



Gallatin Field Airport

Serving Bozeman, Big Sky, Southwest Montana and Yellowstone National Park



**Gallatin Airport Authority
Annual Report
Fiscal Year
2003**

Gallatin Airport Authority

Mission

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 Board Members



Richard R. Roehm
Chairman



Tom Nopper
Vice Chairman



Yvonne Jarrett
Treasurer



Steve Williamson
Member



John J. McKenna
Member

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Fiscal year 2003 was one of increased security requirements, dismal financial conditions in the airline industry and continued growth in our community and our airport. Those conditions required an increased planning and expansion effort to provide a secure yet convenient aviation facility.

Gallatin Field was the first airport in the northwest to have their newly required security program approved by the Transportation Security Administration (TSA). We also modified our passenger screening system months before the peak summer season, which allowed for a smooth transition to TSA's new screening procedures and kept waiting lines to a minimum. Our Assistant Airport Director, Brian Sprenger, has risen to this challenge and has provided invaluable service in meeting and exceeding these strict new requirements.

This year, the Gallatin Airport Authority Board placed as one of their highest priorities the acquisition of certain properties in the vicinity of the airport to further protect the airport from encroachment of incompatible land use and provide for future airport expansion. More than three million dollars was budgeted for this project. Appraisals were completed, landowners contacted and negotiations undertaken. To date, one parcel and residence have been purchased and negotiations on two major parcels are nearing completion.

Construction of a new 400,000 square foot freight and commercial ramp came just in time for one of Montana's premier commercial helicopter operations to relocate to Gallatin Field. Plans are also well under way to accommodate the growing airfreight industry at this new location.

In January of this year, we called and paid off all remaining airport revenue bonds. This allowed the Gallatin Airport Authority to become debt free for the first time since 1959. Our financial position remains strong and will allow us to continue with our ever-increasing development and maintenance programs.

Please take some time to review this report and let us know if there is anything we can do to better serve you, the flying public. We need and appreciate your input.

Ted Mathis

Airport Director

Airport a quiet but solid part of the economy

(Reprinted with approval of the Bozeman Daily Chronicle)

By Chronicle editorial board

In 1942 a wagon train parade and chuckwagon breakfast were highlights for the dedication of a new regional airport for the Gallatin Valley. Operating from a Quonset hut for the first 10 years or so, airport supporters successfully convinced surrounding communities to support its maintenance and build the first administration building in 1951.

Northwest Airlines inaugurated its passenger service in 1947 and a jet runway was added in 1967. Gallatin Field is now the second busiest airport in Montana, just behind Billings, and boards more passengers than Helena, Great Falls and Butte combined. Gallatin Field airport is today a terrific example of public vision and support and, perhaps, one of the few governing bodies today which is financially self-sufficient and debt-free. The airport subsists on federal matching funds and various user taxes on fuel, airplane parts and airline tickets. Passenger enplanements are growing at about 7 percent annually and the airport coffers have grown just as steadily, enabling the Gallatin Field Board to retire existing debt and embark on \$4.3 million in improvements this coming year.

While most of the money will be used to resurface the main runway, an additional 3,800 square feet will be added in the boarding area, a welcome relief to anyone who has had to wait in the recent bottle-necks created by mandated changes in passenger security checks. Though there is ample evidence that the airport traffic will continue to grow at its present rate or greater, Airport Authority Chairman Dick Roehm has wisely said that the projected addition of a new concourse will have to wait due to uncertain times and a suspect economy.

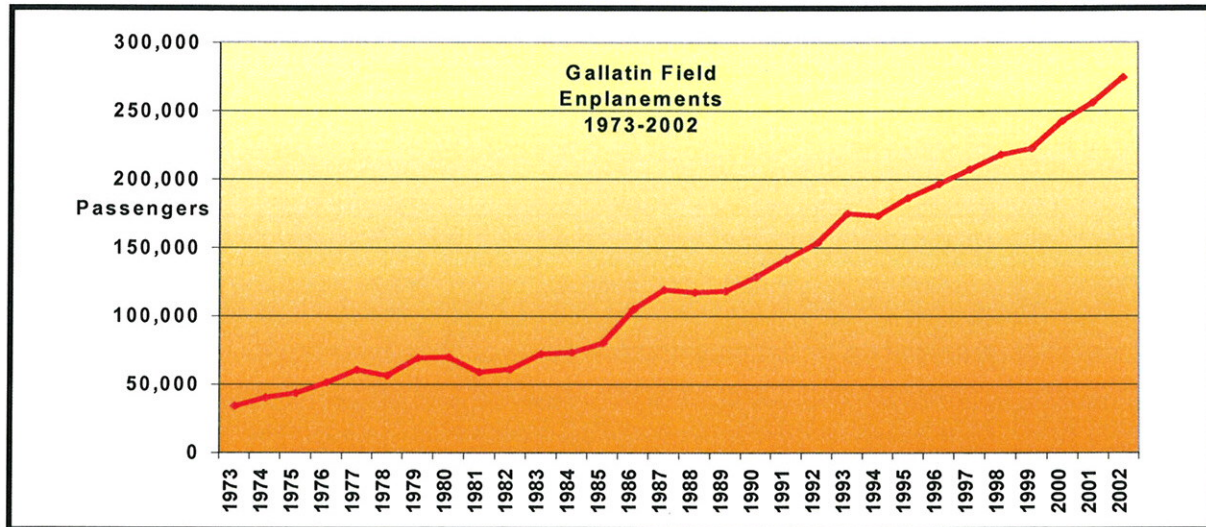
"We don't have enough boardings yet to justify that," said Roehm, though he estimates that need will call for the new concourse in about five years.

If track records count for anything there's ample reason for confidence that Gallatin Field will continue on its present course of sound management, fiscal responsibility and measured growth. This should come as great comfort to the hundreds of businesses and thousands of valley residents who have almost unknowingly come to rely on the commerce resulting from aviation.

It is difficult to overstate its importance. Imagine, if you will, the Gallatin Valley without the airport and you can easily conjure up images of a backwater town and marginal enterprises.

