PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

January 20, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, January 20, 2005 with Chairman Brad Beyer presiding. Those present were commissioners Rich Becker; Clark Cronquist; Dave Molmen, Tim Mutchler; and staff, Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration; Rick Audette, Operations and Maintenance Manager; and Marty Yahna, County Commission Liaison.

The meeting was called to order at 8:00 a.m.

A. Approval of Minutes:

1. December 16, 2004:

Cronquist moved approval of the minutes from December 16. Mutchler seconded. **Action Taken:** Motion carried unanimously.

B. Resolutions:

C. Reports:

1. Year to Date Financials:

Crystal gave a brief overview of the financials to date. The total net revenue for 2004 was $283,898.56. Crystal announced that the audit begins February 14 and will take 4-5 days. Crystal reported that the TSA reimbursement method has changed – now reimbursed through the Coast Guard, but still running 2 months behind. The Capital fund report does not yet reflect ARFF vehicle revenue and expense, and the tax levy payments are not yet received. Cronquist asked about the negative balance in the operating fund. Crystal assured the board that the this was a float issue and is not truly a deficit. Crystal described 2004 as a healthy year.

2. Year End Statistics:

Johnson reported that we were up about 4.00% on enplanements, using the same method as the FAA, which includes charters in their enplanement reports. The Aeronautics Commission report shows that we were up about 3.25% excluding charters. Becker commented it may be an appropriate time to do another leakage study. Johnson will check into cost and procedures involved. Johnson also reported that operations were down 8% , mostly due to University flying activity. Cargo enplanements were up 13% and deplanements were up 18% from the previous year.

3. AIP Projects Report:

Johnson and Synhorst of Ulteig Engineers updated the board on the runway and terminal projects and the ongoing environmental assessment for wildlife mitigation. In a meeting with Ulteig, management has agreed to continue with the environmental assessment (EA). Ulteig recommended that we assess the whole entire half of the airport instead of just the one runway. Acting upon the advice of the ADO, we also agreed to employ Ulteig's hydrologist to determine what has been causing those wetlands on the south half. Johnson also reported that in February, the board will receive a final draft on the terminal study with a number of site alternatives. The first three site choices present no environmental issues. If we decide to build a terminal on the other two sites, the area by Fed-Ex or on the other side of the runway, a terminal EA is required. We would then be encouraged to combine the runway and terminal EA's together, meaning we would have to decide on the terminal site before we proceed with the runway EA. There was a discussion that the possibility exists that the EA could recommend that the best location for the runway would be the site we chose for the terminal. The board discussed the issues surrounding building the proposed runway near or salvage yard property, landfills and lagoons. Johnson stated that the FAA is on record saying that if the landfill is not operating and wildlife issues are addressed, that they pose no objection to the fourth runway. Acquiring this type of property involves cleaning it up, and there was a suggestion that maybe a navigational easement would an alternative. There was other discussion about the size of Bismarck's new terminal and whether capacity may have played a part, and whether additional money was raised locally. Johnson thought that local money is used to expand on what the FAA decides when determining building size. Becker asked if we would be able to build a smaller expandable building. Brad asked Steve to report on the how some of the other ND/MN airports justified their new terminals over the past decade or so, to determine what arguments this authority might make for justifying a new terminal. The FAA is aware of our environmental issues and also wants an EA on north half of airport. They suggested that once that was done, we could try to create drainage from wells rather than cross-hatching the area with drains, which would cut our costs considerably.

4. Terminal Finishes Project Report:

Johnson announced that the contractor has started refurbishing the terminal lobbies, and electricians were needed to improve some wiring. Otherwise everything is on schedule, 4-6 weeks to finish.

5. Terminal Microbial Contamination:

Johnson reported that bids were solicited and a contractor was hired for the cleanup of the basement mechanical room around the foundation of the walls and the Civil Air Patrol room. Cost will be around $3600 for cleanup and removal of the lower sheetrock on a large part of the CAP room. Our custodial staff will be able to apply biocides periodically thereafter. The media will be informed of the issue when the cleanup is complete.

6. Engineering Consulting Selection:

Johnson informed the board that the Airport's District Office in Bismarck has instructed us to solicit to more than one firm for our engineering services, master planning, and environmental projects. They reason that some airports are not getting the best service available by not looking around. This would mean more frequent renewal of the non-federal projects. We are advertising locally for the AIP Projects, General Projects, and Planning, and also through our connections at the AAAE GLC & AAAE Report.

7. Adjust March Meeting Date:

Johnson asked the board to move the March Authority Board meeting from March 17 to March 24, due to the approval timeline of the engineering selection processes. The extra time will also allow us to give an audit report at the next meeting.

D. Discussion:

1. Retreat/Strategic Plan

Beyer asked the board about scheduling a strategic planning retreat. The idea was accepted but a location has not yet been decided. Beyer followed up by asking the board whether they preferred to have a round-table discussion or have a trained professional lead their group in a planning session. After some discussion, the group determined that a professional might not be time effective.

2. Acronyms:

Marty Yahna commented that he would like to see more explanations when we use acronyms in presentations so all will be familiar with them.

Meeting adjourned at 9:05 a.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

February 17, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, February 17, 2005 with Chairman Brad Beyer presiding. Those present were commissioners Rich Becker; Clark Cronquist; Tim Mutchler; and staff, Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration; Rick Audette, Operations and Maintenance Manager

The meeting was called to order at 8:00 a.m.

A. Reports:

1. Year to Date Financials:

Crystal gave a brief overview of the financials to date. The loan to Fed-Ex and the health insurance were incorrect. The audit report will be presented by Brady Martz at the March meeting, which has been scheduled for the 4th Thursday.

2. Terminal Study:

Steve Synhorst of Ulteig Engineers presented the Executive Summary for the terminal study. The issues to be resolved in the old terminal included mold growth throughout the building, roof leakage, differential settlement, line of sight, passenger boarding, potential for basement equipment damage from flooding, outdated electrical and mechanical system, no sprinkler system, code deficiencies, insufficient parking setback, and interior traffic circulation issues. Altogether management and the engineers believe these issues justify a major reconstruction or new construction of a terminal. Cost to rehab the existing building was estimated at $18.3 million. Construction for a new building on the existing site would cost $37.5 million. The Summary also reports Site 2 would cost approximately $46.9 million and Site 3 , $52.2 million. Site 4 with ground parking (4A) was estimated at $29, or $37.6 million with a parking structure (4B). Site 5 with access from Hwy 2 could cost $41.3 million, otherwise $40.6 million with access from County Rd 5. Not all of the construction expenses are FAA eligible, such as revenue generating parking areas. Synhorst warned that it would not be realistic to expect much more than $15-16 million from the FAA. The report recommended Site 4A as the most practical, however the choice cannot be finalized until the EA is completed. Once the EA is complete, the report will be updated and amended with a schedule for moving forward. Sites 1-4 would be excluded from the environmental assessment requirement, however Site 5 would require such an assessment. The updated report will also include funding breakdown. Jim Young from URS spoke to the group about the layout of the existing terminal building and the likelihood of resolving it's issues with renovation. Safety, passenger flow, parking inefficiency, undersized restrooms, restaurant and gift shop were some of the issues he pointed out. A $6-7 million 60,000 sq. ft. expansion was researched, but not recommended. It would not resolve many of the issues, and it would not be good long term solution. The $18.3 million - 20 year rehab program renovation project would resolve more issues, but still would not deal with the parking security and lack of space between runways and air space between UND and the general aviation area. The board asked what the timeline was for resolution on the landfill and the fourth runway, so the terminal plans could move forward. Young believes that it would take over a year to complete the environmental assessment for the runway, and eighteen months to two years to get the conceptual plans designed and approved. Once funding is in place, he said to plan on another year for assembling the plans and specs. Construction would probably not begin until 2009 or 2010 with a duration of at least eighteen months. The consensus of the board was Option 4A. Rich Becker asked what the board needed to do next. Beyer replied that unless there were objections to this Executive Summary Report, we will be waiting until the runway EA is complete. The board was reminded that the FAA's funding formulas and programs could change at any time and if it does the costs would have to be reevaluated. Rich Becker asked about creating a retreat and strategic planning session so the board could study the consultant's report in detail. Johnson said he and Crystal could run the numbers to compare options for feasibility.

3. Engineering Selection:

Johnson reported that the Request For Qualification (RFQ) advertisements have been attracting engineers who are interested in providing services. The deadline for AIP and non-AIP RFQ submissions is February 21. The master planning environmental RFQ deadline is March 8. Chairman Beyer will appoint an evaluation committee.

4. Leakage Study:

Johnson reported that he had contacted two firms that perform leakage studies. The Boyd Group analyzes potential market and whether or not we would be able to achieve it and if so, how. They indicated that they would not provide information as to where we were leaking to, just how much and what we should do about it. Their fees would be $15,000 - $18,000. The SH&E firm is prepared to do more of a classic leakage study. They would buy ticket sales information through clearing houses for our area, which would be much more specific. This would cost us $14,500. Johnson also presented a third option, which may be to go directly to Northwest for leakage data, however, it is specific only to their airline. After some discussion, Cronquist reminded the board that there probably aren't any options about what could be done about such a leakage anyway, unless Northwest fixed their prices to compare to the Fargo airport. Rich Becker suggested adding this subject to discussion list for when they have their retreat.

5. MacKay/Parking Pay Stations:

McKay has been served notice that we are filing suit to collect on our Parking Pay Station project. Our attorney learned that McKay has other legal issues which makes our case look futile. Johnson recommended to the board that we drop our efforts for collection. Cronquist moved to accept that recommendation and abandon the McKay efforts. Motion seconded by Becker. **Action taken:** Motion was approved unanimously.

B. Discussion:

1. Sun Country Deicing:

At Becker's request, Johnson described a problem that has become apparent about deicing certain aircraft. Northwest airlines does not ground handle any planes for Sun Country Airlines, due to a sharp disagreement between the two airlines. Johnson said Brent Siefert from GFK Flight Support has been working with the Airport Authority to put together a ground handling team for those planes that Northwest refuses. The availability of deicing those certain planes has been an issue, since Sun Country will not fly into GFK until this service is guaranteed to be available to them. Johnson expressed concern that we were losing those flights, and that something needs to be done to resolve this issue. Brent Seifert from GFK Flight Support wondered how many flights from Sun Country would warrant spending $60,000 on deicing equipment and suggested doing research to try to come up with other possible options.

Meeting adjourned.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

March 24, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, March 24, 2005 with Chairman Brad Beyer presiding. Those present were commissioners Rich Becker; Clark Cronquist; Tim Mutchler; and staff, Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration; Rick Audette, Operations and Maintenance Manager and Marty Yahna, County Commission Liaison.

The meeting was called to order at 8:00 a.m.

A. Resolutions:

1. Selection of Engineering Services for AIP Projects:

Johnson reported that the selection process for the AIP engineering services is complete. Two firms were interviewed and rated: Ulteig Engineers and Kadrmas Lee & Jackson/Advanced Engineering. The selection committee unanimously recommended selecting Ulteig Engineers as service provider for the AIP projects for 2005-2009. Mutchler moved to accept the selection committee's recommendation to hire Ulteig for AIP engineering services. Cronquist seconded**. Action Taken:** Motion carried unanimously

2. Matter of Parallel Runway EA:

Johnson informed the board that the environmental assessment for the parallel runway is not on this year's project list. He recommended to the board that in order to save time, the authority should go ahead with the EA project and pay for it out of the reserve account until next year when we would submit the project's grant application for this reimbursement. Becker moved to pursue the EA for the fourth runway this year. Mutchler seconded the motion. **Action Taken:** Motion carried unanimously.

3. Terminal Finishes Change Order:

Johnson asked the board to approve a Change Order for the terminal remodeling and went over the items on the $6270 Change Order. The last item on the Order for the floor covering can be completed by our staff, so would be subtracted from the list. The total amount would then total about $4800. Although Johnson can approve change orders under $5000, he asked the board's approval regardless. Motion by Mutchler to approve the Change Order less the floor covering charge, so the cost is not to exceed $4,799. Motion seconded by Cronquist. In discussion, Becker went on record to say he was disappointed in the overall project management and the length of the time the airport has been under construction. **Action Taken:** Motion carried unanimously.

4. Old Tower Lease Agreement:

Johnson reported that the Authority has been contacted by the FAA about leasing the old tower that sits by the UND complex. When the Automated Flight Service Station (AFSS) closes, the airport will lose it's backup weather observation service. The FAA and/or the National Weather Service has inquired about negotiating a lease for that facility, in order to place an individual or team as the new backup to our automated weather system. The AFSS is expected to close sometime between April 2006 and April 2007. Johnson does not know when the lease would be signed, but upon signing the lease, he says the lessee would also take over payment of the tower's utilities. Motion was made by Cronquist to allow Johnson to negotiate and sign a lease agreement for the old tower. Becker seconded. **Action Taken:** Motion carried unanimously.

5. Fed-Ex Expansion/Improvement Project:

Johnson reminded the board of past discussions about Fed-Ex's working with JLG regarding a possible expansion/upgrade of their facility. JLG's estimate is currently at $500,000. Historically the Authority has agreed to fund expansions for that facility and recover that amount through rent increases. Johnson asked the board for an indication whether this project would be treated the same way. A lease amendment will involve significant dollars and will be submitted at a later date. There were no objections at this point, to add the expansion expense to the Fed-Ex lease. No action taken.

B. Reports:

1. 2004 Audit:

Joe Martin of Brady Martz presented the Audit Reports. Brady Martz's opinion was that the Airport Authority Financial Statement was presented fairly. The Management Discussion and Analysis section was highlighted, and it was recommended reading for the board members. The Balance Sheet compares year end 2004 with year end 2003: The cash was comparable, but the accounts payable and receivable amounts were much higher this year due to incomplete transactions for the payment and reimbursement for the AARF truck. The total net assets at 2004's year end were $23.8 million, most of which are invested in capital assets. The revenue and expenses for 2004 were consistent with 2003 at about $2.2 million for revenue and about $4.2 million in expenses. The net assets increased in 2004 by $100,000 compared to a $235,000 increase in the previous year.

