



2002

Gallatin Airport Authority

Annual Report

Fiscal Year 2002

Gallatin Airport Authority
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GALLATIN AIRPORT AUTHORITY

The function of the Gallatin Airport Authority is to plan for, provide, operate and safely maintain an aviation facility adequate to the needs of the flying public and to keep it self-sustaining.

GALLATIN AIRPORT AUTHORITY

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Year in Review

Fiscal year 2002 was another challenging one for the Gallatin Airport Authority. Increases in the amount of air traffic, number of airline passengers and general aviation activity have required ongoing planning and airport improvements to accommodate the growth.

The tragic events of September 11th brought commercial and general aviation air traffic to a standstill for several days. Compliance with emergency restrictions and federal security directives required an extraordinary effort on the part of Air Carrier Services, Inc. personnel, our staff, airline personnel and local law enforcement agencies. Through their efforts, the airport returned to full operational status in a very short time.

→ Construction of new infrastructure continued to meet growing demand. A new passenger boarding bridge, new utility lines and general aviation taxiways were just some of the improvements. During the summer of 2001, we completed the largest paving project in the history of the airport, which included resurfacing the primary taxiway system and strengthening and widening Runway 03/21.

Throughout the year, the Airport Authority staff continued to excel. In addition to helping to produce one of Montana's finest airshows, they met or exceeded the new security requirements promulgated by the attacks of September 11th. The safety and maintenance crews received perfect scores on the annual FAA airport certification and security inspections while the administrative staff received a clean audit of our financial records. They did all this while operating and maintaining a clean, safe, convenient airport twenty-four hours a day.

I urge you to review this report and to let us know what we can do to better serve you, the flying public. Your input is necessary, important and appreciated.

Ted Mathis, A.A.E.

Airport Director

September 11, 2001

While air space around the country was being closed, Gallatin Field saw extra military activity due to the immediate need to transport FEMA personnel from a conference in Big Sky to New York City and Washington D.C.

About the same time, the FAA began closing the airspace throughout the nation. Local management from the airport, airlines, law enforcement and security screening were meeting at 9:15 a.m. discussing various contingency plans while awaiting further information from the FAA. Simultaneously, plans were being formulated to transport nearly 100 Federal Emergency Management Agency (FEMA) personnel, including the national director, who were at a conference at Big Sky to New York City and Washington D.C. By 10:30 a.m., a C-17, KC-135, a military King Air and F-16 had arrived at Gallatin Field to begin the transport of the FEMA personnel and an Air Force General who was in the area.



Tuesday, September 11th began normally at Gallatin Field with on-time departures of Delta and Horizon, inbound freighter aircraft from Billings and Great Falls and a few General Aviation aircraft in the pattern. At 6:46 a.m.(MST), the first hijacked aircraft hit the World Trade Center and the second at 7:02 a.m. By 7:45 a.m., Northwest Airlines and United Express had secured both their aircraft and indefinitely delayed

their flights. Over the next hours and days, the FAA, airports and airlines began formulating plans for the resumption of air service. Each airport was required to show that specific security procedures were in place prior to being approved for service. Vehicles were moved to 300 feet away from the terminal, parking was restricted, and additional screening procedures needed to be in place, to name a few. The hard work of many individuals made Gallatin Field the first airport in Montana to be approved for service on Thursday morning. Unfortunately, re-starting the

airlines was a more difficult endeavor. Ensuring flight crews and aircraft were all positioned in the correct city, apprehension and new security procedures all created a challenging situation. The first flight activity began late Friday evening, September 14th, with full resumption of service not until Monday the 17th. The long road to recovery had begun but it would take several more months before many of the new restrictions on aviation, including general aviation, were relaxed.



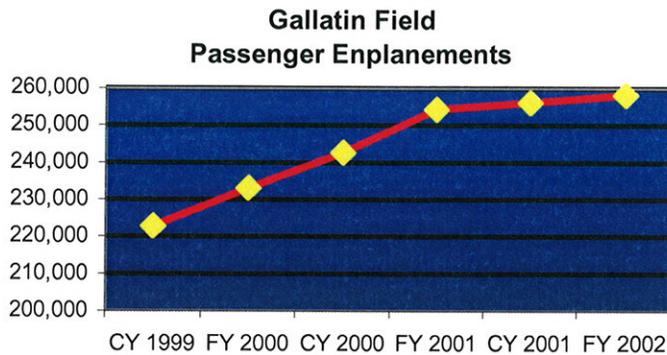
Passenger Enplanements

Passenger enplanements increased 5.6% from CY 2000 to CY 2001 despite



Gallatin Field continued to be the 7th busiest passenger airport in the Pacific Northwest with enplanements of 256,134 in calendar year 2001. While enplanements increased substantially, the events of September 11th are estimated to have impacted enplanements by approximately 10,000

passengers for the September 11 – December 31 time period. Gallatin Field passenger enplanements have recovered more quicker than much of the nation as a record 129,904 passengers have boarded flights at Gallatin Field through June 2002.