Gallatin Airport Authority

Airline Service



Airlines – Passenger enplanements at Gallatin Field for calendar year 2002 remained very strong with record traffic every month with the exception of January. Annual enplanements were up nearly 7.2%. The record 274,499 passengers enplaned in CY 2002 helped Gallatin Field to maintain strong air service while many communities throughout the nation struggled to retain air service. Fortunately, Gallatin Field is not served directly by any of the several carriers that entered into bankruptcy during 2002. However, the United bankruptcy certainly has the potential to affect the United Express operations out of Gallatin Field by SkyWest. While the remaining three carriers (Delta, Northwest and Horizon/Alaska) have avoided bankruptcy to this point, continued pressure on costs, diminished revenues and the potential for stronger competitors emerging from bankruptcy will make the next year a challenge for every carrier and could impact future service to Gallatin Field. The airline landscape at Gallatin Field has varied dramatically over the past 25 years, and with current conditions there is no reason to expect this to change in the foreseeable future. The airlines pay for space rented within the terminal, equipment storage space, loading bridge use as well as landing fees determined by the weight of the individual aircraft.

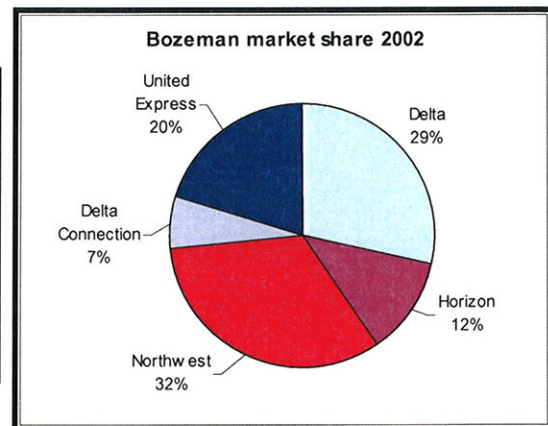


Gallatin Airport Authority

Airline Service



Gallatin Field is now the 10th busiest passenger airport (9th in terms of airline revenue) in the Northwest Region of the United States (CO, WY, MT, ID, UT, OR, WA) and 150th out of the 460 commercial airline airports within the United States.



Passenger Enplanements CY 2002 Gallatin Field Airport

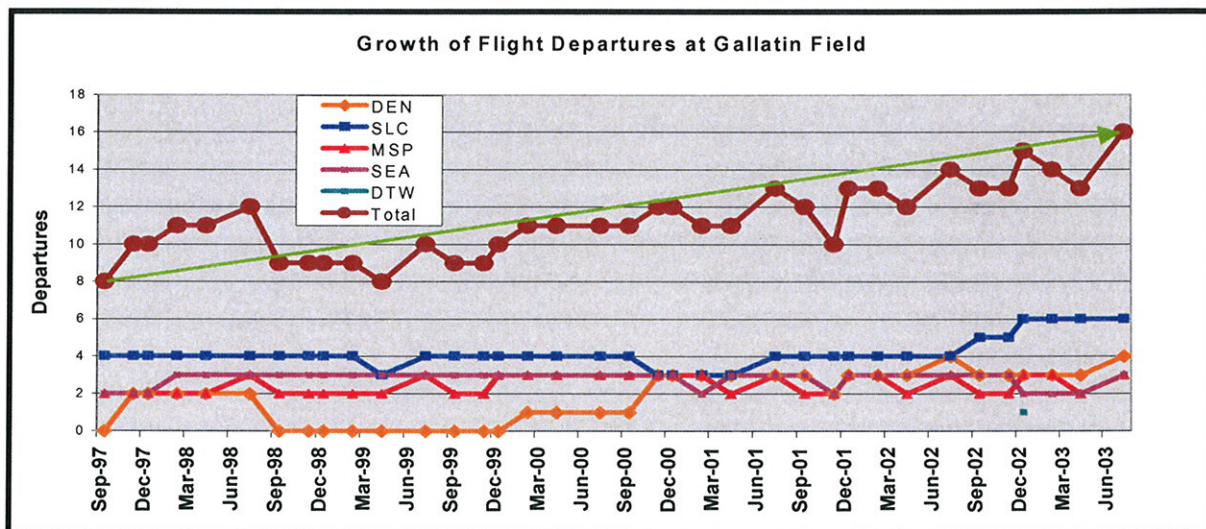
2002	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2002
Delta	7514	6614	8180	5255	5308	6766	7775	7737	7190	5845	4275	5756	78215
Horizon	2782	2689	3277	2013	2447	2787	3541	3836	2533	1987	2065	2804	32761
Northwest	7365	8893	10042	5536	4806	6768	10523	10610	7000	5359	4595	7532	89029
Delta Connection	1087	1107	1469	899	848	969	1227	1965	1495	1497	2633	2980	18176
United Express	3475	3662	4086	3086	3917	5669	7752	7357	5373	3834	2922	3895	55028
Total Airline	22223	22965	27054	16789	17326	22959	30818	31505	23591	18522	16490	22967	273209
Charter		588						130		223	349		1290
Total Enplanements	22223	23553	27054	16789	17326	22959	30818	31635	23591	18745	16839	22967	274499
Prior year	23896	22914	25932	15939	17159	21908	30038	30635	16532	17885	15102	18194	256134
Percentage change	-7.00%	2.79%	4.33%	5.33%	0.97%	4.80%	2.60%	3.26%	42.70%	4.81%	11.50%	26.23%	7.17%