Martin continued with the report, pointing out different areas of interest. Johnson noted that the line item "Federal Express 'Building'" should be changed to 'Buildings', now that there are two buildings and their rents are now higher. Brady Martz pointed out a difference in how the budget and depreciation are handled. We budget for cash capital outlay vs. actual depreciation.

There were no instances of non-compliance reported.

Martin commented on the float factor in the PFC summary report. Crystal explained why the report shows that we are always starting with a negative number. For years we have been collecting on

PFC's after projects are completed, and have used the "impose and use" application for PFC's, which means we spend the money before or as we receive it. We are rarely, if ever, able to use the "impose only" application where we can bank the money before spending it on an approved project. Only if we ran out of projects would there be a positive number at the beginning of the PFC summary report.

There were no disagreements or concerns with management in this audit report.

The report brought three observations to the board's attention: Continue periodic monitoring and verifying payments with supporting documents. Second, there is a need to develop a written document detailing accounting and reporting procedures for an emergency succession plan. And finally, since fuel and gas inventories were adjusted several times toward the end of the year, it was recommended that this should be monitored more closely. On this last observation, Johnson assured the board that this discrepancy has been looked at from many angles, but will require even more examination to find the problem. Crystal mentioned the staff shortage, and her hope that once additional staff was in place, there would be more time to examine these shortages. There was discussion that our shortages are probably well within the accepted limits of fluctuation when dealing with large volumes of fuel.

Becker asked Johnson and Crystal how long it would take them to detail their accounting and reporting procedures. Johnson replied that a couple of hours of their time could be taken to list their accounting duties, but further detail would take much longer. A decision should be made whether to detail step-by-step procedure, or to just list reminders of required procedures. Johnson thought that anyone hired to replace either Johnson or Crystal wouldn't need step-by-step instruction, but it would be a helpful tool to have regardless. Crystal said that this list of procedures might be inadvertently incomplete until enough time had elapsed to encompass all of the procedures required in a quarter. Johnson added that besides accounting procedures, other administrative procedures should be on this list. It was decided that 3-6 months was enough time to get the somewhat detailed guidelines in place.

Cronquist moved to accept the 2004 audit report. Becker seconded. **Action Taken:** Motion carried unanimously.

2. NWA End of Year Adjustment:

Johnson reported on our actual vs. budget agreement with Northwest Airlines. The Authority receives a set monthly rent from NWA, based on our annual budget. We bill them at the end of the year for any amount still owed for their use of our airfield, crash-fire-rescue team, and the terminal building. This year the terminal rent when adjusted to actual has NWA owing us $26,471.61. Normally we prorate this end-of-year adjustment and spread it out over the next year. Due to the large amount owed this year, Johnson asked the board to determine whether a one-half to two-thirds discount would be appropriate considering the airline industry's current situation, and our dependence on them. Johnson said that the terminal rent actually charged Northwest for the past few years has been lower than the budgeted figure. Johnson added that costs can be largely what drives their corporate decisions to expand or contract their business. Becker commented that a contract is binding, regardless of in whose favor it would be. He asked whether there was ever a time where we owed them money at year's end and what happened then. Becker concluded by saying he didn't think we owed Northwest any real consideration for a discount. Johnson responded to Becker's question with the past years' budget vs. actual figures as follows: In 1999 the Authority paid NWA $27,430; in 2000 we paid them $1,900; and in 2001 it was mutually agreed upon to "call it even" due to the 9/11 tragedy. In 2002 we paid them $11,146, and they paid us around $8,500 for 2003. For the past three years we have charged lower than the calculated terminal rent, resulting in smaller year end adjustments.

Johnson expressed his concern: Small bills to NWA won't create a ripple. Large bills may invite a visit or a dispute. He would hope to avoid a contract dispute. Crystal reported that for 2005 we charged NWA about fifty cents per square foot less than budgeted, and reminded the board that the police department expense is not fully reimbursed by the TSA. She added that we also need to consider facility repairs, etc. With regard to future rents if a new terminal is built, Johnson felt that Northwest would then try to negotiate a rent control. Becker said he felt there is some risk involved in giving Northwest these types of rental discounts, and doesn't think it would be appreciated by them. He thinks a contract should be honored. Becker would favor allowing Johnson some latitude to adjust rents with Northwest, in cases where we would benefit by doing so.

Crystal explained to the board that this is the first year that the Northwest year-end adjustment was not reflected in the current year's financial statement. In other words, she says, the $100,000 net assets would have been $126,000 if the rent adjustment for Northwest had been accounted for in 2004. Since management chose to ask the board before submitting a $26,000 bill to NWA, this amount was not included in 2004's report. The amount billed, if any, will be included in 2005's financial reports. Cronquist moved to allow management to adjust the amount due from Northwest to up to 25% not to exceed $5000. Johnson clarified by saying that the budget has always been accurate, but the plan has been not to bill Northwest the fully budgeted amount. Cronquist reminded the board that Johnson has asked for permission to bill Northwest 33% of the amount owed. Cronquist understands that management would like approval to bill Northwest this lower amount rather than what was budgeted. He explained that the board has been aware of management using this budget vs. actual method, but now that this large amount is due, it has become an issue. Cronquist went on to say that he thinks the board should carry on with what the board agreed to when the budget was approved, by charging less than the budgeted amount. Johnson clarified that he was only trying to give his best assessment of what's going to happen in Eagan (Northwest's Corporate HQ) if we submit the $26,000 bill to them. Johnson says he is comfortable sending the bill to them if the board so chooses.

Becker asked what would be gained by giving Northwest this discount. Johnson could not predict positively, but felt sure a large bill would create some kind of wave. Johnson explained that terminal rents everywhere have increased since 9/11, but he had been trying to buffer the "giant increase" by spreading it over a longer term, in smaller increments. Since 9/11, the terminal rent per square foot actually went up *over* 50 cents each year, but we've increased the rents only 50 cents each year. Eventually the actual cost will not continue to increase, but a 50 cent increase per year would continue until it evens out. Management was simply trying to make the increase easier on the partners. Although Johnson cannot predict what will happen if Northwest suddenly receives a bill so large, he listed some of the possibilities: no reaction, or angry letters, visits, and reductions in air service. There was a comment from the audience that a person may want to be billed for exact amount so as not to be surprised at the end of the year. In other words, charge what is budgeted from the start, but to also look for ways to lower the budget.

Johnson promised the board he would bring all the actual vs. budget details to the next meeting. Clark moved to table this discussion until next month's board meeting. Seconded by Mutchler. **Action taken:** Motion carried unanimously.

3. Year to Date Financials:

Crystal updated the board on the financials. She explained the deficit in the operating fund is due to the 2004 adjustments, and the figure does not yet include all the revenues.

4. GIS Update:

Johnson introduced Steve Swanson from Advanced Engineering who explained the GIS system. The North Dakota Council of Engineering Companies awarded Advanced Engineering with a plaque for the work they did on the Airport GIS, and Swanson passed the award on to the Authority.

C. Discussion:

1. Board Retreat:

Beyer suggested holding the strategic planning retreat on a Friday evening through Sunday, possibly at the end of April or the first part of May at a resort in Bemidji. Becker suggested touring the Bemidji Airport while there.

2. GFK Flight Support Expansion:

Johnson presented plans for a possible GFK Flight Support expansion.

3. AFSS Building:

The FAA will turn over management of the Automated Flight Services Station to Lockheed on October 1, 2005, and the actual closing of the station will occur sometime between April 2006 and April 2007.

Meeting adjourned.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

April 21, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, April 21, 2005 with Chairman Brad Beyer presiding. Those present were commissioners Rich Becker; Clark Cronquist; Tim Mutchler; and staff, Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration; and Rick Audette, Operations and Maintenance Manager.

The meeting was called to order at 8:02 a.m.

A. Reading and Approval of Minutes:

1. January 20, 2005 Minutes

2. February 17, 2005 Minutes

3. March 24, 2005 Minutes

Mutchler moved to approve the January, February and March meetings' minutes. Cronquist seconded**.**
Action Taken: Motion carried unanimously

B. Reports:

1. Year-to-Date Financials

Crystal reported on the financials to date. All four funds have a positive balance. She noted that there has not been any revenue from terminal advertising due to terminal renovations. The advertising displays will be back up soon.

2. Enplanements/Ops/Cargo Statistics

Johnson reported that enplanements are up just under 2% for the year, which includes charter activity. Air traffic is up 5.61% so far this year. FedEx's cargo increase was down significantly from what has been normal for them. There was speculation that this may be due to increases in FedEx's shipping fees, causing a decrease in their shipping business. Becker inquired to Johnson about plans for a leakage study. Johnson reported that the ND Aeronautics Commission will be commissioning a leakage study for each of it's four major ND airports, at their own expense. They anticipate that the reports will be available this summer.

3. Terminal finishes project

Johnson reported that the one unfinished item is the stairway. Due to the need to replace a shipment of parts that were received damaged, the completion was held up. They expect to have it finished early next week. The architects (JLG) paid for paint to repaint door trim that was not as aesthetically pleasing as they had anticipated when planning the color palette. Our staff repainted the door frames and they now look much better. Becker commented that the terminal would look nicer and friendlier if there were some plants and/or chairs in the lobby.

C. Unfinished Business:

1. NWA Adjust to Actual

Cronquist moved to bring the Northwest adjust to actual billing issue off the table. Mutchler seconded the motion. Motion carried unanimously.

Johnson reported on the adjust to actual agreement with Northwest Airlines. As discussed at the previous Board meeting, Terminal costs for Northwest exceeded revenue by $26,471.61 in 2004, and Management has recommended that the board approve reducing that bill by at least 50%.

Johnson reported that the two major factors that contributed to that deficit were staff salaries and benefits, and security. Salaries and the corresponding benefits for the terminal cost center increased by $21,890 in 2004 due to comprehensive salary and benefit increases. Also, the terminal rent was calculated with an Ops Specialist spending 10 ½ hours each day working at the terminal. A more realistic figure would be 2-4 hours per day. Reallocating those extra hours to another cost center would lower the terminal cost per square foot, thereby reducing future budgeted rates for Northwest Airlines. Johnson reminded the Board that reallocating those hours to another cost center could potentially increase fees elsewhere. Security was up from 2003 by $5,731.61, which also contributed to the increased cost per sq. foot at the terminal.

Another factor was an error in calculating Northwest's budgeted terminal rents. Johnson explained that the 2004 terminal rent was budgeted using 23,000 overall square feet instead of the more appropriate 22,000 square feet. This resulted in a lower budgeted rate than it should have been. Had the calculation resulted in the correct higher rate to start with, then ultimately, the decision may not have been made to bill Northwest at a rate quite as low.

Johnson again made the recommendation to ask Northwest to repay as little as 1/3 and not over ½ of the ~$26,000 adjustment. There was discussion: Becker asked Johnson what kind of reciprocation the Authority would receive from Northwest should there be a reduction in this billing. Johnson speculated that it would generate good will with some Northwest contacts, but did not think it would affect the conscience of the major airline as a whole. Alternatively, pursuing the entire amount could generate ill will. Mutchler asked whether this kind of adjustment is something that will continue each year. Crystal's reply was that over the years, due to the maintenance of an older building and other factors, terminal costs have had much fluctuation. In addition, management is not able to control landed weights, which is a major factor in fee calculation. Ultimately, the costs vs. rates are not as predictable as management and the tenants would like them to be. Having said that, Crystal added that budget plans require that the terminal costs be charged to the terminal tenants and not allocated to other areas.

Johnson explained to the Board that since 9/11 his plan has been to increase terminal tenant rates incrementally over time, instead of aligning them with the much more aggressive actual cost increases. Johnson had anticipated that the cost increases would level off, and within a short time the rates should catch up to the actual costs. In the past few years since implementing this incremental rate increase plan, the actual costs have been lower than budget, leaving a smaller margin between actual terminal costs and revenue. This year was an exception, where the costs were at budget, leaving the margin larger.

Mutchler moved to accept management's recommendation and reduce Northwest's bill by 50%. This motion was seconded by Cronquist. In discussion, Becker recommended attaching a letter to Northwest explaining the reduction in the billing, as well as our expectation that future budgets will more closely match actual rates. Johnson clarified that the adjustment billing includes a lump sum of the adjustments for the ARFF fees, landing fees and terminal sq. footage rents.

Cronquist asked management reallocate the Ops Specialist time figures mentioned earlier in the discussion, and present this budget adjustment to the Board. Johnson agreed to present new calculations so the Board could then decide whether or not there would be a need to amend the 2005 budget accordingly. Becker suggested a compromise to allow a reduction of 33%, stating that this action would likely benefit the Authority very little, and commented that Northwest has not shown appreciation at the times there has been a refund of rent overpayments.

Mutchler moved to amend to 33% his first motion for a 50% bill reduction. Becker seconded this motion. **Action Taken**: Motion carried with Mutchler and Becker voting for the motion amendment and Cronquist voting against. Mutchler then moved to reduce the Northwest adjust to actual bill by just 33%. Becker seconded this motion also. There was no discussion. **Action Taken**: Motion carried with Mutchler and Becker voting for a 33% reduction in the Northwest adjust to actual bill, and Cronquist voting against it.

D. New Business:

1. Selection of General Non-AIP Engineering Services

Johnson reported that the selection committee for the general non-AIP engineering services included Vice-Chairman Becker, Commissioner Mutchler and himself. The committee recommends that Ulteig Engineers perform these services for the three year period of 2005 through 2007. Mutchler moved to accept the committee recommendation, seconded by Becker. **Action taken:** Motion carried unanimously.