The strong local economy, the remoteness of Montana and the desire of Americans to take vacations away from the “big city” have helped contribute to the strong recovery of passenger traffic at Gallatin Field.

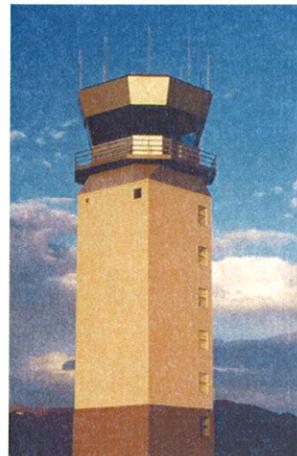
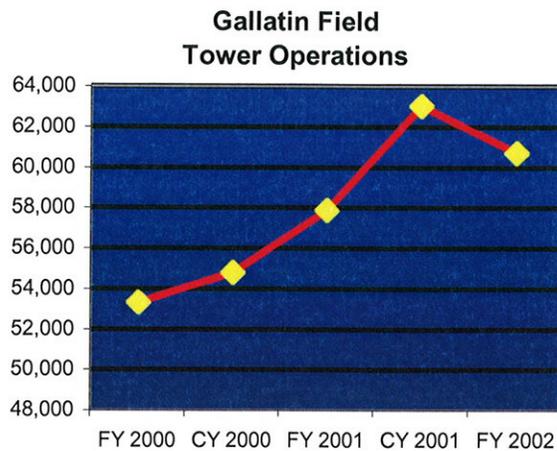


New service/Discontinued service – Gallatin Field was fortunate in that immediately after September 11th, airline service remained virtually unchanged from service levels previously scheduled. In fact, by February 2002, service levels had actually increased. On May 1, 2002, United Express added a 4th daily flight to Denver and increased the aircraft size on 2 of the 4 flights June 7th. On August 1, 2002, Delta/Delta Connection will add a 5th daily flight to Salt Lake City. Additionally, beginning on December 21, 2002, Horizon Air will begin Saturday only non-stop service from Gallatin Field to Los Angeles. This will mark the first non-stop service from a city in Montana to a city in California.

Tower Operations

Tower operations increased 15% from CY 2000 to CY 2001.

Aircraft Operations at Gallatin Field increased from 54,818 in 2000 to 63,022 in 2001. The tower tracks all landings and takeoffs at Gallatin Field during its operating hours of 6:00 a.m. until Midnight. Initially, the impact of September 11th on tower operations was minimal; by January however, operations had started to show signs of weakness from the previous year. Through June 2002, operations have decreased 8% from the same period in 2001.



Local General Aviation (GA) operations increased nearly 20.8% from 2000 to 2001. Flight instruction and over 200 locally based aircraft contributed to this increase. However, poorer weather in early 2002 and lingering affects of 9/11 on flight instruction have contributed to a 15% decline in local GA traffic in the January – June time period.

Air Carrier and Air Taxi operations in 2001 increased 7%, continuing a steady growth trend to accommodate passenger and freight demand. Through June 2002, these operations were up 10%.

Corporate and General Aviation operations over 12,500 lbs. decreased 8.5% from 2000 to 2001; however; so far in 2002, this traffic has rebounded and through June, this segment has increased nearly 24%.



Other Airport Activity

AIRLINE TERMINAL

Despite September 11, records were set at the terminal in nearly every category.