Gallatin Airport Authority

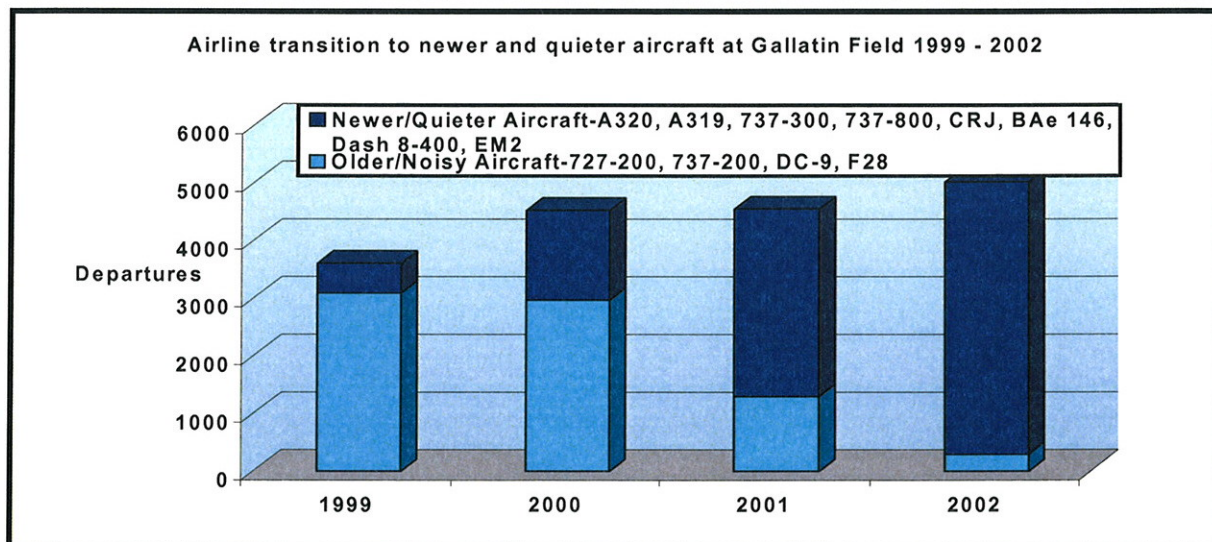
Airline Service-More Flights and Quieter Aircraft



More flights – Gallatin Field has doubled the number of daily flights since September of 1997. This trend has come mainly from additional regional jet flights which are now responsible for 50% of all flights departing from Gallatin Field. In addition to frequency, we saw airlines experimenting with new service such as daily non-stop service to Detroit by Northwest over the Christmas holiday and weekend non-stop service to Los Angeles by Horizon during ski season.



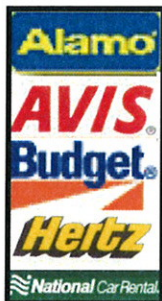
Quieter Aircraft - Gallatin Field has been fortunate to be on the leading edge of the phase out of older and noisier aircraft by the airlines. As recently as 1999, over 90% of airline departures were by noisier aircraft often older than 25 years. In 2002, that number has been reversed and over 95% of the flights departing Gallatin Field were by newer and quieter aircraft, most of which are less than five years old.



Airline Terminal Concessions



On Airport Rental Car Companies – The calendar year 2002 revenues of the 4 rental car companies within the terminal totaled \$10,316,538, an increase of 1%. Market share for the 2002 calendar year was as follows: Hertz - 40.5%, Avis - 26.5%, Budget - 18% and National - 15%. Local results remained strong, but the travel industry continues to struggle nationally, with some car rental companies in bankruptcy such as National and others consolidating within holding companies such as Cendant Corporation owning both Avis and Budget. Fortunately, both National and Budget operate as franchises locally and have thus far continued to operate as they have in the past. These companies pay a concession fee of 10% on gross receipts and must provide a minimum annual guarantee to the airport for space within the airline terminal.



Alamo — Corpat, the franchisee operating National Car Rental at Gallatin Field requested and was granted approval by the Airport Board in April of 2003 to co-brand their operation with both the National and Alamo brand names.



Off Airport Rental Car Companies—The five companies operating off airport at Gallatin Field generated airport related revenues of \$1,153,200 an increase of 1%. Market share between the off airport companies was: Thrifty—63%, Dollar—26%, Enterprise—6%, Rent-a-Wreck—3% and Practical/Mountain Bear—3%. While these companies do not have space within the terminal and are not required to provide a minimum annual guarantee, they are required to pay a concession fee of 5% on airport generated revenue.



Ground Transportation Companies – Ground transportation companies boarded 28,538 passengers during calendar year 2002, a decrease of 1.8%. Market share for calendar year 2002 was as follows: 4X4 Stage/All Valley Cab – 46%, Karst Stage – 39%, Montana Motor Coach – 9%, Classic Limo—3%, Mountain Taxi – 2%, and VIP Taxi— 1%. This sector is particularly strong during the ski/snowmobile season with 24% of passengers arriving Gallatin Field in the January—March period using one of the ground transportation companies. Ground transportation companies pay the airport \$1.50 per passenger boarded, with Karst Stage also providing a minimum annual guarantee for the single ground transportation booth within the terminal.

Karst Stage purchase of 4X4 Stage—in March of 2003, Karst Stage purchased 4X4 Stage merging two of the larger ground transportation companies serving Gallatin Field. All Valley Cab was not part of the purchase and will remain a separate entity.

Gallatin Airport Authority

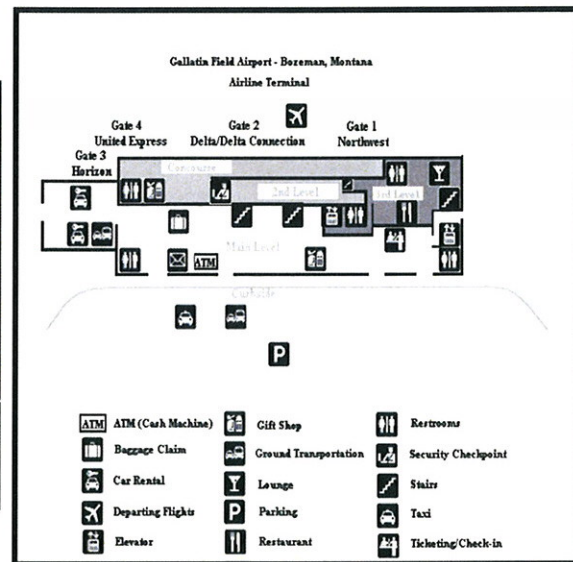
Airline Terminal Concessions



Restaurant and Lounge – The Overland Express was awarded a second five year concession agreement in June of 2002. For the calendar year 2002, revenues from the restaurant and lounge operation at Gallatin Field decreased by 16.3% to \$736,943. This decrease is almost entirely due to the loss of a catering contract providing meals and beverage service for Northwest Airlines shortly after 9/11/01. Currently, the Overland Express pays a concession fee of 10% on gross sales to the airport.