2. Selection of AIP Master Planning, Environmental, Land Use/Zoning Engineering Services

Johnson reported that the selection process for AIP master planning, environmental, land use/zoning engineering services is complete. This selection committee included Commissioner Molmen, Argenziano from UND, Potter from City Planning, and Holzer from ND Aeronautics Commission, and himself. The committee recommends the selection of the team of Kadrmas Lee & Jackson (KLJ), Mead & Hunt, Advance Engineering, EASE LLC, Earthworks, Inc., and Coover-Clark Associates for the five-year period from 2005-2009. Cronquist moved to accept the committee's recommendation. Mutchler seconded. **Action taken:** Motion carried unanimously.

3. Accept Bid on Grader Displacement Snow Plow

Johnson reported that the Authority received two bids on the budgeted snow plow. The lower bid came in at $120,000 under the budgeted amount but that bid had to be rejected because it did not comply with the FAA "buy American" requirements. Management recommended accepting the remaining bid from Butler Machinery, which came in at approximately $60,000 under budget. Becker moved to accept management's recommendation to accept Butler Machinery's snow plow bid. Seconded by Mutchler. In discussion Johnson was asked to explain the rejected bid, and why there were only two bids. Johnson informed the Board that the Federal Government mandates that these funds be spent on American made products. The Sweeney Brothers bid was rejected because it did not provide American Preference documentation, nor did it provide the required bid bond. He also explained that due to the substantial size of the snow plow requested, there were very few American manufacturers who produce them, and therefore the bids were few. Audette made a comment that since at least one bid was compliant with all FAA requirements, we were mandated to accept that bid. **Action taken:** Motion carried unanimously.

E. Discussion:

1. Insurance Provider Selection

Johnson asked the board to recall a meeting one year ago when they discussed and decided to retain the current insurance provider, and revisit the issue in one year. The board's provider selection plan says that every three years a decision would be made to select an insurance provider, whether same or different. Last year that three years was extended to four. After some discussion about selection vs. rotation, the board's consensus was to continue to follow the three year selection policy. The current selection schedule should be amended to begin a new three year period this year.

2. Old Tower Lease

Becker asked the status of the old tower lease. Johnson answered that nothing has happened yet there.

3. US Customs Playing Field Grand Forks vs. Fargo

Becker asked about the status of our talks with US Customs with regard to the rules at our airport vs. those at Fargo's airport. Johnson reported that he learned that unlike GFK, Fargo is allowed by US Customs the convenience of greeting their customers at their FBO. To do so however, they must follow several guidelines, including amount of space, type of glass, keys, telephone lines, closed circuit television, solid walls with no dividers, etc. The board expressed concern about the impact this allowance has on us, and our ability to compete with Fargo. Johnson suggested that since US Customs has allowed Fargo to retain their practice, the door would likely be open for others to follow suit.

4. Hensley Aircraft Negotiation Regrets

Becker commented that he was still disappointed with the loss of the Hensley Aircraft negotiation that took place last year. He expressed his concern that the Grand Forks EDC and the City of Grand Forks Growth Fund were not fully informed about the benefits of bringing in Hensley, because they did not include the Airport Authority in many of their meetings. Hensley ultimately decided to operate out of the Devil's Lake airport. Johnson stated that the EDC has since expressed their regrets.

5. 2005 AIP Project Plan Change

Johnson informed the board that there will be discussion at the May meeting with regard to the AIP projects that are budgeted for 2005. He explained that the timeline for the completion of the Wildlife EA approvals and permits will probably prohibit the burrow pit project from being started this year. Alternatively, the Master Planning Consultants have been selected and can start their work this year on the Runway EA and the Zoning work, but these projects are on next year's project list. Johnson said he will be asking the board to approve a grant application that includes the Runway Rejuvenation, the Snow Plow, the Wildlife EA, and the Master Plan/Runway EA/Zoning update work. Upon that approval, the Burrow Pit filling project will be added to next year's AIP project list.

Johnson reminded the board that the new lift/boom truck (part of the 2005 Capital Plan) was on display outside the building. Brent Siefert of GFK Flight Support has reported having discussions with Tim Bergstrom about a possible acquisition of a larger, newer deicing unit. Johnson thanked Siefert for his continuing efforts.

There was a request to have the last meeting's minutes available for the general audience at each meeting.

Meeting adjourned at 9:18 a.m..

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

May 19, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, May 19, 2005 with Chairman Brad Beyer presiding. Those present were commissioners Rich Becker; Clark Cronquist; Dave Molmen; and staff, Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration; and Rick Audette, Operations and Maintenance Manager.

The meeting was called to order at 7:07 p.m.

A. Reading and Approval of Minutes:

Cronquist moved to approve the April meeting minutes. Becker seconded**. Action Taken:** Motion carried unanimously.

B. Reports:

1. Year-to-Date Financials

Crystal reported on the financials to date. Overall net income for Jan-Apr 2005 is $461,534.

2. Capital Improvement Plan

Johnson pointed out the 2006 AIP plan, which includes Phase II of the Master Plan and Runway/Terminal EA, the Wetland Fill, Helipad Construction, and Land Acquisition for Runway 8R-26L.

Johnson reported that in order to construct the 4th runway before the new terminal construction begins, Management needs to be certain that the current city landfill is closed by October 1, 2008. The Authority will notify the City of Grand Forks and it's Commissioners that it needs a date-certain closure guarantee from them this fall. If that guarantee isn't received, the runway construction project will need to be dropped out of the queue and may subsequently fall through the cracks because the terminal construction will begin. Going ahead without that guarantee puts the Authority at risk for alienating the NDAC and embarrassing the congressional delegation.

Johnson reported that Phase I of the Master Plan, Land Use, Zoning & Runway/Terminal EA, a current year project, will cost an estimated $509,000 vs. his anticipated $125,000. After discussing this disparity with Tom Shauer of the FAA, they concluded that $400,000 would be a more realistic figure given the extensive scope this Phase covers. Management is required by the FAA to get an independent estimate for the same work, and from there Management will negotiate with the engineering team, until a fair cost is reached. During this process, Management hopes to have the engineering team lay out their total Phase I plan in front of the Board.

3. Reallocation of Personnel Costs

Crystal reported on the reallocation of personnel costs in response to the discussion at the April meeting about the terminal rents for Northwest Airlines. By reassigning people and expenses more accurately to their respective cost centers, the Management team found that the terminal cost center's expenses decreased by only $823 per year. The ARFF cost center's expenses decreased significantly, and the airfield's increased. Johnson commented that the revenues for the advertising displays in the terminal will begin being credited to the terminal cost center to coincide with the expenses already being charged to that cost center. Crystal added that the original airline agreement written in 1990 is becoming less functional in 2005.

Johnson brought up other ideas to lower the rent for the airline. One option would be to add another cost center for security. He added that the reason we have security expenses is because we have an airline carrier, and the standard has been that airlines pay for security. Another option is to break down the airfield cost center to reflect the use of the runways. The airline pays expenses on runways that they either never use or rarely use. In subsequent discussion, Johnson explained the some differences in various contracts between airlines and airports.

C. New Business:

1. Resolutions

a. Accept Bid on Runway Rejuvenation

Management recommended the acceptance of the low bid of $102,265 from Asphalt Guard for the rejuvenation of Runway 35L-17R. Johnson explained that although there was a minor irregularity in the bid, the Authority's attorney supported a waiver. The budgeted cost was $250,000. The low bidder assured the Authority's engineer that the job could be done at that cost, which was half of the other bid. Cronquist and Molmen expressed concerns about the irregular bid and the possibility of any issues cropping up because of our waiver. Johnson assured the Board that the he and the attorney think they covered all their bases before deciding to waive the irregularity. Molmen moved to accept the bid from Asphalt Guard. Cronquist seconded. **Action taken**: Motion carried unanimously.

D. Discussion:

1. State Grant

Johnson reported that the Authority will receive 50% ($25,000) of the cost to bury the power lines from the NDAC, as well as a 2.5% match on all Federally funded projects ($34,000) in 2005.

2. The Mill Levy Reductions

Johnson asked the Board for direction in case the Authority is asked to reduce it's number of mills. The consensus was to wait and see.

3. Leakage

Becker expressed his concern about the decrease in the number of airline flights at GFK over the past few years. He suggested that the Board start a proactive plan to tackle this problem with possible meetings with the City and the Mayor. Johnson reported that the NDAC will have our leakage reports within the next few weeks. Additionally, the Authority's new marketing campaign this year uses the phrase "It's Mine and I Use It", meaning - fly out of Grand Forks because this airport belongs to all Grand Forks citizens. Johnson had other ideas to market the airport, and discussed buying and giving away frequent flyer miles as an incentive for customers to fly with us.

4. Terminal Upgrade

Becker showed concern and was assured by Johnson that the contracted terminal upgrades are complete. Johnson reported however, that there are a few laminate craftsmanship issues that still need to be settled. Johnson advised the Board of the need for bids to re-upholster the vinyl booths and replace the ceiling tiles in the restaurant.

Meeting adjourned at 8:14 p.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

June 16, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, June 16, 2005 with Chairman Brad Beyer presiding. Those present were commissioners Rich Becker; Clark Cronquist; Tim Mutchler; and staff, Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration; and Rick Audette, Operations and Maintenance Manager.

The meeting was called to order at 8:03 a.m.

A. Reading and Approval of Minutes

1. May 19, 2005

Cronquist moved to approve the May meeting minutes. Becker seconded**. Action Taken:** Motion carried unanimously.

B. Reports

1. Year-to-Date Financials

Crystal reported on the financials to date. Overall net income for Jan-May 2005 is $571,380.97. She pointed out that the accounts receivable process is running more smoothly than in past years, partly because of her communication with our tenants and also because the Northwest Airlines billing has become automated. Crystal also reported that Management was able to transfer of $500,000 from the capital account to the investment account due to lower bond debt and capital project realignment.

2. Leakage Study

Johnson presented the board with the leakage study that was commissioned by the ND Aeronautics Commission. The study was based on about 50% accurate statistics and 50% presumption, but calculated a leakage from Grand Forks to Fargo and Minneapolis at about 33%, and of that, half are leaking to other air carriers. Becker distributed an article from the June 3 Fargo Forum which comments on the addition of a third air carrier at the Hector Airport. Drawing from that article, Becker suggested that bringing a competing air carrier to GFK would be healthy. In subsequent discussion, it was the consensus that GFK should focus on adding another air carrier that would provide direct flights to the western destinations.

3. Land Use Meetings

Johnson reported that he recently attended two meetings with the City's Extraterritorial Land Use Study consultant and City officials. The topics of discussion were land use and zoning, and where the City may expand their jurisdiction. Johnson feels that land use and zoning laws are very important long term issues for the airport. At the first meeting, Johnson represented the Authority along with representatives from the Authority's master planning engineers Mead & Hunt, and Kadrmas, Lee & Jackson. Johnson reported that the engineers had made some excellent comments, with emphasis on the importance of certain zoning laws around airports. The City may eventually have jurisdiction over the two mile radius surrounding the airport. At the second meeting, Johnson represented the Gateway Committee. There are many concerns about the Gateway corridor that may never be resolved, but the committee continues to move forward.

4. Landfill/4th Runway Discussions

Johnson reported on his meeting with City officials regarding the closing of their current landfill, so the Authority can continue with plans to build a fourth runway. He had requested a date-certain promise letter from the City, stating that the landfill would be closed by October, 2008. He also requested that the letter be mailed to him by this October, so that the Authority can maintain the proposed runway construction timeline. The City responded favorably and agreed to send a certified letter with those specifications.

5. Surplus Tower

Johnson presented slides of the tower during it's removal process, and stated his extreme admiration for the group of volunteers that moved it. The Northwood Men's Club separated the tower from it's foundation and hauled it away on two flat-bed trucks. They will use it for the Northwood rodeos and derbies. Mutchler reported that the Northwood Men's Club allegedly moved it at a cost of only about $1000.

6. Runway Rejuvenation Project

Johnson reported that he was contacted by other bidders on this project and advised that the low bidder may be using chemical rejuvenator materials that would not meet FAA specifications. Johnson and the engineers decided to ask the low bidder to sign and return the contract with required documentation that proves their product meets the specs. The company responded with paperwork for a different product than what was in their original bid, one that will meet the FAA specs, for the same price as what was in the bid.

7. Reupholstering Booths in Restaurant

Johnson reported that the low bid for the booth reupholstering came in at $2600. Vinyl has been ordered and installation is forthcoming.

8. Emergency Drill

Audette reported on the emergency drill that was held June 1. The FAA requires ARFF personnel to conduct disaster planning every year, and every third year there must be a “hands-on” disaster simulation. Audette spent the last six months developing this year’s simulated disaster, which was planned in part to train for water rescue and victim decontamination. They simulated a plane crash at the lagoon north of the airport, where several federal, state, county and city rescue team members took part in the training. All parties involved agreed the event was remarkably successful. Audette presented some video footage of the event.

9. Advertising Display

Crystal updated the board on the status of the displays at the terminal. In addition, she showed slides of the “filler” displays depicting distant scenes of some interesting places in the Grand Cities. The hope is that the facilities depicted will pay to have more prominent displays. Crystal reported that the inquiries about advertising in the terminal have recently become much more significant.

10. New Mower on Display

Johnson informed the Board that the previously approved purchase of a 20’ mower was recently completed and was much appreciated by the staff. It was on display in the parking lot.

C. New Business

D. Discussion

Meeting adjourned at 9:25 a.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

July 21, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, July 21, 2005 with Chairman Brad Beyer presiding. Those present were Vice Chairman Rich Becker; Commissioners Dave Molmen, Clark Cronquist; Tim Mutchler; and staff, Steve Johnson, Executive Director. Also attending were Marty Yahna, County Commission Liaison; Bob Brooks, City Commission Liaison; and engineering consultants Rick Ennen, from KLJ Engineering and David Dietz, from Mead & Hunt Engineering.

The meeting was called to order at 8:00 a.m.

A. Reading and Approval of Minutes

1. June 16, 2005

Cronquist moved to approve the June meeting minutes. Becker seconded**. Action Taken:** Motion carried unanimously.