- Airlines – Airline enplanements for the calendar year 2001 were as follows: Northwest – 87,926, Delta – 81,599, United Express – 39,205, Horizon Air – 35,293, Delta Connection – 11,389, and charter flights – 722, for total enplanements of 256,134.
- Restaurant and Lounge – Overall in calendar year 2001, sales increased nearly 13.1% to \$880,880. Unfortunately, immediately after September 11th, Northwest Airlines discontinued catering meals on many of their flights, including flights departing Gallatin Field. The loss of catering income will decrease future annual restaurant revenues by nearly \$220,000.
- Gift Shop – High Country Gifts in the terminal had a busy year with sales increasing by 17.1% to \$831,544 for calendar year 2001. However, the agreement to provide a gift shop concession at Gallatin Field ended on May 31, 2002. A request for proposals was published in February 2002 with High Country Gifts and Montana Gift Corral submitting proposals. At the March 2002 Airport Board Meeting, Montana Gift Corral was awarded the gift shop concession effective June 1, 2002.
- Rental Car Companies – A strong summer season contributed to a robust 19.4% increase in revenues. The revenues of the 4 rental car companies within the terminal totaled \$10,237,424. Market share for the 2001 calendar year were as follows: Hertz - 38%, Avis - 26%, Budget - 19% and National - 17%. While local results are strong, nationally, as with many sectors of the travel industry, many companies are struggling financially. The holding company for National Car Rental entered into chapter 11 reorganization. The impact on Gallatin Field should initially be limited as the local company is an independent franchise.
- Ground Transportation Companies – Another strong winter season helped to generate a strong 7.7% growth in passenger boardings for ground transportation companies at Gallatin Field. Market share for calendar year 2001 were as follows: 4X4 Stage – 49%, Karst Stage – 37%, Montana Motor Coach – 8%, Mountain Taxi – 2%, and all remaining companies 4%. This sector is particularly strong during the ski/snowmobile season with 29% of passengers arriving Gallatin Field in February using one of the ground transportation companies.
- Public Parking Lot – The healthy local economy contributed to another substantial 8% increase in parking lot revenues for calendar year 2001. Total revenues for the period were \$643,496. Again, the parking lot increase results entirely from volume, as the rates have not been adjusted since 1998. In August of 2003, this concession will be up for bid.
- Car Condos – The 14th car condominium garage was completed in 2002 giving Gallatin Field 168 condominium garages at the airport. A 15th car condominium garage was approved for construction during the June 2002 Airport Board Meeting.

GENERAL AVIATION

Gallatin Field's general aviation activity showed continued growth in flight school activity, hangar construction and based aircraft.



2 additional proposed at this time.

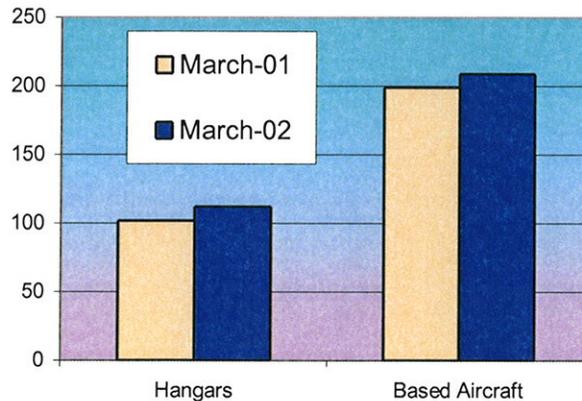
- Fixed Base Operators (FBO's)– Gallatin Field continues to be fortunate in having two excellent full-service FBO's in Arlin's Aircraft Service and Yellowstone Jetcenter. While traffic increased in most GA sectors, fuel flowage at Gallatin Field decreased 9.6% in 2001 primarily due to increased use of newer fuel-efficient aircraft by the airlines.

- Aircraft Charter, Lease & Flight Instruction – Aero Flight School, Flight Academy, Gallatin Flying Service, Montana Aircraft, Paragon Air Adventures and Sunbird Aviation provide a variety of services including aerial photography, air charters, scenic flights and flight instruction. The increase in flight instruction during 2001 was a significant factor in increased tower operations.

- Hangars – Construction of private hangars at Gallatin Field continued its strong pace with the addition of 12 new private hangars. Total hangars at Gallatin Field now number 113 with

- Based Aircraft – As of April 15, 2002, Gallatin Field had 209 based aircraft, an increase of 10 aircraft since March 31, 2000.

- 13 Jets
- 10 Twin Engine (3 Turboprop and 7 Piston)
- 3 Helicopters
- 164 Single Engine (3 Turboprop and 161 Piston)
- 12 Sailplanes
- 7 Ultra-lights



AIR CARGO/EXPRESS/MAIL

Between 4 and 5 all cargo flights depart Gallatin Field each business day.