New Concourse Gift Shop and Snack Bar



Gift Shop – Montana Gift Corral was awarded the Gift Shop concession effective June 1, 2002. Total gift shop sales for the 2002 calendar year increased 3.8% to \$863,339. January 2003 marked the opening of the concourse gift shop. In addition to gifts, fresh food is available under a separate agreement between the Overland Express and Montana Gift Corral. This new addition has proven to be very successful with average sales exceeding \$745 per day for the first two full months of operation. This new addition allows passengers in the gate area to have shopping and food options without having the need to leave the secured area. Montana Gift Corral currently pays a 13.5% concession fee on gross sales to the airport.



Public Parking Lot – The healthy local economy contributed to another substantial 8.4% increase in parking lot revenues for calendar year 2002. Total revenues for the period were \$697,869. The parking lot increase resulted entirely from volume, as the rates have not been adjusted since 1998. Standard Parking, the current vendor, was selected at the July 2003 Airport Board Meeting for another five year concession agreement beginning on September 1, 2003.

Gallatin Airport Authority

Tower Operations



The Gallatin Field air traffic control tower operates from 6:00 a.m. until midnight and is operated by Serco, a contract tower operator. Tower operations (defined as a landing or a takeoff) for calendar year 2002 decreased 3.4% to 60,878. Commercial operations, which account for 24% of operations, increased by 12%. General Aviation, which accounted for 75% of operations, decreased by 8% from the previous year. Military operations account for less than 1% of operations at Gallatin Field. On a peak operational day at Gallatin Field, a landing or takeoff occurs on average once every 3 minutes during the entire 18 hours of tower operation.



2002									
	Itinerant				Total	Local	Total	GA	Peak day
			General			General		Landings	Operations
	Air Carrier	Air Taxi	Aviation	Military	Itinerant	Aviation		>12,499 lbs	
January	461	659	965	7	2,092	1,046	3,138	123	234
February	507	639	1,185	6	2,337	1,803	4,140	131	251
March	522	735	1,222	31	2,510	2,008	4,518	167	221
April	489	628	1,196	37	2,350	2,133	4,483	79	293
May	481	672	1,477	8	2,638	2,141	4,779	92	284
June	565	628	2,107	24	3,324	2,377	5,701	163	334
July	683	665	2,819	8	4,175	2,765	6,940	174	358
August	692	758	2,790	29	4,269	2,487	6,756	217	381
September	549	645	2,148	28	3,370	2,457	5,827	140	360
October	506	696	1,952	24	3,178	2,520	5,698	110	310
November	480	652	1,422	34	2,588	2,036	4,624	81	261
December	568	735	1,083	28	2,414	1,860	4,274	89	291
Totals	6,503	8,112	20,366	264	35,245	25,633	60,878	1,566	

Gallatin Airport Authority

General Aviation

Gallatin Field is one of the busiest general aviation (GA) airports in the state with more hangars and more GA aircraft based at Gallatin Field than any other airport in Montana. Much of Gallatin Field's success in general aviation is its ability to keep GA costs down with an incredibly low \$.07 per square foot rate for hangar land rental and a \$.05 per gallon fuel flowage fee, among the lowest in the entire region for airports this size.

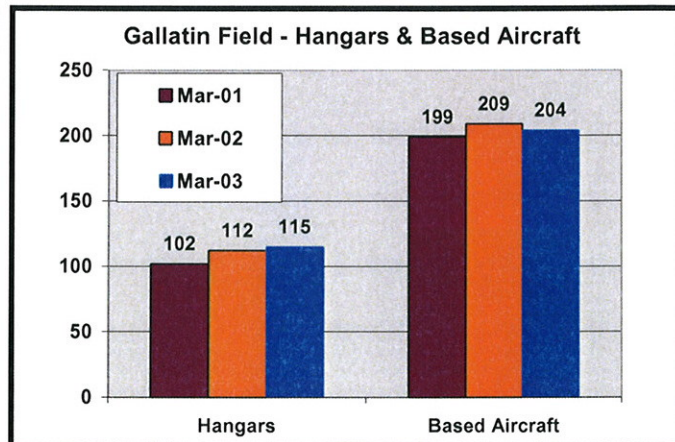


Based Aircraft and Hangars



Based Aircraft—As of April 7, 2003, Gallatin Field had 204 based aircraft, a decrease of 5 aircraft since April 10, 2002. 4 additional Jet aircraft and 2 additional single engine turboprop aircraft are now based at Gallatin Field while 2 twin engine piston aircraft, 4 single engine piston aircraft, 2 sailplanes, 2 ultra-lights and 1 helicopter have left.

- 17 Jets
- 8 Twin Engine (3 Turboprop and 5 Piston)
- 2 Helicopters
- 160 Single Engine (3 Turboprop and 157 Piston)
- 10 Sailplanes
- 5 Ultra-lights



Hangars— Three additional hangars were added during 2002. Since January 1, two additional hangars have been completed, two are under construction and twelve have been approved for construction. Each private hangar is built on land leased from the Gallatin Airport Authority. Hangar land rent income totals nearly \$100,000 annually. In addition, the Gallatin Airport Authority owns 4 small hangars and one large hangar with office space. Rent from these hangars totaled just over \$38,000.