B. Reports

1. Year-to-Date Financials

Johnson reported that the financials are routine, except that the capital fund has a higher balance due to the fact that most of the federal projects have not yet been started. Beyer asked for a recap of the federal projects that were funded for this year. Johnson named them off: Runway rejuvenation; wildlife mitigation EA; master planning, land use, terminal and fourth runway EA; and the purchase of a replacement grader for snow removal. The non-federal projects funded for this year were the terminal remodeling, burying the power lines along Airport Drive, and purchasing a mower and lift truck.

2. Operations Statistics

Johnson reported that the year-to-date enplanements are up 62 passengers, or .14%. The enplaned cargo was down about 1.6%, and Johnson suggested that was likely attributable to FedEx losing Amazon/Acme Electric business. Air traffic has been consistent with last year. Johnson added that UND's planners have indicated large increases in enrollment and flight operations over the next few years.

3. Master Planning and Land Use

Johnson introduced the master planning and land use consultants, Rick Ennen of KLJ Engineering and David Dietz of Mead & Hunt Engineering. A presentation followed with examples of the study they plan to do with regard to the use and zoning of the land surrounding our airport.

C. Discussion

1. Fall Retreat

Beyer asked the board members about days and dates to plan the Authority's retreat. Most were in favor of holding it on a weekday vs. a weekend. Mutchler said his availability would depend on the harvest and the weather, and that August or October works better for him. Dave Molmen said he would like to submit the days that he would available for consideration when planning the dates.

2. Mill Levy

Johnson reminded the board members of a discussion held at the May board meeting about reducing the airport's share of it's four mill levy. Bob Brooks reported that the City of Grand Forks has increased the value of each mill, stating that approximately 2/3 of the increase was attributable to increased property valuations, and 1/3 due to new properties built. The mill increase would translate into a $50,000 increase in levy to the Airport Authority. Beyer requested that Johnson ask Mary Jo Crystal to report the exact figures at the next meeting. After some discussion, Dave Molmen made a motion to make a proportionate adjustment, or to give back a percentage of the Authority's mill increase, as the Authority's gesture to match the City's move. The motion was seconded by Mutchler. In discussion, Becker got clarification that the City does not control the Authority's mill levy. **Action taken:** Motion carried unanimously.

3. Miscellaneous

Johnson updated the board members on some projects that are currently in progress:

The airport staff spent one day last month applying fresh paint on the walls of the Authority building, and the carpet and baseboard will be installed next week.

The work to bury the overhead power lines has begun.

There will be a pre-construction meeting today with regard to the runway rejuvenation. The workers plan to work from midnight to 5:00 a.m. for roughly two weeks.

The restaurant booths will be reupholstered within a month.

The new GFK Airport advertising campaign starts this week, which uses the slogan "It's mine, I use it."

Becker asked about the terminal advertising display fillers. Johnson reported that work is being done by a professional in Fargo. They are turning our low resolution pictures into large transparencies with better resolution.

Mutchler told the board about a conversation he had with someone who won't fly GFK because of it's lack of direct flights to anywhere except Minneapolis.

David Dietz commented on the quick reaction of our Ops Department when he was seen taking pictures of the fuel farm.

Meeting adjourned at 9:07 a.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

September 15, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, September 15, 2005 with Chairman Brad Beyer presiding. Those present were Vice Chairman Rich Becker; Commissioners Dave Molmen, Clark Cronquist; Tim Mutchler; and staff, Steve Johnson, Executive Director, Mary Jo Crystal, Director of Finance and Administration; and Rick Audette, Operations and Maintenance Manager. Also attending were Marty Yahna, County Commission Liaison; Bob Brooks, City Council Liaison; Earl Haugen from the Metropolitan Planning Organization; Jon Scraper from Ulteig Engineering; and David Dietz, from Mead & Hunt Engineering.

The meeting was called to order at 8:00 a.m.

A. Reading and Approval of Minutes

1. July 21, 2005

Becker moved to approve the July meeting minutes. Mutchler seconded**. Action Taken:** Motion carried unanimously.

B. Reports

1. Year-to-Date Financials

Crystal reported that the financials are routine, except that the investment fund has a higher balance. The surplus from the debt service account and the capital account was moved over to earn a better interest rate. Becker asked if we anticipated any change in Northwest Airlines' ability to pay their fees and charges due to their recent Chapter 11 bankruptcy filing. Crystal replied by reporting that a Northwest Airlines liaison has been in contact with her on a relatively frequent basis, asking questions about invoice charges, leases and other financials, but their payments have been on time to this point. Johnson circulated a letter from this NWA liaison, which said that even after filing for bankruptcy, NWA intends to continue its routes and pay its bills as normal. On the other hand, Johnson pointed out that Mesaba Airlines could be affected through a ripple effect.

2. Master Planning: Passenger Enplanements Forecast Review

Johnson re-introduced the master planning consultant from Mead & Hunt Engineering, David Dietz. Dietz will be attending the Authority Board meetings to keep the Board Members up to date during these planning stages. Rich asked whether we received the letter we requested from the City of Grand Forks, which would promise the closing of the City's current landfill before November of 2008, and allow the Airport to move ahead with their plans for a fourth runway. Johnson responded that we did receive such letter. Dietz continued by presenting the Commissioners with a forecast of passenger enplanements for the next twenty years. His forecast report concluded by forecasting that in twenty years we can expect about 125,000 enplanements annually. He explained the reasons he used this somewhat optimistic number and asked the Commissioners to express their concerns, or give their consent to go ahead with that number as a basis for future planning. There were no concerns expressed, but Dietz said he would be seeking their official consent at the next meeting. Molmen asked whether or not our leakage was typical or unique for airports in our situation. Dietz responded that our amount of leakage was not unique, and that he has seen worse. Bringing in a second airline would be very beneficial, and leakage could be minimized. He explained that in master planning, the emphasis is not on the number of future enplanements, but on the ability of the airport's facilities to accommodate a certain amount of passengers during future peak periods. Dietz concluded by distributing and describing a "White Paper" draft, that when completed, would be used as a tool to educate the citizens of Grand Forks about the importance in appropriate compatibility planning in the areas surrounding our airport.

3. Extra-territorial Study

Johnson introduced Earl Haugen, Executive Director of the Metropolitan Planning Organization and Garneth Peterson from SRF Consulting. Haugen and Peterson spoke about the possible expansions, goals and objectives for city growth. The airport is on the western edge of a projected 4 mile city limit expansion, with the county having jurisdiction to the west of that limit. Haugen explained that the potential exists where those city limit boundaries could expand to include much more property around the airport, thereby simplifying the Authority's planning. He recommended using the Grand Forks City website land use page to find much more information. Peterson explained that SRF is working very closely with the county and the city to develop the best plan.

4. Runway Rejuvenation Project

Jon Scraper from Ulteig Engineering reported that at the conclusion of what at first appeared to be a successful runway rejuvenation, the rejuvenated pavement was tested and found to be substandard to the required FAA specifications. This failed test means the FAA will probably hold back 100% of their payment. Scraper explained the process and the issues, with Attorney Dittus' assistance. The coal tar sealer is doing it's job, according to Scraper, and underneath that the rejuvenator did about 38% of what they had hoped it would do. He reminded the board members that the pavement that is being preserved by the rejuvenator is only four years old, and was good pavement to start with. The recommendation by Scraper and Dittus is to hold payment until we get final word from FAA. Dittus confirmed that the contract with the contractor clearly stated that the product must meet the required specs or they would not receive payment. He guessed that the contractor and the supplier would have to argue between themselves to find the one at fault, but that the Authority, as contract holder, could be named in a third party claim. He explained that performance bond's clock has not yet started, but recommended that the bond company be put on notice. Johnson said that the contractor might be paid for the value of a sealer versus a rejuvenator.

5. Northwest Bankruptcy

Tim Dittus explained some of the details on the recent Northwest Airlines Chapter 11 Bankruptcy filing. He told the board members that the ordinary day-to-day operations of the airline will likely not be adversely affected by this event. They are merely reorganizing their financial plan. Mesaba Aviation is one of the airline's creditors, and will likely feel some of the ripple effects.

C. New Business

1. Selection of Legal Services Provider

Johnson recommended approving the law firm of Camrud, Maddock, Olson & Larson – specifically Tim Dittus - as the Authority's legal service provider through the end of 2007. Dave Molmen motioned to accept this recommendation, and the motion was seconded by Rich Becker. **Action Taken:** Motion carried unanimously.

2. Selection of Insurance Providers

Johnson and Crystal reported that the selection of insurance providers is under way. The Authority will be advertising for requests for qualifications.

D. Discussion

1.**Mill Levy**

Johnson reported on a mill levy meeting that he and Crystal attended with two county commissioners and the county auditor. The commissioners had reported to them that the other county entities had agreed to a 3% increase over last year, and Johnson tentatively agreed to the same on behalf of the Authority Board. The subsequent county mill levy report showed an 11% increase over last year. Johnson requested a resolution supporting that 11% increase. A motion was made by Cronquist to accept the 11% increase on the mill levy. There was a second by Mutchler. **Action Taken:** Motion carried unanimously.

2.Fall Retreat

The board members decided on November 17 and 18 for this year's fall retreat. All except Cronquist are able to attend. The location will be determined later.

3.Air Service

Johnson distributed a list of air service issues and his suggestions for possible solutions. He asked the Commissioners to bring their ideas to the fall retreat.

4.Miscellaneous

Johnson updated the board members on some current issues and events:

NASA's research DC8 arrived at GFK yesterday, and will be relocated to the AFB when their runway is complete around November 1.

FedEx is working with JLG to do some remodeling in their facility, amounting to $100,000-$200,000. They will not ask for any financial assistance from the Authority.

The MPO is having a public land use meeting at the Alerus tonight.

This airport is now supporting the Registered Travelers Interoperability Consortium (RTIC), at no cost to us.

The advertising displays for the terminal were delivered last night. Crystal reported that there are still some issues to deal with.

Pinnacle Airlines will operate in Grand Forks beginning October 1. Their CRJ will transport up to 50 passengers for Northwest each day.

Chairman Beyer informed board members that he is a partner in an SR20 aircraft. He reported to the board members that GFKFS is going to lease that airplane for 6 months.

Meeting adjourned at 9:40 a.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

October 20, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, October 20, 2005 with Vice Chairman Rich Becker presiding. Those present were Commissioners Clark Cronquist and Tim Mutchler; and staff, Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration; and Rick Audette, Operations and Maintenance Manager. Also attending were Marty Yahna, County Commission Liaison; Bob Brooks, City Council Liaison; Rick Ennen from KLJ Engineering; and Miranda Thompson and David Dietz, both from Mead & Hunt Engineering.

The meeting was called to order at 7:20 p.m.

Mr. Becker began by congratulating Rick Audette and his Operations and Maintenance staff for their perfect safety rating from the FAA for the second consecutive year. He also congratulated Frank Argenziano on his recent promotion at UND.

A. Reading and Approval of Minutes

1. September 15, 2005

Mutchler moved to approve the July meeting minutes. Cronquist seconded**. Action Taken:** Motion carried unanimously.

B. Reports

1. Year-to-Date Financials

Crystal reported the capital funds have a YTD net income of just over $400,000. The YTD net income of the debt service fund is $96,653, reflecting the recent bond payment of $150,000. The YTD net income in the unreserved fund is $12,495. She circulated a list of the aged receivables, noting that 54% of the total is attributable to Northwest Airlines' and Mesaba Airlines' pre-petition (pre-bankruptcy) receivables, which total $63,806. She said she doesn't expect to ever see those debts being paid, and will ask the Authority's auditors for help in reflecting that on the financial statements. Becker asked Crystal for clarification about why these pre-petitioned receivables are no longer receivable, because he had understood her at the last board meeting saying that the airline payments would proceed normally despite their Chapter 11 bankruptcy petition. She and Johnson explained that these particular debts were due before they filed bankruptcy petitions, and are positioned along with all their other debtors. They fully expect to see both Mesaba and Northwest make their post Chapter 11 payments, however, the timeliness of those payments is in question.

2. Operations Statistics

Year to date enplanements show an increase over last year of 148 passengers. Cargo has been down, largely due to a decrease in FedEx's Amazon.com business. Air traffic is down about 6%, attributable to UND flying activity.

3. Master Planning Update

David Dietz and Miranda Thompson gave presentations to update the board members on their progress in the fourth runway planning and land use compatibility planning. They also reported on their meetings with Jon

Scraper of Ulteig, and UND and ATCT management. Dietz described in detail the constraints that cause difficulty placing the fourth runway. He showed a map with several options for placement and explained that the optimal location for the runway would be just east of the proposed new terminal location. He explained that the placement of the terminal has more options than does the runway, so the proposed location of the new terminal between GFKFS and FedEx could be in question. The environmental assessment needs to be finished before any final determinations can be made. Johnson said that he'd like to see a decision made yet this year, since he has money in this next year's budget to purchase any land necessary for this fourth runway. Dietz commended the ATCT management staff for their help and cooperation in this planning process. Miranda Thompson presented maps and explained the various noise and risk zones around the airport. She reiterated the importance of good communication and cooperation with the MPO and the local jurisdictions in order to implement some airport zoning policies into their community plans. Next, Johnson asked to the board to think about whether or not it made sense for the airport to be annexed to the city in order to have one zoning jurisdiction. He explained that this annexation would first require a 100' or wider contiguous path between the city and the airport. Currently the airport is connected by a 25' path. With an annexation, the city would then have the authority to choose to extend their extraterritorial jurisdiction up to 4 miles beyond the airport (although more than likely just enough to encompass the airports noise/risk zone lines) instead of 4 miles from the current city limit, which ends short of these lines. Without annexation to the city, the Authority would have to deal with both the county and city jurisdictions with regard to land use inside the zones. The board asked the city and county liaisons – Bob Brooks and Marty Yahna – to ask their respective Council and Commission to discuss how they feel about jurisdiction over these zones, and bring their feedback to the next board meeting.