FedEx remains the busiest cargo/express carrier at Gallatin Field with up to three Cessna Caravans (operated by Corporate Air) per day to their hub in Great Falls. In addition, UPS and Airborne each operate one flight to Billings every business day with aircraft operated by Ameriflight. The four passenger airlines also provide cargo and express service

on their flights in and out of Gallatin Field. While reporting the total pounds enplaned and deplaned is not required, it is estimated that nearly 8 millions pounds of cargo/express and mail passed through Gallatin Field in 2001, roughly equivalent to the weight in 2000.

NEW AND EXPANDED VENTURES AT GALLATIN FIELD

- Flight Academy – Operating out of the Yellowstone Jetcenter building, Flight Academy provides flight instruction.
- Air Carrier Services – Due to 9/11, passenger screening has expanded greatly. The new screening requirements have expanded the company's employment from 10 to 26 in the past 9 months. However, by the end of November, this 15 year old company will cease to exist when the Transportation Security Administration takes over passenger screening across the country.
- While new ventures are started and existing ventures expanded, others have been closed or never completed. The Yellowstone Completion Center has been absorbed by its sister company, Yellowstone Jetcenter. In addition, the proposed Yellowstone Inn plans have been shelved. Both of these ventures and their potential were impacted by the events of September 11.

Overall, employment remained steady at Gallatin Field with nearly 400 people employed by the various entities.

The city of Belgrade and Gallatin Field have a long history of working together on projects including transportation planning, sewer and water projects.

CITY OF BELGRADE COOPERATION

- Gallatin Field, the City of Belgrade, Gallatin County and the Montana Department of Transportation are in the preliminary stages of development for an additional Interstate Interchange that would serve both the city and the airport.

- Gallatin Field/Belgrade Sewer and Water System – Gallatin Field continues to invest and cooperate with Belgrade to expand the system to accommodate growth at both Gallatin Field and the

city. Gallatin Airport Authority has provided land and irrigation systems for sewer lagoon expansion. Additionally, the Gallatin Airport Authority will begin construction of a municipal well this year.

AIRPORT LAW ENFORCEMENT

The Gallatin County Sheriff's department provides Law Enforcement support at the passenger screening checkpoint.

requiring all airports to provide law enforcement support at the passenger screening checkpoint by May 10th. This substantially changed the requirement for Gallatin Field from a 15-minute response law enforcement support to on-site law enforcement support 18 hours per day. After reviewing proposals from the City of Belgrade and Gallatin County, it was determined that the Gallatin County Sheriff was best suited to provide the law enforcement support both economically and logistically.

- One result of 9/11 was an increase in law enforcement presence at Gallatin Field. Initially, this came with a temporary deployment of National Guard Troops. In April 2002, the Transportation Security Administration began the transition from National Guard Troops by

TAXES

Gallatin Field, while a public entity within Gallatin County, has not received local tax dollars from the county for over 11 years.

from the airlines alone) in tax support. These dollars are then passed on to various county agencies such as Belgrade Rural Fire District, Belgrade Schools, Gallatin Country Sheriff and others.

- Gallatin Field remains 100% self-sustaining as all operation costs are offset by income from user fees such as rents, landing fees and concession fees.
- The businesses serving Gallatin Field also provide Gallatin County over \$300,000 (\$220,000

STAFF

The Gallatin Airport Authority employs 20 of the best men and women available to keep the airport running 365 days a year, 24 hours a day.



The maintenance and fire crew/staff is a talented and well-trained crew able to handle any of the daily requirements of keeping the facility running smoothly. Our custodial staff is dedicated to keeping the terminal a clean and pleasant place to travel to or from and the administrative staff is always looking for ways to improve efficiency and provide a first class facility for all of southwest Montana to be proud of.

AIR SHOW – 2002 BLUE ANGELS IN THE BIG SKY



On July 21st & 22nd, over 25,000 people flocked to Gallatin Field for the event.

The Blue Angels headlined the show with added performances by the United States Army Golden Knights, Greg Poe's Crucial Edge 540, Pietsch acrobatic aircraft, Delmar Benjamin's Gee Bee R-2, an F117 fly-by, and a MiG and F-86 Sabre recreating a dog-fight from the Korean war. The two day event drew people from throughout Montana to what was one of the state's best airshows ever and contributed over \$17,000 to the United Way.



