. Sprenger gave a presentation on some proposed construction changes for the new terminal building. Mr. Sprenger reported that when we relocated the screening checkpoint in June, a dual exit lane at the top of the stairs was proposed. As we pursued the original proposal, we found that the \$170,000 that would be spent addressing the exit control from the secured area might be better spent as part of a long-term solution that would address multiple terminal building issues. Prior to exploring a long-term solution, it was determined that we have 6 major issues in the current terminal

design; congestion between inbound and outbound passengers at the top of the stairs, exit control from the secured gate area, limited to 3 loading bridge capable gates with 4 airlines, no available space for TSA staff needs, limited conference room/training room space and limited expansion area for either an additional airline or an “inline” explosive detection system for checked baggage.

Mr. Sprenger worked with Jamie Lemon of Prugh and Lemon, Architects, to provide a workable solution that would address these issues. The resulting proposal would involve extending the terminal between the Airport Director’s office and the Delta loading bridge stairway. The roof above the Delta holding area will need to be replaced soon and that could be done at this time. The administrative offices would be moved into the conference area and the current offices could become meeting and training rooms. If the need for that area became necessary for security equipment or additional airline space, it would be easier to accommodate that need. A new stairway and elevator would be built into the new area along with an exit control system, which would allow separation of inbound and outbound passengers and control access to the secured area. There would also be additional space on the lower level that could be used as an office or break room for the TSA employees. On the second level, the Delta seating area would be moved into the new addition and space would be available for a 4th loading bridge capable gate.

Construction estimates are \$900,00 to \$1,000,000. \$931,000 is available from AIP (Airport Improvement Program) funds, and PFC (Passenger Facility Charge) funds have been approved to be used for the remainder.

This proposal would address the original exit lane issue and will solve several current design issues, but it likely changes future expansion from a Phase III concourse design to a linear expansion concept. Some of the benefits of linear expansion rather than going to

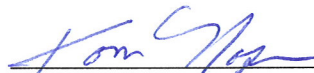
Phase III are that the asphalt ramp won't have to be dug up and filled in with concrete, there will be significantly less impact on airline and terminal operations during construction, substantially less cost (Phase III is much greater at \$5 million to \$6 million), it accommodates the shift in airline service to more regional jets, provides 5 parking spaces with 4 being jetway accessible and future expansion is not limited by proximity to the taxiway. It could also be done now and should accommodate future needs for five to ten years. It also helps that the increased financial burden on the airlines for terminal operational costs is nominal compared to the significant increase with a Phase III expansion.

The presentation was for the Board members to think about, as it is quite a change from the Master Plan's projected Phase III.

Mr. Mathis said if the runway overlay project takes place next year, it will be a good time to upgrade the lighting system on the runway from medium intensity to high intensity and install a runway condition sensing system. The funding is in place with \$2.5 million of discretionary money plus PFC funds for the remainder of the estimated \$4 million project. Mr. Mathis requested authority to proceed. The Board members were unanimously in favor of proceeding.

The eleventh agenda item was to consider the bills and approve for payment. Mr. Mathis said the two new snowplows are in service. The two old trucks were donated to the Three Forks Airport and Gallatin County. They were very appreciative of the donation. After review and discussion of the bills, Mr. McKenna moved to pay the bills and Ms. Jarrett seconded the motion, which carried.

The meeting was adjourned at 4:51 p.m.



Tom Nopper, Vice Chairman