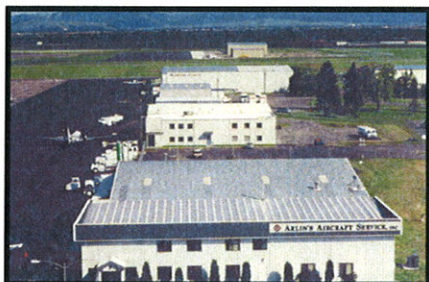


Gallatin Airport Authority

Full Service FBOs



Gallatin Field is fortunate to have two excellent full-service Fixed Base Operators. Arlin's Aircraft Service and Yellowstone Jetcenter each provide fueling, line service, aircraft maintenance and aircraft storage. Fuel flowage at Gallatin Field from these two FBOs totaled 4,701,965 gallons during calendar year 2002, a 5.1% increase. Flowage by type of fuel:
Jet fuel—4,520,035 gallons (The airlines accounted for 3,285,309 gallons)
AvGas—181,930 gallons.



Partial Service FBOs



Central Copters is expected to complete their three building facility at the recently completed east ramp this fall. This facility will be used to support their helicopter flight operation that is being moved from Bozeman.

Flight Schools and Charters



SUNBIRD
AVIATION, INC.



Place
Creek
Airways

Montana Aircraft

Gallatin Flying Service

Gallatin Field provides an inexpensive base for several companies providing a variety of aviation services including flight school instruction, charter services, aerial photography and scenic flights. The only income the Gallatin Airport Authority derives from these companies is a \$.05 per gallon fee on aviation fuel purchased and \$.07 per square foot of land leased by either these companies or the owners of the building they operate out of. It is estimated that these companies account for 20-25% of Gallatin Field tower operations.

Air Cargo/Express/Mail



There are 4 all-cargo flights departing Gallatin Field each business day. Corporate Air operates 2 flights for FedEx and Ameriflight operates one flight for UPS and one for Airborne. While reporting the total pounds enplaned and deplaned is not required, it is estimated that over 8 million pounds of cargo/express and mail passed through Gallatin Field in calendar year 2002.









FedEx is currently negotiating to construct a new Express/Cargo facility adjacent to the new east ramp off of Airport Road. This facility would replace the current facility leased from Yellowstone Jetcenter.

Gallatin Airport Authority

Technology

Airline Electronic Service Centers (Kiosks) - Located at both the Horizon and Northwest ticket counters, these devices allow for quick and easy passenger check-in. We expect in the not too distant future, Delta and United Express will also install Kiosks at Gallatin Field.

Flight Information Display – Gallatin Field was the 1st airport in Montana to install a flight information system tailored to each individual airline and located throughout the terminal building. The same information is also available on the Gallatin Field web site.

	3961	5:47pm	SALT LAKE CITY	2	On Time
	1269	6:50pm	MINNEAPOLIS/ST. PAUL	1	On Time
	3725	7:44pm	SALT LAKE CITY	2	On Time
	5763	9:43pm	DENVER	4	On Time
	3924	9:44pm	SALT LAKE CITY	2	On Time
	2350	10:10pm	SEATTLE/TACOMA	6	On Time
	1273	10:48pm	MINNEAPOLIS/ ST. PAUL	1	On Time
	2090	11:30pm	SALT LAKE CITY	2	On Time

Internet – The Gallatin Field web site can be reached through either:

www.gallatinfield.com

or

www.bozemanairport.com.


The site features up-to-date information on airline service and flight schedules, airline terminal services, general aviation services, airport layout information as well as relevant statistical and administrative information. The site averages over six thousand sessions per month and is accessed by individuals in all 50 states and around the world.



Gallatin Field Airport

Serving Bozeman, Big Sky, Southwest Montana and Yellowstone National Park

Airline Terminal Services	General Aviation / Air Cargo	Airport Administration
Airlines/Flight Schedule To/From Gallatin Field Rental Cars/Ground Trans. Other Services	Airport Layout Fixed Base Operators Flight Schools Air Cargo	Gallatin Airport Authority News/Events Telephone Directory Statistics



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Gallatin Field Airport - Bozeman, Montana

Southwest Montana's Gallatin Field Airport (BZN) is located in the heart of the beautiful Gallatin Valley. Whether your travel involves the business centers of Bozeman, Belgrade and Livingston, education at Montana State University or the recreation areas of Yellowstone National Park, Big Sky Ski and Summer Resort and Bridger Bowl Ski Area, Gallatin Field can provide all of your southwest Montana air transportation needs.



Bozeman, MT
Reported by Bozeman, MT
Fair

Wed Feb 26 00:15:45 AM MT
Temperature: 0°F/-18°C
Humidity: 70%
Barometer: 29.84 in/1012 mb
Winds: CALM at 0 mph/0 kph

[Click for Forecast](#)



Need More Information? info@gallatinfield.com
Technical Problems? webmaster@gallatinfield.com

Gallatin Airport Authority

Car Condos

The 15th Car Condo was completed during the past year. With this addition, there are now 180 individual car condo spaces at Gallatin Field. The land rent for the car condos generates over \$27,700 income to the Gallatin Airport Authority.

Cooperation with Other County Entities

Belgrade Rural Fire—Negotiated a new long-term service and joint training agreement with the Belgrade Rural Fire Department.

City of Belgrade—Added a city/airport water supply well on Airport property and cooperated with the City of Belgrade on completion of the city/airport sewage treatment system. In addition, the new turf runway is set to be sprinkled with effluent from the treated sewage treatment ponds.

Gallatin County—Law enforcement support of passenger and baggage screening at Gallatin Field is provided by an agreement between the Sheriff's department and the Gallatin Airport Authority.

Taxes

Gallatin Field is 100% self-sustaining and has not received local tax support for over 12 years. While Gallatin Field operates 100% on user fees, the businesses serving Gallatin Field also provide Gallatin County over \$300,000 (\$220,000 from the airlines) in tax dollars. These dollars are then passed on to various county agencies such as Belgrade Rural Fire, Belgrade Schools, the Gallatin County Sheriff and others.