Income – Fiscal Year 2001-2002

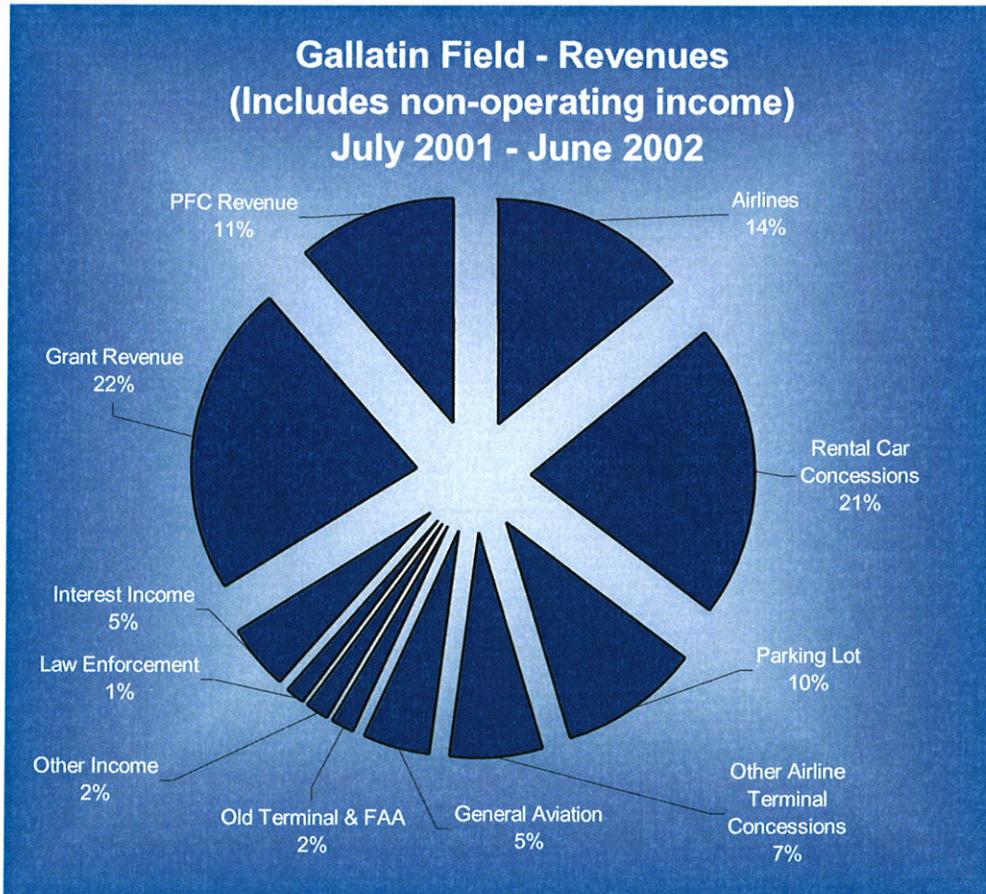
**Operating
Income at
Gallatin Field
increased 9.7%
from FY 2001 to
FY 2002.**

Gallatin Field operating income increased 9.7% to \$3,226,865.13.

Airline Terminal Related income increased 10.5% to \$2,728,826. Terminal building rent and Car Rent Commissions increased 12.4% and 11.2% respectively while Airline Landing Fees and Other Commissions were down slightly at -2.4% and -3.4%.

General Aviation Related income increased 10.8% overall to \$248,414. Tie Down Fees, Fuel Flowage and Landing Fees increased by \$11,764. Land and Building Rent increased by \$12,423.

Other Income remained flat with a nominal 1% increase.



Expenditures – Fiscal Year 2001-2002

Gallatin Field operating expenditures increased 7.8% from FY 2001 to FY 2002.