4. Matter of the 2006 Budget

Johnson detailed the list of the budget items with the most impact. **Wages and salaries** – The AAAE report that management planned on using to determine salary increases every two years changed, making it impossible to use for salary comparison. So management is tentatively recommending a 5% increase that would stand for two years. Johnson will put more thought into this over the next month however, keeping in mind what any increase will do to the tenant fee schedules, and give a final recommendation at the November meeting. **CPI increase** – Using the same 12 month period from the same CPI index as has always been used, the fee and rent adjustments will go up approximately 4% in 2006. **Energy –** There has been a major increase in the budget to accommodate the increase in diesel and unleaded fuel prices. The price of electricity, gas, and heating oil increased as well. **Insurance –** The property insurance premium went up over 78%. **Employee Insurance –** The health and dental insurance increased over 15% and 11% respectively. **Rents –** ARFF fees will be increased by about 20%, landing fees 16% and terminal rent 3%. **Terminal Rent Per Square Foot** – Management recommends charging $19.00 vs. the calculated $19.65 per sq. ft., an increase of 5.5% over 2005. Johnson directed the board's attention to the proposed budget's exhibit six to read the list of non-federal capital items that staff would like to purchase in 2006. He clarified the last item on the list to read "Pave Terminal Loop". This PFC project would keep us from entering non-collection status for PFC's. Johnson explained that the paving would not include Airport Drive due to the reconstruction of that road when and if the new terminal is built as currently proposed. Johnson pointed out on exhibit one that the total operational deficit will be $114,167, but the Authority income shows a overall surplus of $218,354. Johnson asked the board to consider this 2006 budget proposal and give him feedback. He hopes to have their approval at the November meeting if possible, to give Mary Jo time to bill the tenants in a timely manner. Mutchler suggested Johnson communicate what he can about this proposal to the two absent board members so they can be prepared to make decisions at the November meeting. Becker concurred. Cronquist commented on the additional costs that would be incurred if we were to change the location of the new terminal, as mentioned earlier in the runway placement discussion. He suggested that clearing the salvage yard for the fourth runway might be less expensive than building the terminal elsewhere.

Johnson replied that UND would prefer not to use that runway alternative. Dave Cink from the ATCT added that in his opinion, a runway located over the salvage yard is too far away from the tower to be safe.

C. New Business

1.Resolutions

a. Selection of Insurance Services Provider

Management recommended accepting the insurance service proposal from Vaaler Insurance to provide insurance protection policies for the Authority through the years 2006-2009. Crystal explained the various reasons how the current three year term became five, so she's asking for a four year term to put this process back into sync. This is in accordance with Organizational and Policy Manual paragraph 100.07 and Resolution #01-03 dated 2/20/03. A memo was distributed detailing the selection process. Motion made by Mutchler to approve Vaaler Insurance as the Authority's insurance provider through 2009. Cronquist seconded the motion. **Action taken:** Motion carried unanimously.

b. Selection of Auditing Services Provider

Management recommended the reselection of Brady Martz as the Authority's auditing services provider for 2006-2008. Cronquist moved to accept this recommendation. Mutchler seconded. **Action taken:** Motion carried unanimously.

c. Approve Pinnacle Airlines Operating Agreement

Johnson asked for approval of an agreement between the Authority and Pinnacle Airlines. Pinnacle is a Northwest Airlink that began flying CRJs into Grand Forks on October 1. The agreement is an exact duplicate of the agreement that the Authority as with Mesaba and Northwest. Johnson needs the board's approval before he can sign airline agreements. He sent the agreement to Pinnacle in September but is still waiting for Pinnacle to sign and return it. Becker asked what is holding them up. Johnson thought the delay might be because they only had four days notice to run that flight to GFK. He said that their CFO has been reminded repeatedly, and has been threatened with non-signatory fees if it's not returned by November 1.

D. Other

Johnson reported on several miscellaneous items:

1. Air service incentives

Johnson reported that City Councilman Hal Gershman has recently been showing concern about marketing the airport more effectively. Hal made suggestions to try to prolong keeping the 60 extra airplane seats that Northwest promised GFK through November. Johnson spelled out two of the ideas that stemmed from his discussions with Gershman, Klaus Theissen of the EDC and Lori Gonzales of AAA Travel. The first idea is to send $5 parking discount tickets to our area travel agencies, asking them to give them to potential GFK passengers. The parking coupon could be used when they park here for two days or longer. Johnson proposes to print and distribute 400 discount tickets during the months of November and December 2005. Republic Parking agreed to split the cost of this discount, so the potential revenue loss to the Authority would total at most $1000. The other idea is to heavily advertise in Canadian newspapers between the border & Winnipeg, inviting Canadian travelers who use GFK airport to park here free in November and December 2005. This would apply to the users of the long term parking lot as well as short term parking for those who are here dropping off passengers. Johnson had calculated that for $10,000 the Authority can comp 30 cars per day for November and December. Republic Parking will not share in the cost, but instead would be paid for their lost revenue on those cars. Mutchler recalled attending a meeting where Klaus Theissen was very enthusiastic about this idea and agreed that it would be worth a try. Johnson pointed out that there is $12,000 marketing money available to fund this experiment. He added that any money spent beyond what is budgeted for marketing would be paid 51% by Northwest Airlines. Cronquist asked why Republic doesn't participate in the cost, because they will theoretically be gaining cars that wouldn't have come otherwise. Johnson replied that Republic would likely deny the theory and tell us that those cars would have come anyway. Cronquist asked then why are we putting out $10,000 if they were going to come anyway? Johnson said that the choice was the board's whether or not to spend the money on this experiment. Audience members expressed concern that there could be repercussions if the United States/Grand Forks residents would think they were being discriminated against. Cronquist said that was his next question. Johnson said the logic breaks down when the locals start driving to Fargo to park for the same amount but now they are driving an hour to get there. But he didn't have any idea what backlash we would incur. He again reminded the board that this is a situation where a City Council member and the head of the EDC are trying help us with our marketing campaign. Becker's said his feeling is to try it for one month and if there is backlash, that it can be explained away, and if we see success, than it should be discussed further. Johnson said Republic Parking had estimated that at any given time, there are about six Canadian cars in the lot, and Johnson has heard that it's often cheaper to fly from GFK than from Winnipeg. Mutchler said the Authority should give the experiment a try. Brooks said he likes this idea better than subsidizing seats, and has more thoughts that he will discuss with Gershman, like letting the city carry the cost of this experiment. He said the issue is to try to get more people to fly out of GFK, besides the locals. Johnson said he intends to go ahead with the $5 parking discount coupon, but asked the board if the Canadian free parking is something they want to put to a vote. Mutchler has agreed, and Becker said he agrees, and Cronquist said he still wants Republic to share costs. Johnson said that Republic would resist, claiming that we were comping all Canadian cars, including the ones that would have come anyway. It was clarified that this experiment would cost up to $10,000 for two months, not one. Cronquist asked what would happen if the cost exceeded $10,000 in less than 60 days. Johnson replied that he would then approach the board for further direction, but that it is his job to do the marketing, and he normally doesn't come to the board for marketing decisions. He thought that since this idea came from an outside party, he would make the board aware of it. Becker called on the audience members who wanted to comment: Frank Argenziano asked how much income is generated from each additional Canadian passenger. Johnson replied: PFC's of $4.50 each. Brent Siefert of GFKFS commented that he didn't agree that a passenger would opt to fly GFK just because of free parking. Clint Rodnigen was concerned about the backlash and the amount of time it could take to regain the lost local customers. Brooks reiterated that something needs to be done, and that it's time to start trying. Becker concluded the conversation by saying that this is Johnson's decision as airport manager, and not a type of matter that needs a motion. He asked that Johnson make the final decision after Brooks talks with Gershman again about the city paying for this. The other board members agreed.

2. Charging in parking lot

Johnson informed the board that effective the first of October, the Authority began charging $40 per quarter to Mesaba, Northwest and Pinnacle aircrew members who park in the overflow parking lot. Other airlines' aircrew members are not allowed to purchase parking tags for that lot and must use our regular parking lots.

3. Progress in burying power lines

Nodak Electric started last week burying the power lines around the airport. The job will take a few weeks.

4. Public hearing on wildlife EA

Very soon there will be date set for a public hearing regarding the wildlife hazard management environmental assessment. Johnson will ask for a board member to chair that hearing, which will probably be in late November or Early December. This hearing should finally clear the way to fill the wetland on the west side of the runway.

5. Reface of hangar – 1st week of November

The large round top hangar that has been partially faced with tarp for the past several months, will finally get the needed repairs in early November. The University will place an internally lit sign on that building. Argenziano said the sign's cost would determine which fiscal year it would be purchased and placed up there. Their fiscal year starts in July.

6. Beautification

$10,000 in beautification money was received from the city. It has been spent to add trees, rocks and flowers at the point of the pay parking lot, and in the UND complex , particularly around the ATCT.

7. Board room tables

Johnson asked the board for guidance on whether or not to laminate the board room tables – one large and two small – to match the new serving cart that was purchased. The tables have incurred a lot of water damage over the years, and laminating all three tables for $800 would cover the damage and be resistant to further damage. New tables would cost around $3000. He added that he asks only because these large wooden tables have been a part of this board room's tradition for so many years. Unless the board objects in the near future, management will go ahead with plans to laminate the tables.

8. Economic Impact Survey

The NDAC asked us to complete an airline passenger survey on economic impact. We hired the UND's Student Chapter of AAAE to do the survey for us, and 95% of that cost will be reimbursed by the NDAC. The students completed the survey in 10 days and compiled the results from the 455 responses. We drew a name from those surveys to give away $100 incentive money. The winner was Roxann Sorum from Grand Forks.

Meeting adjourned at 9:25 p.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

November 17, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, November 17, 2005 with Chairman Brad Beyer presiding. Those present were Commissioners Rich Becker, Clark Cronquist and Tim Mutchler; staff members Steve Johnson, Executive Director; and Mary Jo Crystal, Director of Finance and Administration. Also attending were Marty Yahna, County Commission Liaison; Bob Brooks, City Council Liaison; and David Dietz, from Mead & Hunt Engineering.

The meeting was called to order at 8:15 a.m.

Steve Johnson made the announcement that Rick Audette and Skip Rucinski are currently in Chicago receiving the Regional FAA Airport Safety Award. This is only the second time in fifteen years that our airport has been awarded for its outstanding work in safety.

A. Reading and Approval of Minutes

1. October 20, 2005

Cronquist moved to approve the October 20, 2005 meeting minutes. Becker seconded**. Action Taken:** Motion carried unanimously.

B. Reports

1. Year-to-Date Financials

Crystal reported the total YTD net income for the first ten months of 2005 as $629,345.31 (before transfers). She reminded the Board that the only restricted fund is the debt service fund, where there is a bond restriction on the amount of cash that must be reserved for bond payments. The income and expense ratio at this time in the year should be at about 83%. The fuel sales sits at only 71% but is hard to control because by policy, the sales price is driven by the price set by the gas retailers at the intersection of Hwy 2 and Interstate 29. The operating revenue is at 84%. Overall the operating expenses are at about 78% of our 2005 budget. That's why there is a positive operating revenue of $92,602.29 vs. the negative projected amount of ($32,695.00).

The non-operating revenue shows a 53% ratio – $1.3 million vs. the budgeted amount of $2.4 million, which has been affected by the number of capital projects that are still outstanding. If the federal grant project amounts were omitted, the ratio would be at 96%. The same situation exists when looking at the non-operating expenditures ratio (33% vs. 71% if the federal dollars were not counted). Johnson interjected that there are still federal project bills upcoming this year: A runway plow/grader will be delivered and will cost $260,000, the master planning continues, and the runway rejuvenation project cost has yet to be resolved.

At this time Cronquist asked about the runway rejuvenation payment issue. Johnson reported to the Board that the rejuvenated pavement was re-tested at the expense of the contractor and the supplier. The testing results showed a passing grade. This now makes one pass and one fail, making it hard to determine the actual results. The engineers suggested paying for a third, independent test. If this final test passes, we pay the contractor and the issue is resolved.

Cronquist asked Crystal how the payments from Northwest Airlines have been coming in since their bankruptcy filing. Crystal replied that the payments are current on the auto gas and diesel, and there has been discussion to clarify a misunderstanding on rent. They misunderstood which month they were billed for and therefore they underpaid. Their next payment should cover the amounts due since the bankruptcy filing. She stated that their payments are not coming in the same timely manner as in the past, however. Becker asked about the Mesaba Airline payments since their bankruptcy filing. Crystal replied that there has been no payment since their filing in October, but she expects to see their prorated October payment 30-45 days after it's due date, and future payments to be drawn out even further than the Northwest payments.

2. Master Planning Update

David Dietz from Mead & Hunt updated the Board on the Phase 1 schedule for Master Planning. To keep up with the pace of the MPO and the County Planners, several of the land use and compatibility items will move forward several months. The runway location issue will lag behind schedule however for reasons to be discussed next, but overall, their expectation is to finish Phase I as planned in March. Using handouts of aerial photographs, he showed his proposals for runway and terminal locations. The FAA will not pay for a new runway that is too close to the lagoons, and they've set a 5000' limit, which was outlined during the last meeting. In a subsequent meeting, however, the FAA stated that they would prefer the fourth runway to be as far south of the lagoons as possible, further than the 5000' because the flight path is still hazarded with birds. This development causes a new look at possible terminal sites. He pointed out different options on the handouts, and reminded the Board that three of the original five options would require a significantly priced parking ramp and movement of existing entities. He suggested two additional (new terminal) locations than the five already studied. One can be immediately discounted because of it's proximity to UND. The viable option he thought would be a location south of FedEx, close to the Highway 2 entrance onto Airport Drive. The downside of that site is the proximity to the runway, but it is still a legitimate site and needs more analysis. The most likely site would still be north of FedEx (Site 4). The previously preferred runway site could still be located just east of (terminal) Site 4, but the flight path would be over the Site, and would still be too close - in the FAA's eyes - to the lagoons. Moving the fourth runway 1400 feet further south is now considered to be the preferred site, but would place it along side a drainage canal. USDA specialists are going to offer guidance on this prospect. If costs prohibit this location, then the next preferred proposed site moves to the west side of the main runway. Mr. Dietz said that the USDA wildlife assessment people will need to first do their work so FAA will have the cost estimates to determine the possibility of putting the new runway in the southeast quadrant. This shifts some of Phase II's work into Phase I. On land use, Mr. Dietz reported that the County Planner, Lane Magnuson has been working with him on some of the issues that concern the airport's planning. He thinks that there's an excellent chance that they can work well together.