Transportation Security Administration



Passenger and Baggage Screening – As a result of 9/11/01, passenger and baggage screening changed dramatically during 2002. The Gallatin Airport Authority immediately took a proactive stance and doubled the size of the passenger screening checkpoint in June of 2002. In October, the Transportation Security Administration (TSA) assumed the staffing of the passenger screening checkpoint hiring nearly 50 individuals including many of the screeners from Air Carrier Services which provided passenger screening for the prior 15 years. Finally, in December, the TSA began 100% baggage screening with the addition of 8 explosive trace detection machines spaced evenly throughout the airline passenger check-in lobby.

Gallatin Airport Authority

Staff

Custodial

The Gallatin Field terminal is well known for being one of the cleanest public buildings around. The custodial staff of John Story, Rod Freese, Barbara Spatig, Shirley Andreas, Travis Bopp and Fritz Schroeder are the crew behind the reputation.

Maintenance

Again this year, our maintenance staff under the direction of Tim Linn, Maintenance Supervisor, has kept Gallatin Field in top condition and appearance. The Gallatin Field maintenance staff is a multifunctional staff responsible for the maintenance and operation of the airport grounds, buildings and equipment as well as providing Aircraft Rescue and Firefighting (ARFF). With over 75 years combined airport experience, this professional staff is also responsible for keeping the airport open during winter storms and includes Pat Teague, Joel Dykstra, Wes Mork, Lee Huyser, Dave Morrow, Larry Thompson and Chuck Rasnick.

Safety

On October 12th, 2002, Gallatin Field conducted the triennial disaster drill with emergency services agencies from throughout Gallatin County. Airport Safety Officer, Woody Fogg, coordinated the drill.

Administration

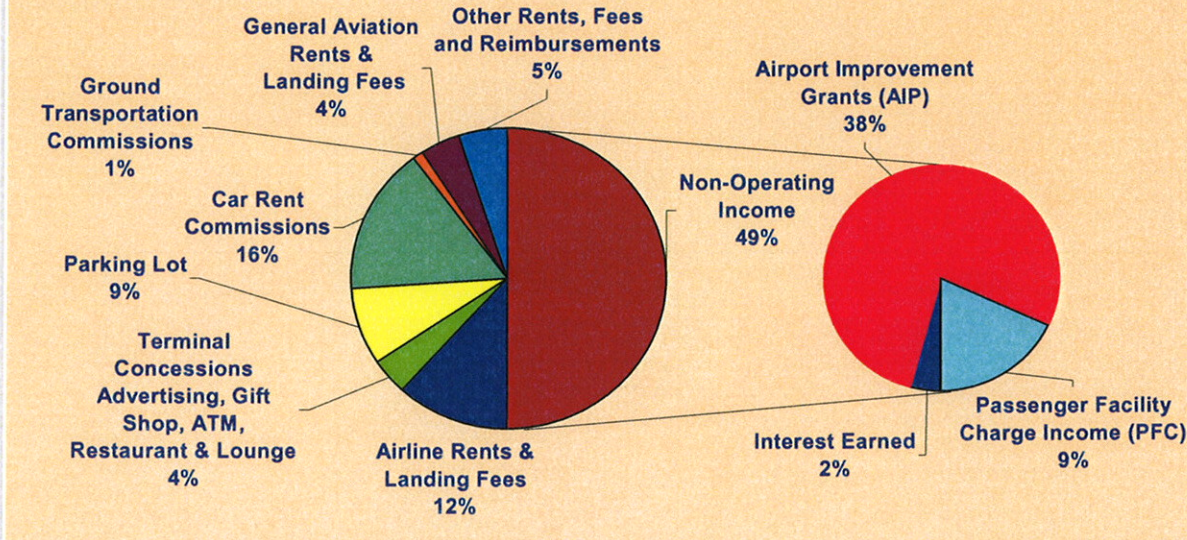
The Gallatin Airport Authority received a clean financial audit during fiscal year 2002, thanks to the efforts of Cherie Ferguson, the airport's Administrative Assistant. Gallatin Field also completed fingerprint-based criminal history records check for over 200 Security Identification Display Area (SIDA) badged personnel by the December 6, 2002 deadline with the dedication of Carolyn Dykstra and Cherie.



Gallatin Airport Authority

Income - Fiscal Year 2002-2003

FY 2003 Income



Total income for the Gallatin Airport Authority increased by 15.8% to \$6,932,786 including interest, Airport Improvement Program (AIP) grants and Passenger Facility Charges (PFC) collections. On an operational basis, operating income increased by 6.3% to \$3,468,669.

Airline Terminal Related income increased 5% to \$2,838,054. Airline Rents and Landing Fees increased 6.8% primarily due to increased flight activity. Terminal concessions increased 22.3% mostly due to the gift shop related income. Parking Lot revenue increased 11% due to volume increases while car rental and ground transportation concession fees decreased 1.4%.

