

The regular monthly meeting of the Gallatin Airport Authority was held July 11, 2013 at 2:00 p.m. in the Airport Conference Room. Board members present were Ted Mathis, Kendall Switzer, Kevin Kelleher and Carl Lehrkind. Also present were Brian Sprenger, Airport Director, Scott Humphrey, Deputy Airport Director, and Cherie Ferguson, Office Manager.

The County Commissioners have not appointed a new Board member for the current term, so there were only four board members present at the meeting.

At the last meeting, Kevin Kelleher was elected to be the new Board Chair. He welcomed everyone to the meeting and said anyone wishing to make public comments could list their name and topic on the signup sheet. Members of the public are also welcome to comment on the agenda items when they are being discussed. He asked that they raise their hand, be recognized, go to the podium and state their name before making comments.

1. Review and approve minutes of regular meeting held June 13, 2013

After Mr. Kelleher ascertained that everyone received their copy of the minutes, he asked for a motion to approve or change the minutes.

MOTION: Kendall Switzer moved to approve the minutes from the previous meeting of June 13, 2013. Carl Lehrkind seconded the motion and all board members voted aye. The minutes were approved.

2. Public comment period

There were no public comments at this time.

3. Audit Review Process – Vickie Tischendorf

Vickie Tischendorf, from Holmes and Turner, introduced herself and said they were engaged to do the audit for the Gallatin Airport Authority for the year ended June 30, 2013. She said Auditing Standards require them to inform the board of Holmes and Turner's

responsibilities, scope and timing of the audit. They will perform the audit in conformity with Generally Accepted Auditing Standards (GAAS), Government Auditing Standards (GAS), Office of Management and Budget Circular (OMB) A133 and Passenger Facility Charge Program (PFC) compliance.

For the scope of the audit, the auditors will talk to staff to get some pre-understanding of internal controls to determine what and how much to test. She said they don't look at everything. They look at the financial statements and the transactions under them on a test basis. After they perform their audit, they express their opinion that the financial statements are fairly presented based on GAAS. They look at new balances for the year and make sure they are in the correct year and if they have been approved or should have been approved.

They also check compliance with the grant documents and see if the requirements are being met according to the governing circular. They also check the procedures on PFCs to see if they are being handled appropriately.

Regarding the timing of the audit, they will visit with Cherie Ferguson next week to gain an understanding of the internal controls and practices. They need to do that so they can design their audit procedures. They will do some other preliminary work in their office so they will be ready to do their field testing starting the week of August 26th. Ms. Tischendorf said she anticipates they will have the report ready by October 25th so the board can consider it at the November meeting.

Mr. Switzer asked if the board members can ask the auditors to look at certain areas for them and Ms. Tischendorf said the board is the governing body so they can make requests. The board thanked Ms. Tischendorf. She said Holmes and Turner is excited about working with us.

4. Consider request by Mr. Wayne Edsall to enter into a new 10 year non-commercial lease on hangar 62

MOTION: Mr. Mathis moved to combine agenda items 4, 5 and 6 and offer new 10 year leases to Mr. Wayne Edsall for hangar #62, Mr. Don Profota for hangar #60 and Mr. Brooks Martin for hangar #56 with the condition that the required repairs be made to hangar 56 within sixty days. Mr. Lehrkind seconded the motion. All Board members voted aye and the motion passed unopposed.

5. Consider request by Mr. Don Profota to enter into a new 10 year non-commercial lease on hangar 60

6. Consider request by Mr. Brooks Martin to enter into a new 10 year non-commercial lease on hangar 56

7. Consider New Terminal Access Road Plan – Scott Bell

Brian Sprenger asked Scott Bell, airport engineer, to present the background information on the project. Mr. Bell said the Montana Department of Transportation opened bids on the East Belgrade Interchange this morning and the lowest bidder came in more than \$2 million lower than estimated. He said the award will take place next week if everything that was submitted was acceptable.

Mr. Bell showed two options for directing traffic for airport circulation. One was an intersection and the other was continuous flow, or elongated loop race track. The board members, Mr. Sprenger and Mr. Bell discussed various scenarios and the disadvantages and advantages of the two options. Staff recommended continuous flow and the engineers supported the intersection, although neither staff nor the engineers were leaning strongly one way or the other.

Mr. Mathis was supportive of keeping the pedestrians separated from the vehicle traffic, whatever choice they make. Mr. Switzer and Mr. Lehrkind believe the continuous

flow gives travelers more time to choose the exit point they would prefer. It also eliminates left hand turns. Mr. Sprenger said our Public Safety Officers said there are more serious accidents at an intersection than with the continuous flow, but the number of accidents at an intersection is statistically lower than with the continuous flow. The estimated cost of both options fall within budget. The intersection option of \$1.351 million was about \$150,000 less than the continuous flow.