Mr. Lane Magnuson was asked by Marty Yahna to attend this meeting. Johnson introduced Magnuson and asked him to address the Board with his information and to answer any questions. Mr. Magnuson passed out a map of the county and described the land use plans for the county. As the plans relate to the airport on the map, he doesn't think there are going to be too many issues.

Marty Yahna reported on his discussion with the County Commission in regards to the zoning around the city, specifically around the airport. He said although they would like the county's jurisdiction for land use to remain the way it is, which is everything outside of the 2 mile range that the city now dictates. The county cannot prevent the city from voting to extend its extraterritorial limits to four miles. He's concerned about the citizens in that 2-4 mile range, but trusts that Lane Magnuson is doing a great job working with the city on the county's behalf.

Bob Brooks reported on his discussion with the City Council on the same subject. The majority of the council wants to extend the zone to 4 miles. He said that the issue concerning the citizens in that 2-4 mile range was spoken to very well by county commissioner Malm, but he wasn't sure the council members understood that issue. He hopes that there will be things done to improve the city's image within the market area.

Johnson said the future of the airport does not depend on whether the county or city zones the property around the airport, since both have proposals to improve land use. However the airport will remain interested in the decision to the extent of which of the parties will propose better protection.

Johnson brought up the annexation issue that was discussed at the last meeting. If there is a contiguous annexation from the city to the airport, the 4 mile extraterritorial arc could extend out 4 miles west of the airport. He believes the MPO is waiting for the airport to eventually decide whether or not we want that annexation before they discuss that further.

Becker asked for clarification about when the fourth runway will be constructed. Johnson clarified that in 2006 there would be land acquisition, 2007 would be engineering and infrastructure work, and in 2008 there would be pavement laid. He explained that due to the short construction season in this part of the country, it is best to spread construction over two years.

C. Old Business

1.Matter of the 2006 Budget

Johnson explained the minor changes in the revised budget proposal and asked for approval. These minor changes reduced the landing fees by $.02 and the capital budget went up by about $10-15,000. Cronquist strongly objected to the operational deficit, and asked for more cuts. He said the operational deficit was about 10% of the revenue. He would rather see the tax dollar revenue go for capital improvements and expenditures. He fears the new terminal will use up our cash reserves and put us into a huge debt of several million dollars. He asked if the advertising budget was cost effective. Johnson reminded the Board that he believes the airport has budgeted operationally at a deficit for about six years out of the last ten. Cronquist commented that we may be getting too used to running this way. Johnson said he could not answer whether the advertising budget is cost effective because there has not been any marketing research or measurement done to find out. Crystal reminded the Board that the since we no longer staff a marketing person, the same marketing dollars are shifted to other marketing devices. Johnson reminded the Board that there has been pressure from some concerned agencies to increase the marketing we do.

Next, Cronquist asked about the ARFF staffing. He understands that there are two qualified staff members scheduled when the FAA only requires one. He wonders whether that is a place to cut costs. Johnson replied yes, but warned that the public may have issues with a cut in safety if the word would get out. He agreed that the minimum is all that is required, but recalled getting criticized by the public and media when the DC-9 ran off the runway several years ago. There were criticisms against us then for "only meeting the minimum". Johnson said that to dedicate only one person to ARFF would mean either paying lower maintenance salaries to half of the ARFF staff, and/or survive on fewer staff.

Becker agreed with the Cronquist's comment about operating at a deficit too often. He asked to discuss this further at the retreat meeting tomorrow. He offered a suggestion to give the employee their raises at a rate of 2.5% per year for two years instead of an up front 5% for two years.

Mutchler asked about the landed weight fees in regard to the withdrawal of the DC-9s flying in for Northwest, and how that affects the budget revenue. Crystal replied that the landing fees go up when the weights go down. Mutchler asked what Northwest's reaction is to those types of rate increases. Crystal said they understand the increase but reminded the Board that NWA sees GFK's rate as one of the highest in the state. The reason being that we are a stand alone ARFF station, and not subsidized by the state or city. She commented that Northwest is being much more attentive to our invoices than in the past. Johnson explained that although the rates are higher in this budget, Northwest pays less because of their lower landed weights. Ultimately, the revenue is decreased because of this. He also reminded the Board that the cost center allocation of personnel had been refigured earlier in the year with a goal in mind to help the Northwest Airlines terminal rent but as it turned out it drove up landing fees.

Crystal pointed out the cost of having an ARFF employee plowing snow at ARFF salary. Frank Argenziano from the audience suggested to the Board that to cut costs by cutting ARFF employees may be dangerous to the staff members then working alone. Johnson and Crystal clarified that by cutting the ARFF staffing by one, there could still be two staff (ARFF and/or non-ARFF) members for all but about seven hours each night, where there is currently only one ARFF staff member.

Johnson again suggested budget approval.

Mutchler asked about the revenue from the Ag Depot site of the FTZ. Johnson replied that based on the agreement we could get as little as $25 this year.

Brian Pfeiffer from the audience asked what the revised budget was for the hangar rent increase. Johnson replied it was 5.1%, using the same CPI that has always been used, and that this index accurately reflect items that reflect the airport's costs. He thought that the CPI rate might flatten next year if the fuel price increases this year subsided.

Mutchler asked to delay the budget approval and discuss it at the retreat meeting tomorrow. He also asked clarification on the PFC money with regard to the paving the terminal loop. Crystal explained that the PFC application was done in a way that we had to begin a PFC use project or risk lapsing into non-collection status. The paving project is one that fits into the PFC plan.

Beyer announced that there will be more discussion and tabled the budget approval for the December meeting.

D. Other

1. EA Public Hearing Volunteer

Johnson asked for a Board volunteer to chair the public hearing, but said it wasn't required that a Board member attend. Cronquist offered to attend. The hearing is at the Authority Board Room on December 8 at 6 p.m.

2. Check Register

Johnson took the initiative to generate a check register to comply with the auditor's suggestion to review random accounts payable items. The questions from Cronquist were satisfied with answers from Johnson.

3. Eggstravaganza Tickets

Johnson offered the remaining December 1st breakfast ticket to anyone who wanted it, and offered to buy more if anyone else was interested.

4. Lloyd Stavetig Issue

Johnson outlined an issue with Lloyd Stavetig, who leases a fence easement to the Authority. For $400 per year, we lease property in the fence line around some of his farmland property. His nephew rents the property inside the fence and decided that the field was not draining adequately. The nephew then went in and cut down the contours of the field. By doing so, he changed the field drainage to conflict with how our concrete mow strips were built. Mr. Stavetig tried to get the airport to resolve the issue, apparently not understanding that his renter caused this drainage problem by re-contouring the land. Airport management refused to take responsibility. Stavetig subsequently dug a drainage hole underneath the concrete mow strip with a back hoe. There is concern that the hole will enlarge and damage our mow strip. After discussion about setting a precedent, and Stavetig's denial of responsibility, it was decided to pay to replace the hole with a proper culvert this time, but with legal notice to Stavetig that the next such expense is his responsibility. Johnson stated his appreciation of the contract with Stavetig.

Meeting adjourned at 9:50 a.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

November 18, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met at the Inn at Maple Crossing in Mentor, Minnesota on Friday, November 18, 2005 with Chairman Brad Beyer presiding. Those present were Commissioners Rich Becker, Clark Cronquist, Dave Molmen and Tim Mutchler. Also attending were staff members Steve Johnson, Executive Director; and Mary Jo Crystal, Director of Finance and Administration.

The meeting was called to order at 9:00 a.m.

Johnson indicated that this meeting was intended solely for board members to discuss broad topics of interest to them. He indicated that he didn't come with an agenda, but had some topics that could be discussed if Board members wished. Consensus was that Johnson should introduce his discussion items and board members would bring up their own issues later.

Rental Cars

Johnson reported that he was approached by Enterprise Rent-a-Car about running their business out of the airport terminal. He requested from them a letter of application, and expects a response in the near future. Johnson explained the pros and cons of having four rental car businesses in the terminal. Johnson believes that although the Board in 1997, to avoid four operators, decided not to bid the concessions at that time. He recommends it now. He believes it would be appropriate from a compliance standpoint and that it could result in a greater revenue for the Authority. He and Crystal then reviewed with the Board the FAA compliance requirements and a summary of the DBE Part 23 with regard to concession requirements.

Molmen asked if any of the current car rental tenants are disadvantaged business enterprises, or if we were just using that language in the proposal to comply with the requirements. Johnson and Crystal answered no, this region does not have car rental agencies that are DBE's and yes, we are using the language to show we are complying. Molmen asked what criteria we'd be using for a successful bidder. Johnson said the proposal would describe the requirements that have to be met. The current contracts are written with performance minimums, and all of the current agencies are meeting them. Johnson sees no need to significantly change the standards. The basis of any bid will be the revenue percentage that they will give the airport, and the guaranteed minimum monthly payment.

Becker asked if there were a potential fourth agency, where it would be located? Johnson answered either in a kiosk near the bag claim area where the Smart-carts are currently located, or in the unused section of the ticket counter. He discouraged the latter due to the probability of conflict with the charter airlines that use that counter at times. The kiosk would be at a disadvantage location-wise, so there would have to be fee concessions made. Johnson recommended not adding a fourth agency because he believes there's not enough business to support four. Becker asked about our position on shared car wash facilities. Johnson said that building a consolidated facility has been put on hold until plans are more definite on the new terminal.

Crystal brought up the safety issue concerning the car rental employees who drive against the traffic on the loop from the car wash facilities to the car rental parking lots. The Board's consensus was to have the staff more aggressively enforce drivers' compliance with traffic laws.

Mutchler moved to put the car rentals out for bid. The motion was seconded by Cronquist. There was discussion about the time frame for the process. Thoughts were that it could be done in six months to a year, however, Johnson wants to discuss this with incumbent operators so that a new agreement is timely to them making fleet management decisions. Johnson said that there needs to be a contingency in any rental agreements regarding the new terminal and the facility changes that are driven by that. There may be a need for new bids again at that time. **Action taken**: Motion carried unanimously.

Personnel Issue

Johnson circulated a handout that listed of 16 of the Authority staff technical/skill positions along with the ages (no names) of the person in those positions. He explained that these 16 out of the 21 total staff positions have job descriptions that require the employee to be able to lift over 100 pounds and operate heavy equipment. He pointed out that 10 of the 16 are over 40 years old, and suggested that some of the employees may not be able to meet those requirements until the arbitrary age of 65. Johnson questioned if the Authority should have a program of physical assessment to ensure employees can meet the requirements of their jobs, and to reduce the airport's risk. Since there is small likelihood of reassigning an employee who cannot pass an assessment, Johnson feels there would be little choice in that case other than to dismiss the employee. Johnson read from his handout a series of discussion questions regarding these issues. Molmen said that the Authority's main priority is to be responsible to the public, in that we must know that our employees are capable of doing what we report they can do in their job descriptions. Secondly, he said that the Authority also has a responsibility to protect the employees from injury, and to protect the Authority from risk in case an employee was injured doing a job of which he or she wasn't physically capable. Molmen suggested that age is not a good predictor, and thought that an attorney should be consulted to find out the options for analyzing this issue. The goal should not be to identify people who can't do their jobs, but to find ways to keep them fit enough to do the job. Crystal stated that the preliminary work for testing has already been done. Becker said that the Authority cannot owe people jobs, and that public safety must come first. Molmen pointed out that the process of putting a physical assessment plan in place could take a year, giving the employee ample time to prepare for it. Cronquist agreed. Johnson asked for clarification about who would be required to be assessed and whether they are looking for a fitness assurity program or a wellness program. Beyer stated that there might be a liability issue if we don't assess everyone. Johnson reminded the Board that the ADA governs all of these jobs, and we are required to reasonably accommodate for the disabled. He further stated that since FAA regulations require our first responders to do nothing more than to respond to an aircraft incident or accident and apply extinguishing agent until our truck empties, there's a strong argument that the only abilities required for the job with ARFF is to drive a truck and move levers over one's head. The FAA also requires us to have first responder training and to have one trained first responder scheduled per shift. Cronquist questioned our liability in the event we staff EMTs for first responder jobs. Molmen stated that the job description drives our liability, not the amount of extra training an employee might have had. Crystal clarified that the job description of an ARFF employee is to be a trained first responder. She thinks there is a liability risk involved with those trained EMTs who respond at the EMT level. Johnson and Beyer both commented that the public probably likes the fact that the airport employs EMTs vs. first responders. Johnson believes, however, that like EMTs, first responders have certain public responsibilities. Becker thinks that management should have a session with the employees to discuss their responsibility to the public and to remind them of the airport's expectations to meet their job requirements. Crystal reminded commissioners that training employees for levels that aren't required by regulation is expensive. Molmen asked if we have done a comprehensive risk assessment to find out what risks we face. He said that if we had list of all of our risks, we can determine how we should respond to each one. Johnson answered that we respond to a whole spectrum of events but we also immediately call for 911 assistance. Molmen stated that this type of responsibility has to be in that person's job description, and the job description, related to that risk, determines the various fitness/mental/training requirements. Molmen suggested a comprehensive risk assessment, and said it would be an effective way to determine what is required of each employee. Becker asked for a summarization of the

Authority's plan. Johnson summarized by saying that he thinks the Board wants the job descriptions reviewed to match the risks, and to implement a fitness and testing program to minimize the risks that we've agreed to accept, but nothing in terms of a wellness program. He mentioned that Mary Jo Crystal has been appointed as Wellness Officer for our organization, so we are now in a Wellness Program and can receive a 1% discount on our employee health insurance premiums. Beyer asked what would be a reasonable time table for the employee to prepare for a fitness test. Crystal suggested asking the Grand Forks Fire Department what their expectations are of us as first responders. Johnson stated that the mutual aid agreement states that our ARFF staff is to be used if needed for their backups. In that perspective, they expect our people to be trained the same as they are, and if we aren't, we put our people at risk. Cronquist asked if the airport is spending more than they need to in overtime and training, and exposing itself to greater liability with regard to EMT training vs. first responder. Mutchler asked if it would it be an asset to us if the Grand Forks Fire Department were ever to provide the ARFF coverage at the airport. Johnson speculated that the cost to the airlines would be higher in that scenario, due to the fact that our staff also does maintenance and security duties, whereas the GFFD would not. Johnson added that the ARFF staff takes a lot of pride in being more qualified than necessary, and in helping people. He knows the EMT training is more expensive, but thinks it is money well spent. Molmen said that someone has to be available for emergencies. Beyer said he recently heard from his neighbor who witnessed an emergency event in front of the terminal and had been very impressed with the airport's efficient response. Becker made the suggestion that since the city does not provide ARFF coverage and thereby causes our airport's ARFF rates to be higher than other ND airports, that maybe the city could give additional financial assistance for our ARFF. Cronquist thought the city would insist that they are already allocating enough tax dollars to the airport.