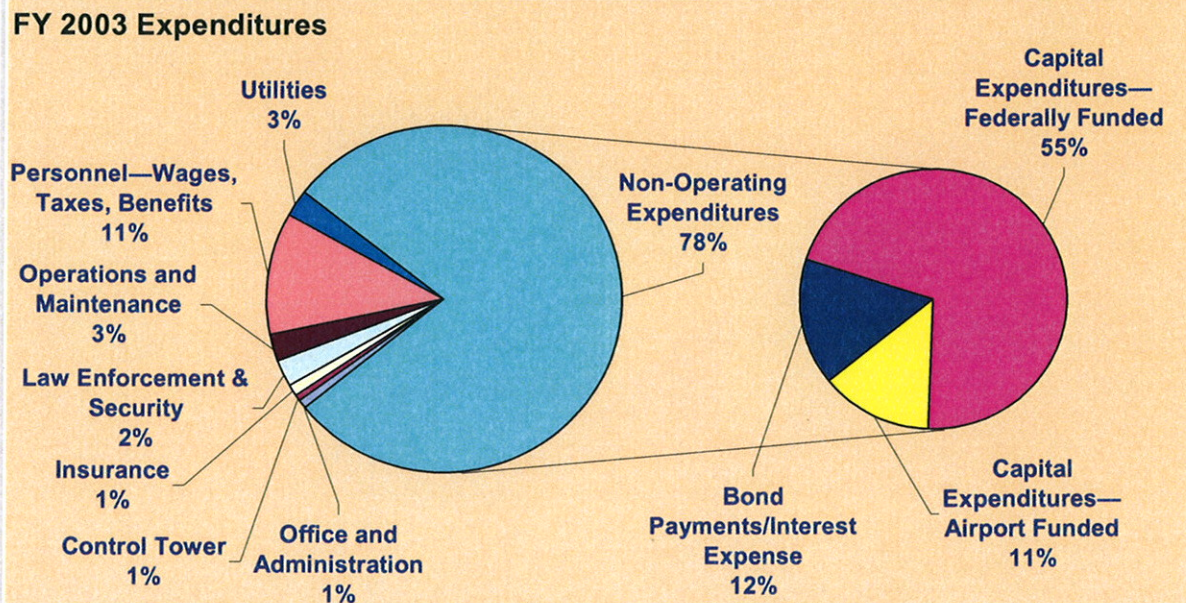
General Aviation Related income increased 7.6% to \$278,408. Hangar land rent increased 17.6%. GA landing fees decreased 3.2% and Freighter landing fees decreased 2.5%. Tie down fees and hangar rent increased a modest \$1,601. Fuel flowage fees increased 3.8% to \$67,628.

Other Operational income increased nearly 10.3% to \$352,207 primarily due to reimbursement of increased law enforcement costs.

Non-operational income (including Airport Improvement Program grants, Passenger Facility Charges and interest income) increased 27.3% to \$3,464,117. PFC income increased 3.8% while AIP income increased 46.5% primarily due to a discretionary grant for the East Ramp. Interest income, however, dropped nearly 48% due to the substantial drop in interest rates. Approximately \$2,500,000 in AIP reimbursement for work completed on the main runway resurfacing project during fiscal year 2003 will be received during fiscal year 2004.

Gallatin Airport Authority

Expenditures - Fiscal Year 2002-2003



Total Expenditures for the Gallatin Airport Authority increased by 222% to \$8,553,404. On an operational basis, operating expenses increased by 6.9% to \$1,843,212.

Law Enforcement expense decreased 4.3% to \$209,151.

Operation, Maintenance and Control Tower expense decreased 6.5% to \$263,546.

Office, Administration and Other expense decreased 13.5% to \$81,535. While office and administration cost increased 3.2%, other expenses decreased by \$15,130 to \$6,480.

Wages/Salaries/Benefits expenses increased 9% to \$964,654. Wages and Salaries increased 5.7% while taxes and insurance increased 22% mainly due to increases for health and workers' compensation insurance.

Utilities and Insurance expense increased 28.5% to \$324,326. Utilities increased 10.5% while a payment for FY 2004 insurance occurring in the 2003 fiscal year increased insurance expense by 106%.

Non-Operational expenditures increased 314% to \$6,710,192. The payoff of the 1993 Bonds increased Bond principal and interest payments 446% to \$1,062,043. Capital expenditures increased 298% to \$5,648,149. The east ramp and the main runway resurfacing accounted for 70% of the capital expenditures during fiscal year 2003. The main runway resurfacing occurred just prior to the end of the fiscal year, consequently, AIP reimbursement for this project will not occur until fiscal year 2004.

Gallatin Airport Authority

Bonds, Long Term Debt

Bonds—In 1993, the Gallatin Airport Authority issued bonds for the Gallatin Field terminal expansion. The bonds became call-able on January 1, 2003 and due to the current interest rates and sufficient available funds, it was determined that the bond would be called. On February 1, 2003, the remaining \$1,025,000 was paid off.

Long Term Debt—With the payoff of the 1993 series bond, Gallatin Field became debt free for the first time since 1959. The payoff will also save the airport approximately \$65,000 in annual interest expense over the next 5 years.

AIP/PFC and Other Grants

Airport Improvement Program (AIP) - Congress passed AIR 21 in 2000 and nearly doubled the funding authorization for airports such as Gallatin Field for the 3 fiscal years 2001—2003. AIR 21 is the federal program for funding airport capital improvement projects. Gallatin Field's AIP (Airport Improvement Program) entitlement for 2003 is \$2,031,032. Additionally, certain projects are also eligible for funding from discretionary funds. 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 (85%), aviation fuel taxes and taxes on aviation parts. AIP grants received in FY 2003 totaled \$2,690,849.

Congress is currently debating the next Airport Improvement Program bill. While it is still under debate, early indications are that funding will be at or above the funding levels provided by AIR 21.

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. These capital projects are restricted to projects that are approved by the airlines and which will benefit the passengers using the commercial airlines. Gallatin Field is currently using these funds to reimburse the airport for all or a portion of the following completed projects; snow removal equipment storage building, terminal ramp expansion, a high-speed, truck-mounted broom/sweeper and taxiway, apron and main runway resurfacing. 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 2003 collections through Passenger Facility Charges totaled \$623,500.

Other Grants—The 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. We will be combining FY 2003 and FY 2004 grants to assist in paving the old terminal parking lot.

Gallatin Airport Authority

Capital Improvements - FY2003

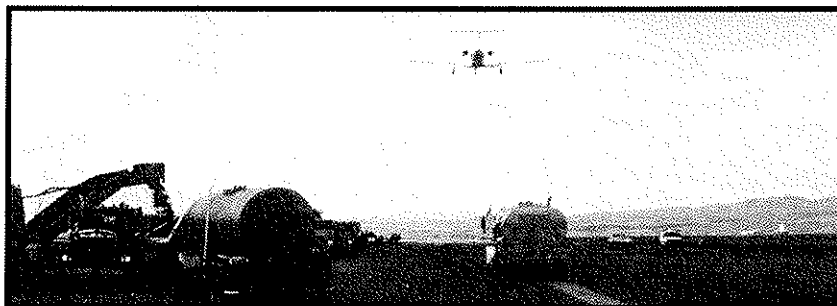
Main Runway—Resurfacing

Beginning in August 2002, the Gallatin Field staff and Scott Bell from the engineering firm Morrison-Maierle began planning for the main runway to be resurfaced. After 15 years, the asphalt runway was beginning to show its age and it was determined that the April 27th—May 31st time frame would have the least economic impact on the region.