Mr. Kelleher asked if anyone in the audience would like to comment and Karen Stelmak said people screw up and prefer the quickest way to get back on track. That was one reason she liked the continuous flow. Matthew Bauer said he also agreed with the continuous flow.

MOTION: Mr. Mathis moved that they recommend to staff to go with the elongated loop roundabout race track. Mr. Switzer seconded the motion. All Board members voted aye and the motion passed unopposed.

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

Mr. Humphrey reported that this is the first month since January 2012 that we had fewer passenger boardings when compared to the prior year period boardings, but we didn't have the seats in the market this year.

Mr. Humphrey reported that tower operations were down 10.4%, mainly due to local general aviation (GA) decline. He said he saw that Arlin's Aircraft Service is charging \$6.05 per gallon for fuel. Fuel costs seem to be putting a damper on GA traffic. He said we will see a spike in July because of the 99s' international conference. He said they accounted for 64 aircraft here this morning. Rolling twelve-month aircraft operations were 76,835. Corporate landings were down slightly, 155 versus 169 last June.

Enplaned passengers were down 1.2% with 9,100 less outbound seats than we had in June 2012, which is an 18% reduction. Year-to-date enplanements are up 3.3%. Rolling twelve-month enplanements were 440,203. Deplanements were down 3.2% and year-to-date deplanements are up 1.9%. Airline landings were down 15% because Frontier has gone from two flights a day to one per day and Allegiant is not flying to Oakland. Delta has added a flight to Los Angeles on Saturdays. We are seeing larger gauge aircraft for the summer.

Mr. Humphrey reported that the overall load factor for the month was 84.7% versus 71.6 % for June 2012. In looking back from the year 2000, the highest load factor we ever had for June was 73.6%. Even though the airlines cut 9,100 outbound seats, there are still a lot of seats being filled going forward. Fuel dispensed in May was down 2.2%. Mr. Humphrey believes July enplanements will be fairly flat at 1% or 2% better. We will still be down 4% in seats. Last July we had an 86% load factor. If we hit an 88% load factor, we should be about 2% higher than last July. In August, BZN load factors are usually in the 90 percentiles.

Mr. Sprenger said it is the busy time of the summer and we are putting through 25,000 to 26,000 inbound and outbound passengers per week. He said the load factor Mr. Humphrey reported on was the outbound. Because inbound load factors last year were a little lower than the year before, the airlines allocated fewer seats for the inbound market this year and that constrained the available outbound seats in the market. This June, the inbound load factor was approaching 95%, which is pretty much unheard of. During July, both inbound and outbound load factors for our New York Saturday and Sunday service are 95% to 96%. We are seeing load factors come up and the airlines may increase seats next year.

Mr. Humphrey said Billings starts their runway construction tomorrow morning at 9:00 AM. Their tentative schedule will be from 9:00 AM Friday morning through 6:00 PM

Sunday evening for the next six weeks. We had 2,600 outbound passengers Sunday morning. Mr. Humphrey said we should have a good summer.

9. Airport Director's Report – Brian Sprenger

Mr. Sprenger reported that the bids for the I-90 Interchange were opened this morning and Knife River was the apparent low bidder. He said it was a very positive bid.

Mr. Sprenger reported that the judge granted the motion to dismiss the litigation against the airport on July 9th.

Mr. Sprenger also reported that Alaska Airlines has been approved to begin using RNP 0.11 approaches for Runway 30, which is one of the benefits of Next Gen. This will reduce their minimums on that runway to one mile visibility and a decision height of 300'.

Mr. Sprenger reported that Delta has been shifting their schedules this year and have increased or decreased the number of available seats in the market as they have seen the need. He said they are obviously seeing positive numbers, at least over the holidays, as they have added 300 additional seats for that timeframe.

Mr. Sprenger said he and Mr. Humphrey met with Frontier staff in January to address the lack of connections and long wait times Frontier customers have to make those connections. Most airlines have a maximum wait time of four hours. He said Frontier will change their schedule in early September. Although we are losing two flights per week, the new schedule increases the number of markets that Frontier customers can choose to fly to/from Bozeman and addresses maximum connect times. Mr. Sprenger believes it will be more sustainable long term. We have more flights per week than most of their other markets.

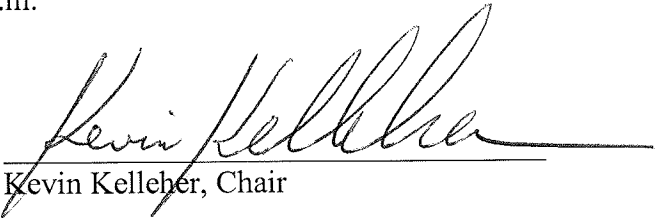
10. Consider bills and approve for payment

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. Lehrkind moved to pay the bills as submitted and Mr. Mathis seconded the motion. The motion passed unopposed.

11. Adjourn

The meeting was adjourned at 3:28 p.m.



Kevin Kelleher, Chair