Airfield (04) Cost Center

Johnson reported the breakdown of the airport's current revenues based on the 2006 draft budget. This includes all rents, and fees, and commissions.

NWA/Mesaba/Pinnacle	30%	$596,000
FedEx	26%	$531,000
Rental Cars	12%	$236,000
UND	11%	$213,000
Parking	10%	$210,000
GFKFS	4%	$ 79,000
Other	7%	$140,000

He also reviewed the landed weight contributions to total revenues (per thousand pounds): Airlines $4.40, FedEx $3.22, and UND $.80. For the use of the airport, UND contributes less than the other two entities per thousand pounds of landed weight.

Johnson went on to explain in detail how landing fees are calculated: Landing fees are calculated by dividing the total yearly expenses assigned to the Airfield cost center (plus a prorated percentage of Administration expenses) by the total yearly airport landed weight in thousands of pounds. Increases/decreases in Airfield or Administration expenses increase/decrease landing fees proportionally. On the other hand, a decrease in total landed weight increases landing fees, and vice-versa.

One of the key issues in landing fee calculations is the issue of what to include in expenses when applying them to the 04 cost center. Johnson used an example of repairing Airport Drive and said that it is a problem deciding which entities, if any, should pay for that. Today, that expense reflects in landing fees. Next, he explained how the language in our contract with the airlines does not give an exact explanation of how we calculate landing fees. Specifically, it doesn't define M&O (maintenance and operations) costs. Johnson then described two categories of expenses that could be removed from the Airfield cost center to reduce landing fees: Landside infrastructure expenses, and the (airside) costs to maintain the UND complex. Both of these could be reassigned to newly created cost centers to removed some of the indirect expenses from landing fee calculation. The prorated cost of maintaining UND's airside complex as estimated in the 2006 draft budget came to $129,256. Johnson hypothetically illustrated the potential savings to the airlines by removing the $129,256 from the Airfield cost center and then re-calculating the landing fees. The new calculation showed the savings to users in 2006 as follows:

NWA - $33,025 Mesaba - $2,744 FedEx - $39,235 Casino Express - $169

Of course, for this to happen, the Authority's landing fee revenues would decline by the above total, $75,173. Without offsetting revenue this would increase the operational deficit.

Johnson concluded his report by saying that this has been the situation for landing fee calculations since he's been working at this airport. Cronquist said he often thinks UND should be paying more. Becker did not disagree, and suggested that the Board should start discussing ways to increase participation by UND, while realizing that the airport needs them. Becker wanted the Board to understand that a good portion of the UND Aerospace revenue is being used in other divisions of UND. Johnson listed some of the items that we provide UND such as snow removal, mowing, and pavement repair. Beyer asked that since we are providing a fourth runway, would UND feel like participating? Johnson replied that they've never been asked. Crystal added that the FAA has asked how we are going to maintain another runway on the budget we have. Molmen thought that in fairness, UND should participate in maintaining the runway that is built specifically for them. But he surmised that all parties on the airport help each other just by being there and contributing to overall revenues. Johnson and Crystal both agreed that the fixed costs allocated to other parties would be less if they weren't subsidizing UND. A discussion followed about the cost of providing ARFF at our airport vs. costs at other ND airports. Beyer asked Johnson to explain in detail what UND fees make up the $.80 per 1000 lbs. of landed weight. Johnson replied - building rent, groundsite rent, fuel flowage, fuel storage, and tie down rent. Johnson summarized the discussion by saying he was making the Board aware that the landing fees – for those who pay – include the cost of UND's airfield maintenance. Crystal added that we will need to explain, and we will need to start asking UND to participate in some more of their costs to make them a more equitable player in this field. She warned that one change could cause a catch-22 type situation and calculations could become quite complex. Molmen argued that it might be unfair to UND to say that the airlines would be better off without UND. Johnson agreed to study this issue further. Molmen said that although we love and support having UND in Grand Forks, our mission is to make good business decisions and that loyalty should not play a part. Cronquist repeated that he still thinks UND should help with some more of the costs that the City and the Authority are burdened with. Becker said that since UND creates such a huge favorable economic impact on the city, that it would be unfair to ask too much of them. Becker said that there needs to be more pro and con UND numbers in front them before they can discuss this further. Johnson agreed to provide additional information.

Succession Planning

Johnson presented the Board with copies of a succession planning document which lists tasks performed by management staff on a recurring basis at the Authority.

A follow on discussion ensued about making reasonable accommodations should an employee become disabled. Beyer's opinion was that administration and maintenance accommodations would be easy, but the ARFF employee has a more defined job, where they are hired as healthy and strong well trained individuals. Molmen said that something has to be done for future employees so they don't have to remain "shackled" to their job in order to receive a pension.

Small Community Air Service Grant

Johnson asked for the Board's concurrence to solicit a small community air service grant in 2006. With these grants, communities that are underserved or overpriced are asked to create methods to generate additional air service or lower fares. Johnson thinks that airlines and airports are beginning to discuss airports providing ground handling services and that this concept might be a coming trend. Johnson suggested that providing ground service is an opportunity to attract other airlines by lowering airline up front investment costs. Johnson said his idea is to apply for a small community air service grant to cover costs for two years to fund this type of an experiment. He reported to the Board that Northwest Airlines is currently trying to cut costs by getting out of their ground handlers' union agreements with the possibility of contracting with others for that service in the future. Mutchler asked how our fee structure would change to accommodate employing ground handlers. Johnson replied that although he's not sure, he thinks that initially we'd be providing this service for little or nothing since the DOT would be paying the employment costs with grant money. This would give us time to try it out before setting a normal fee. Johnson said he would like to work with a consultant to figure out the details and that nothing is on paper yet. He explained that this type of grant requires a local contribution, and that the larger the contribution the more likely the success in getting the grant. Johnson restated that if this is an upcoming industry trend, it will probably be money well spent. Becker suggested asking the Aerospace school of their interest in such an undertaking. Johnson reminded the Board of the presence of GFK Flight Support and said they might be the ones that would actually do the jobs. Molmen liked the idea of an airport providing ground handling service. Becker thought that we could have control over the service and could improve our image with our own ground handlers. Johnson informed the Board that Rick Audette had once worked as an airline station manager and would be a knowledgeable resource should we pursue this endeavor. There was discussion about asking UND if there could be curriculum developed for this type of work.

Fourth Runway and Terminal

The land acquisition for the fourth runway is scheduled in 2006. Johnson asked if all of the Board members were still in favor of this. Johnson said that the ADO will be asking for a resolution from the City Council with regard to the closing of the landfill. We have a guarantee letter from the City, but the ADO needs more than that – a resolution – before we get a grant to build the runway. Becker asked for the planned construction dates for the terminal. Johnson answered with the following: Construct terminal Phase I – 2009; Phase II – 2010.

Privatizing Hangars

Johnson told the Board that over the years he's had several conversations with Brent Siefert from GFK Flight Support about privatizing additional hangars. Brent always states his belief that the FBO is a private enterprise, and that at some point they would like to construct additional hangars of their own. Johnson said that when the master plan is complete, we will know what the plans are for renovation or relocation of general aviation. At that time, he advised, the Board may be asked to make a decision on whether to allow GFKFS to build their own replacements of Authority hangars.

Foreign Trade Zone

Becker spoke about the Foreign Trade Zone activity with Ag Depot. He is very pleased with it, and wants to promote it more. He mentioned an FTZ conference in January. He would like to see Stacey from Ag Depot go and also a GFRAA Board and a staff member.

Training
Becker asked Johnson to better remind and promote the AAAE conferences and activities with the Board. He also asked the Board to be better participants in attending the conferences that can continue to educate them in airport management.

Airport Promotion
Becker said he does not think the Authority is overstaffed and does not think that marketing is over budgeted. He thinks that there is much more that can be done to market our airport and that it needs to be done to stop leakage to Fargo. Some things he thought needed more attention were the information center and the displays in the terminal. He also thinks that East Grand Forks needs to step up more to help support our community airport. He would also like to see more support from Grand Forks City and County government.

Fed Ex
Becker said he thinks that FedEx is very important, and wants to discuss ways to keep them at our airport. He suggests that the Board think of ways to show our appreciation for their presence here so we don't lose them, and possibly get them to expand.

Johnson spoke on each of four previous subjects brought up by Becker. He said the FTZ is a peripheral service offered by the Airport Authority. We don't heavily promote it. We help businesses who approach us, but Johnson doesn't want this service to get in the way of the main function of the Airport Authority. He could see promoting the FTZ more only if we still employed a marketing staff person.

Johnson agreed that the training opportunities for board members could be better utilized. He will make increased efforts to that effect.

Increased airport promotion is something Johnson is open to. He asked the Board to decide which direction they'd like to take. He agrees wholeheartedly with the suggestion that East Grand Forks should be more supportive. He suggested approaching their City Council and County Commission and inviting them to participate in the Airport Authority. Becker thought it would be appropriate to approach them. Cronquist said it's better to ask and hear "no" than not to ask at all. Crystal suggested better communication between the Authority and the surrounding City and County governments as a whole. Cronquist and Beyer agreed that we get forgotten when we're not visible enough. Mutchler said that he's often asked the county government to invite the Authority to make presentations. Crystal suggested being more aggressive and asking for a place on their agendas to talk about our developments and finances. Mutchler and Molmen both said that they've done that and either get the response "What do you want?" Or "We trust you, you all are doing a terrific job." Johnson suggested making routine visits to various government and business venues, making ourselves more visible to leaders and educating the community on what we do.

Johnson felt that visiting FedEx too often might be a deterrent. A visit every couple of years accompanied by a show of appreciation is sufficient. Too frequent visits could be seen as annoying. Beyer and Johnson traveled to Memphis about two years ago. He asked whether we should make some FedEx expansion plans – after getting the community's support – and then preemptively presenting them to the Memphis FedEx officials. He wondered if we could get some ideas about what they would like to see. Beyer suggested better truck facilities, loading docks, etc. Johnson asked the Board for direction. Mutchler said he gets concerned about the fact that sixty percent of their freight goes to Fargo, and that FedEx probably realizes that they'd be better off financially if they moved their operation to Fargo. Cronquist asked if the landing fees for FedEx would go up if we build them more loading docks for their trucks. Johnson said no, unless we instituted some kind of rent increase to recover some of our costs. Johnson said that the current FedEx manager, Brett Dettmann, seems to be happy having their operation at GFK. Becker said that he believes in *pro-activity*, and that Bismarck and Fargo have used it with success and we should be doing more with it. Johnson believes the EDC will actively pursue business on the airports behalf, and thinks partnering with them would be our best chance at success.

Johnson added that if the fourth runway is constructed just east of the FedEx facility, the FTZ site will have to be moved. He said this will be part of the master plan.