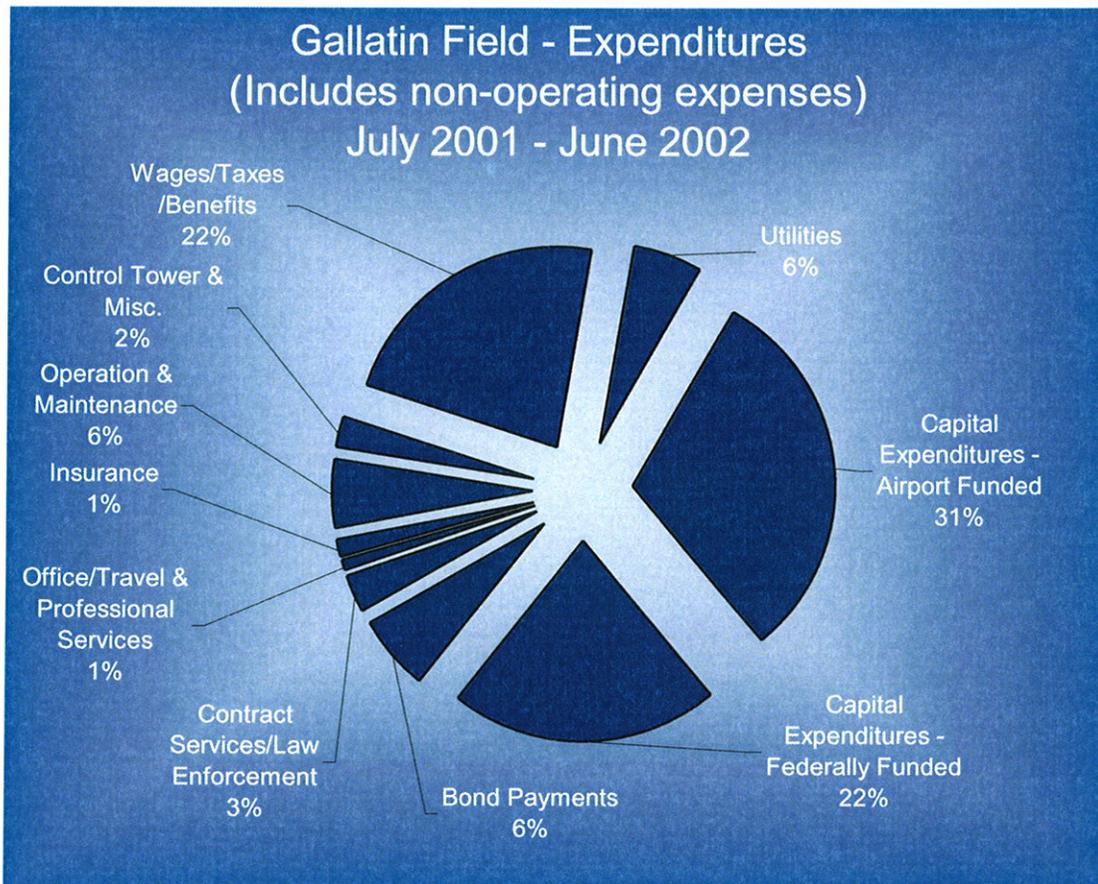
Gallatin Field operating expenditures increased 7.8% to \$1,613,144.

Operation Maintenance and Control Tower Expense increased 3% primarily due to the introduction and use of chemical deicing systems.

Utilities and Insurance Expenses increased by 1% and 7.8% respectively. Insurance rates were affected by building and equipment additions along with increased liability limits.

Law Enforcement/Security costs increased by 49% primarily due to increased law enforcement presence. Fortunately, nearly all of this increase will be reimbursed by either a Federal Security Grant or operational reimbursement from the Transportation Security Administration.

Wages/Salaries/Benefits Expense increased 6.8%. Total Gallatin Airport Authority employment is 18 full-time and 2 part-time.



AIP/PFC and Other Grants

Capital improvements at Gallatin Field are funded by Federal Grants through the Airport Improvement Program, Passenger Facility Charges and internal funds.

Federal grants (AIP) - Congress passed AIR 21 in 2000 and nearly doubled the funding authorization for airports such as Gallatin Field. AIR 21 is the federal program for funding airport capital improvement plans. Gallatin Field's AIP (Airport Improvement Program) entitlement for 2002 is \$2,031,032. AIP grants require the sponsor airport to provide 10% of the funds for each project with the remaining 90% paid by the AIP grant. The federal funds for this program come from airline ticket taxes, aviation fuel taxes and taxes on aviation parts.

Security Grant - After the events of September 11th, the federal government appropriated \$175,000,000 to airports to offset some of the costs associated with additional security requirements. Gallatin Field was authorized up to \$316,770.

Passenger Facility Charges (PFC) - Currently, Gallatin Field receives nearly \$3.00 from each enplaned revenue passenger through passenger facility charges to be used for capital improvement projects. While Congress authorized airports to increase Passenger Facility Charges from \$3.00 per passenger to \$4.50, Gallatin Field has elected to not increase this charge at this time. FY 2002 collections through Passenger Facility Charges totaled \$600,937.