Budget 2006

Johnson estimated that the operational deficit budgeted for 2005 was $25,000. He pointed out on the budget notes that energy increases from 2005 to 2006 was $25,000. Insurance increased $27,000. Johnson stated that these items are not "manageable" by staff, unless they make fundamental changes in what or who they insure. Beyer asked how much of the employee health insurance premium is paid for by the Authority. Crystal replied that the Authority pays 100% of the health insurance premium regardless of the type of plan. Beyer said that may be a problem, since employees will be receiving (from the Authority) a 15% increase in insurance benefits plus a 2.5% per year raise for the next two years. Crystal said the dental insurance premium is paid for each employee, but not their family. Beyer asked the difference in the health insurance premium between single and family. Crystal estimated $400 - $450 per month. She added that there are only two tiers, single and family, offered by ND PERS. Johnson asked the Commissioners to look at the increase in revenue generated from landing fees for Northwest. He said the Northwest landing fees are budgeted to decrease about $6,000 for the next year. Terminal rent is going up. The Mesaba landed weights are budgeted to decrease by about 75% from last year. Johnson's point was that some of the proposed 2006 fee increases are due to 20% lower landed weights, not just by our increased costs. Crystal added that there are times when NWA reports their landed weights to include Mesaba and Pinnacle landings, making comparisons difficult. Mutchler asked if there was ever a change made to the airline fees mid-year to accommodate changes in types of aircraft landing. Crystal replied "yes", in extreme cases for long term projections. Johnson explained that if there were no increases in our costs for 2006, and the landing fee for airlines increased from $1.02 to $1.28, 50% of that increase ($.13) would be due to their own reductions in landed weights because NWA/Mesaba represent half of the total airfield landed weight. Mutchler then suggested that the only places to cut the budget would be benefits and contracts. Johnson said that he thinks employees are always hoping for the same benefits each year, but they wouldn't be completely surprised to see a change. He said that the employees know that their peers do not all receive the 100% health insurance premium benefit, but are hopeful that the Board has always provided this benefit consciously and not by default. Mutchler said that his instinct from running a business is to never be complacent, and to always look for ways to cut an ever-tightening budget. Molmen added that for the long term, it wouldn't be unfair to ask employees to participate in their health insurance premiums. He pointed out the probability that an employee who has a choice of two plans – an employed spouse and his/her own – will always choose the best deal, which at this point would likely be ours, the one that has 100% of their premium paid for. The effect is that we are in an uneven playing field, not only in how much the employees pay for premiums, but how many people are using our benefit. Johnson commented that Mary Jo Crystal has done well in shopping for the best eligible plan for our employees. Molmen suggested changing our plan to require employee participation in their own health insurance premiums and informing the employees now that this plan will take effect with the 2007 budget. Cronquist agreed with Molmen in that there needs to be a plan to control costs. Becker said that philosophically he feels giving a pay raise this year for two years gives little incentive for the second year. Beyer asked why we are doing a 5% increase for two years. Johnson said the salary consultant's recommendation was that we don't go through the salary study exercise every year. Even though the lack of consistent data prevented us from doing the identical salary study exercise this year, Johnson thought doing the raise once every two years would prevent the accompanying controversy from happening *each* year. Beyer asked the difference between the 5% for two years and the 2.5% each year. Johnson said not significant, but employees would have it like "a bird in the hand". Becker asked how long the two year salary raises have been being used, and did anyone get raises last year. Johnson said two year raise increment was used for the first time two years ago. When the salary study was done in 2003, some employee salaries were increased in 2004 to reach 100% of their comparable mid-point based on the study. Some employees only reached 95-97.5% of the comparable midpoint in 2004 but their salaries were increased to reach 100% in 2005. The employees who were already at midpoint in 2004 had not received a raise. Johnson said that the recommended 5% raise is not based on any study, but is merely what he thought appropriate. He said this recommendation is clearly under the cost of living, and if the airport revenue conditions were better, he would have recommended a 4% raise for one year. Beyer recommended approving a 5% raise for two years. Becker said he would vote against that because of the high cost of the health insurance benefit the employees receive already. Beyer said that there are a number of businesses who have forgone wage increases for a number of years to maintain the level of health insurance. Johnson said he had informed the employees about the 15% increase in the cost of health insurance. Mutchler said he was glad that the Board is starting to try to control the rising costs of operation. Cronquist said something has to be done to either increase income or cut expenses. Cronquist then asked about the overtime paid to provide EMT training, and said that even though the public expects EMT service, the first responder training is less expensive and the Authority can only defend so much. Crystal said that the overtime policy is extremely liberal and explained: The policy now states that if someone is called in to cover any schedule change without 72 hours notice, they will receive overtime for that amount of time they worked different from what they were originally scheduled. Even if they haven't worked 40 hours otherwise. She attributes 19% of all overtime paid YTD to this policy provision. Crystal then explained the policy provision about receiving overtime pay for working extended shifts even when they've used leave time to make up their 40 hours. Based on our policy provisions, she said about 44% of the overtime paid is out of management's control. Beyer said that 72 hours is a long time to give notice. Becker said that our employees receive some of the best benefits in our region. Johnson said there's nothing wrong with that if we can afford it. Becker asked what needs to be done if we can't afford it. Beyer said his employees don't have sick leave and they take vacation leave when they are sick. Johnson asked the Board on behalf of the employees: How can he tell them that there's not enough money for a pay raise when there is a quarter million dollars going into the bank next year. Becker said we are not a for profit organization. Mutchler said the idea of paying our employees based on how much money we have or don't have isn't the right concept to use. Molmen added that the idea is to have a competitive salary and benefit program. Mutchler said that in bad times we still pay them fairly or they wouldn't stay with us, and conversely, in good times, the employees shouldn't expect to receive pay that is above the market value. Johnson summarized the Board's position that a pay raise is not based on whether we can afford it, rather it is based on comparability and rationale. Beyer said if someone really takes issue with that, then they should show us where we are wrong. There was no action on the 2006 budget.

Meeting adjourned at 12:15 p.m.

Respectfully submitted,

Coleen Peterson, Board Secretary

PROCEEDINGS OF
THE GRAND FORKS REGIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS MEETING

December 15, 2005

The Grand Forks Regional Airport Authority Board of Commissioners met in the Board Room of the Airport Authority on Thursday, December 15, 2005 with Vice Chairman Rich Becker presiding. Those present were Commissioners Clark Cronquist and Dave Molmen; staff members Steve Johnson, Executive Director; Mary Jo Crystal, Director of Finance and Administration, and Rick Audette, Airport Operations and Maintenance Manager. Also attending were Marty Yahna, County Commission Liaison and Bob Brooks, City Council Liaison.

The meeting was called to order at 8:07 a.m.

A. Reading and Approval of Minutes

1. November 17 and November 18, 2005 Minutes

Cronquist moved to approve both the November 17 and November 18, 2005 meeting minutes. Molmen seconded**. Action Taken:** Motion carried unanimously.

B. Reports

1. Year-to-Date Financials

Crystal reported Northwest Airlines is current with their post-bankruptcy payments, but their pre-petition payments remain unpaid. She reported three budgeted capital items still outstanding and expected to be paid out of the Capital Fund this year: Bury power lines $50,000; GIS $6,000; and the grader $14,000. Johnson added the runway rejuvenation project to her report. Crystal said there was no unusual activity in the accounts since the last financial report. Molmen asked how the airline unpaid pre-petition invoices will be handled. Crystal said the Authority's auditor recommends waiting until our audit is performed and to also wait to see what the airlines' courts rule. Molmen asked if there is action on the outstanding capital items. Johnson replied that we have done everything we can, and that we are waiting for the invoices on the power line burial and the GIS project. The contractor providing the grader has been dealing with Rick Audette. The grader has been delivered to Butler Machinery but we won't accept delivery until they agree to replace the wing blade. The grader's wing blade doesn't meet the specific standards that were in the contract. Molmen asked if these items would be paid out of this year's budget. Johnson replied that even if these invoices aren't paid this year, the auditors are able to account for the purchases in our 2005 financial statement. He added that the rejuvenation issue is still in resolution, but likewise will probably be paid in 2006 out of 2005's budgeted capital project money. Johnson reported that Crystal totaled the operational expenses through the end of November and found that landing fees and crash fire rescue fees are exactly what we had budgeted. This means that the Northwest Airlines payments have corresponded exactly with our expenses, and there will be little need for adjustment either way.

C. Old Business

1. Matter of the 2006 Budget

Johnson reported that the staff has not made any changes to the budget since the discussions at the November meetings. He described the budget as one that could be characterized as "business as usual", one that will continue to serve the public in the same fashion that we have been. He shared some ideas where management could reduce the operational deficit. Utility conservation, less travel, and less training were a few items that Johnson said he could review, that would have little impact on airport users. Molmen said the level of service we provide is very important. Johnson said that the latest news of a possible FedEx pull-out and the uncertain future of Northwest Airlines could eventually impact the airport significantly. He stated that these changes would not happen overnight, and thought that we would have a fair amount of notice to react to any major changes in our revenues should something significant happen. Johnson asked the Board how much the airport should prepare for such types of catastrophes that may or may not happen. Next he reported the difference of the impact the employee raise of 5% for two years vs. a raise of 2.5% each year for two years. The employee salaries and benefits such as pension contributions, would be about $45,000 more expensive with the 5% two year raise. Molmen commented that he thinks the Board must maintain and/or improve the level of service to the users of the airport, while maintaining the least possible operational deficit. Molmen suggested that based on Johnson's comments, there are some expenses that still could be reduced and some revenues could still be increased. Johnson asked the Board to adopt the budget and give management a target to reduce operational expenses where it doesn't impact service. He reminded them that there are many budget items that fluctuate and are only estimates and averages based on past experiences. He said that the bottom line of the budget has really been the actual target that they try to match each year. Becker asked if there are items that are consistently over-budgeted. Johnson said that each year he and Rick Audette review the past 3-4 years' line items very thoroughly when setting budget amounts. He thinks they avoid over-budgeting as much as possible. Cronquist asked to see the list of items that Johnson mentioned that still could be managed more efficiently. Johnson verbally listed some additional items: Utility conservation, fewer perimeter security checks, litter patrols, parts runs. Less marketing, equipment painting. He asked Crystal to recall the other items they had discussed. Crystal mentioned the issue of personnel overtime. Johnson added spending less on the terminal cleaning supplies. Molmen suggested implementing some of the above mentioned conservations, except the terminal cleaning cuts. He also suggested reviewing the return on the items such as marketing. Molmen went on to say that the Board's goal was not to cut so much as to be value efficient. Johnson said he thinks the current budget is appropriate based on his own set of values and standards, which might be different from other manager's standards. He added that based on his standards, he thinks the public is served well and efficiently with the way the money is being spent now. Brooks said the monitoring of the budget and reacting to the unexpected, i.e. airline bankruptcy effects, is more important than trying to predict line items in order to approve a budget. He also said the Board should be concerned about the leakage impact that will likely result from the newest Northwest Airlines schedule where they have a 6+ hour interval between the afternoon and evening flights. Yahna agreed with Brooks and also suggested that the marketing of the airport is most important to help the airport's image as is keeping the terminal clean and shiny. Cronquist agreed that the terminal should be kept clean and again asked to "see" the list of items that may still need review. He added that the budget should be passed and then monitored and expenses reduced where possible. Becker spoke about the importance of getting the budget passed at this meeting. He expressed his concern that this year may not be a normal year, and that the Board is being asked to approve a normal budget. He said that he would vote to approve the budget with the caveat that management must carefully monitor it and react appropriately to any adverse events that might take place. Becker also mentioned the two year raise lessens the incentive for the second year. Molmen said he thinks the budget should be passed this month, but again said that based on Johnson's comments, there are some items that need to be reviewed. Molmen then moved to approve the budget as it stands with the contingency to discuss at the next meeting ideas to improve service and the bottom line. Cronquist seconded the motion as stated by Molmen. In discussion, Johnson assured the Board that he is fully aware of the devastation that the airport could face if the worst scenarios of the future came true. He said if this motion is passed, he'll have a set of the various possible scenarios and their corresponding reaction plans in front of the Board at the next meeting. Hal Gershman spoke from the audience. He expressed his concern that the motion should not just include cutting the budget but also increasing revenues. Molmen stated that his motion was meant to include reviewing all of the options for both expenses and revenues in order to improve the bottom line. Gershman suggested that our relationship with Northwest is most important to the whole region, and that people living in this region must do what it takes to keep commercial airlines flying here with reasonable schedules. Brooks agreed that the airport is crucial to the region. **ACTION TAKEN**: The motion passed with Molmen and Cronquist for and Becker against.

New Business

1. Matter of Voluntary Pension

Johnson reminded the Board that back in 1996 the Airport Authority created it's own defined contribution pension system, which adversely impacted some employees. The Authority has since elected to give these individual employees annual discretionary payments and decides each year whether or not to continue this practice. Molmen moved to adopt the resolution, seconded by Cronquist. Molmen explained that the reason this type of plan was chosen was so the employee did not have to stay with the same employer for their entire career to receive their pension. A few of the long term employees were adversely affected when the new plan was put in place. Electing to give those affected employees this payment every year has proven to be cost effective, about the same if they had stayed with the old plan. Molmen said the plan makes a lot of sense. **ACTION TAKEN:** Motion carried unanimously.

D. Other

Johnson asked the Board to give him direction on the issue he's having with the Northwest and Mesaba crew members who do not like paying the $10 per month to park at the airport, and that they park at Fargo for much less. Our airline agreement states that the ground employees get free parking but not the crew members. Fargo charges all of the employees and crew members the same which is $3.30 per month. The Board declined to comment either way, leaving the decision to management.

Johnson asked the Board to decide on an amount to contribute to the Chamber Legacy Program, where a plaque is made for each donor. The choices for Legacy plaques range from $25 to $1000. Johnson suggested $500. The Board left the decision to management.

Johnson reported that the free parking for Canadians promotion has been successful and has been extended through January 2006.

Johnson reported that due to the change in the flight schedule, Northwest will not have ticketing employees in the terminal area from 5:00 p.m. to 9:30 p.m., due to their flight schedule change where there are no inbound flights between 4 p.m. and 10:30 p.m. Becker said we need to act, and to not let the airlines make these types of changes without doing something. Johnson said that he received a letter from the Northwest scheduler that basically said that they had to do this in order to make money where they could and that we were lucky not to lose another flight. Hal Gershman had a copy of the actual letter that Johnson spoke of and read it aloud. Gershman said he will be sending a letter to the Northwest Airlines scheduler to ask them to reconsider their new schedule which has a 6+ interval between the afternoon and evening flights from MSP to GFK.

Johnson offered to the Board the opportunity to hold an executive session to discuss a negotiation strategy to retain the FedEx contracts at Grand Forks International Airport. The legal authority for closing this portion of the meeting is North Dakota Century Code section 44-04-19.1(7). Cronquist moved to hold an executive session and Molmen seconded the motion. The motion carried unanimously. Becker called for a recess to allow members of the public to leave the Board Room. He asked Yahna, Brooks, Gershman and Seifert to attend the executive session. Staff members Johnson, Crystal, Audette and Secretary Peterson were also asked to stay. Gershman left the meeting at that time with the other public members.

The executive session began at 8:45 a.m. and was attended by Commissioners Rich Becker, Dave Molmen and Clark Cronquist. Also attending were liaisons Bob Brooks and Marty Yahna; staff members Steve Johnson, Mary Jo Crystal, Rick Audette and Secretary Coleen Peterson. Brent Seifert from GFK Flight Support was also in attendance. The executive session was adjourned at 9:14 a.m. The open meeting was resumed and immediately adjourned at 9:15 a.m.

Respectfully submitted,

Coleen Peterson, Board Secretary