Other Grants - Gallatin Airport Authority also received a pavement maintenance grant from the Montana Aeronautics Division that is distributed annually to the 7 commercial airline airports in Montana. These funds come from the airline fuel tax generated within the state. In fiscal year 2002, a \$20,000.00 grant was received from this program.

1993



2001



Capital Improvements

Fiscal Year 2001-2002

The Gallatin Airport Authority spent \$1,909,427 in capital improvements during the fiscal year. These improvements are spread over all sectors of the airport to accommodate the strong growth at the airport and improve the overall airport experience. Below is a recap of where these dollars were spent:

Airline Terminal

- Acquired a new regional jet loading bridge capable of servicing every airline aircraft currently serving Gallatin Field.

General Aviation

- Added taxiway and infrastructure to new general aviation hangar areas as well as resurfaced and improved the existing GA Taxiway system.
- Widened and resurfaced Runway 03/21.

Airfield

- Resurfaced the entire main taxiway system.
- Purchased and installed a new liquid airfield deicing system.
- Installed new sewer and water service lines to the east end of the airport.



Projected Capital Improvements

Fiscal year 2002-2003

The coming year will also be a busy construction year with many projects already underway.

Airline Terminal and Support

- Relocate passenger screening checkpoint and upgrade security systems.
- Expand the rental car service facility parking.

General Aviation

- Construct a 400,000 square foot cargo and commercial ramp to accommodate growth in cargo and corporate general aviation traffic.
- Construct a 3200' x 100' turf runway parallel to the main runway.

Airfield

- Add municipal well and generator to provide additional water capacity for the city/airport water system, in conjunction with the City of Belgrade and the Montana National Guard.
- Also in conjunction with the City of Belgrade, complete additional infiltration and percolation beds and an effluent sprinkling system for sewage treatment.
- Acquire two new snowplow trucks.
- Radar – The number one safety need at Gallatin Field continues to be improved radar coverage. While progress in this area has been slow, Gallatin Field was selected as one of only three airports in the FAA's Northwest Region to be sited for future radar.
- Land Acquisition – The airport desires to acquire certain lands around the airport to protect the approaches and provide for future growth. With this in mind, we are contacting six land owners to see if they are willing to enter into negotiations with the airport.



Statement of Income and Expense

Fiscal Year 2001/2002 Comparison (July 1 to June 30)

Income:	FY 2001	FY 2002
Terminal Building Rent	\$ 557,210.54	\$ 643,484.03
Airline Landing Fees	\$ 350,282.32	\$ 342,030.21
Other Building Rent	\$ 134,352.30	\$ 139,777.33
Parking Lot Rent	\$ 455,060.24	\$ 529,995.76
Land Rent	\$ 102,671.12	\$ 106,264.25
General Aviation Rent and Fees	\$ 122,276.58	\$ 133,042.70
Car Rent Commissions	\$ 956,059.52	\$1,094,048.19
Other Commissions and Other Income	\$ 277,521.70	\$ 238,222.66
National Guard Reimbursement	\$ 360,000.00	\$.00
County Tax Revenue	\$.88	\$ 4.26
Interest Earned	\$ 474,184.11	\$ 246,833.17
Pavement Preservation Grant	\$ 26,000.00	\$ 20,000.00
Airport Improvement Grants	\$ 943,937.00	\$1,169,626.00
PFC Revenue	\$ 627,739.80	\$ 600,936.60
<hr/>		
Total Income	\$5,387,296.11	\$5,264,265.16
Expenses:	FY 2001	FY 2002
Maintenance and Operation	\$1,445,492.18	\$1,561,136.12
Control Tower	\$ 50,502.38	\$ 52,007.94
Capital Outlays	\$ 53,676.73	\$ 16,647.00
Equipment Additions	\$ 401,565.02	\$ 76,951.31
Building Improvements	\$ 60,632.20	\$ 481,057.41
Land Improvements	\$ 186,238.84	\$ 625,541.54
Firefighting Equipment	\$ 5,808.00	
AIP 20	\$ 2,072.98	
AIP 21	\$1,345,666.96	
AIP 22	\$1,369,665.65	\$ 375,479.64
AIP 23		\$ 333,750.05
AIP 24		\$ 113,713.42
Bond Principal and Interest Payments	\$ 234,762.50	\$ 237,673.00
Capital Improvement Fund	\$ 231,212.67	\$1,390,307.73
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Total Expense	\$5,387,296.11	\$5,264,265.16

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