As a major airport in the region, it was decided that rather than close the airport to air carrier traffic for 7 full days, we would keep the airport open each day and perform the resurfacing between 1:00 p.m. and 10:00 p.m. during the 34 day period. This time frame allowed nearly all construction to be done during daylight hours, and impacted only 20% of the available airline seats in one of the slowest months of the year. In coordination with each of the airlines, flight schedules began to be adjusted in late December and by February 1st, each of the airlines had cancelled or rescheduled the flights that had been scheduled during the 1:00 p.m. to 10:00 p.m. time frame. Northwest and Horizon would operate their entire flight schedule, United Express ended up canceling one flight and Delta Connection cancelled three. Delta was scheduled to operate their entire flight schedule but due to the Iraq war, cancelled their late evening inbound and morning departing flight along with 12% of their entire system flight schedule.

JTL of Belgrade was awarded the contract and began construction on April 28th. Despite some initial rainy days, the construction schedule was maintained and resurfacing was completed nearly a week early. The impact on air traffic was minimized to the point where total tower operations during May 2003 actually increased over May 2002. Airline passenger traffic declined approximately 12% but much of that decrease was due to the impact of the Iraq war.

The project also includes a new high intensity runway light system, power vault building and emergency standby generator that will be completed late summer 2003. The entire project is expected to cost nearly \$2,700,000 with 90% reimbursed by AIP grant.



Gallatin Airport Authority

Capital Improvements - FY 2003

Terminal Apron —Resurfacing

Terminal Apron—The runway project was completed seven days early and since airline schedules had already been adjusted to allow work from 1:00 p.m. until 10:00 p.m., it was determined that this would allow us to also resurface the terminal ramp. The project was completed in three days and by June 1st, the airlines landed on a new runway, taxied on a two year old taxiway to a new terminal ramp. The cost of this project was \$440,000 with 90% reimbursable by AIP grant.



East Ramp and Turf Runway

East Ramp—A new 400,000 square foot freight and commercial ramp complex was completed on the east side of Gallatin Field off Airport Road.. To date, 2 hangars have been completed with 1 hangar under construction. Also slated for this area is a new administration building for Central Copters which is approved for construction and a proposed new FedEx building. The total cost for this project was \$2,096,881 and was 90% reimbursed by AIP grant.



Turf Runway—A new 3,200 foot turf runway was constructed parallel to the main Gallatin Field Runway. This new general aviation runway allows for simultaneous operations during visual flight rules as well as an alternative landing surface for the many flight schools operating at Gallatin Field. The project also included a complete sprinkler system for the turf runway. The total cost for this project was \$271,982 and was paid for by the Gallatin Airport Authority capital improvement fund.

Other Capital Improvements

In addition to the above projects, the Gallatin Airport Authority added two new diesel snowplows at a cost of \$471,900 and one residence with a five acre parcel was purchased adjacent to the north side of airport property at a cost of \$260,000, both reimbursable 90% by AIP grant.

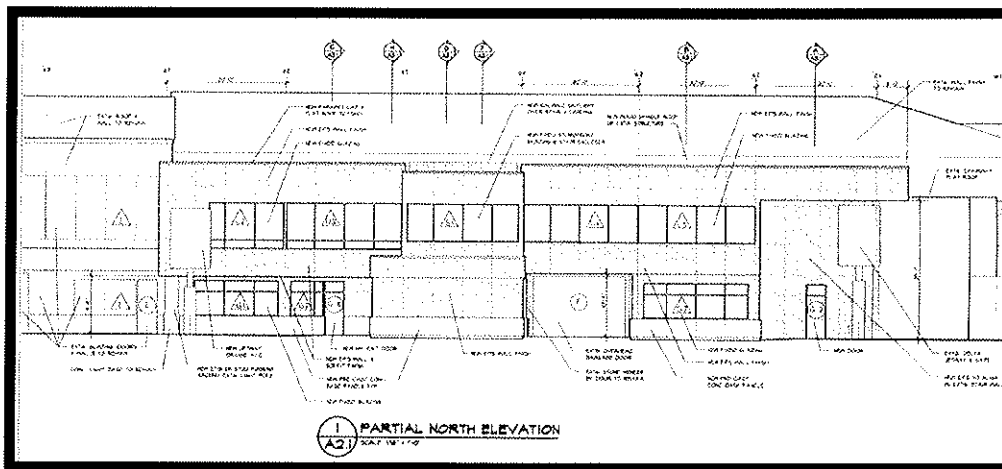
Also one new tractor, a new pickup and a new mini-van were added to replace aging equipment at a total cost of \$81,733, paid for by the Gallatin Airport Authority capital improvement fund.

Gallatin Airport Authority

Projected Capital Improvements - FY 2004

Terminal Expansion

Construction on a \$1,500,000 terminal expansion will begin in August 2003. This project will reduce upper level congestion by separating incoming and outgoing passengers, expand the concourse by adding a 4th loading bridge capable gate, provide increased security with a controlled exit device from the concourse, provide office and break-room space for the Transportation Security Administration staff and increase space for airport administration. The project is expected to be completed by June 1, 2004. 90% of this project is reimbursable by AIP grant.



Land Acquisition

The Gallatin Airport Authority is continuing to work with several owners of land adjacent to the airport on possible land acquisition by the airport. The intent of the purchases are to protect these areas from possible future residential development and provide for future airport needs. We hope to successfully negotiate the purchase of several parcels during the next year and have allocated \$3,000,000 over several years for potential acquisition. 90% of this project is reimbursable by AIP grant.

General Aviation Ramp

The general aviation ramp is the last major asphalt surface at Gallatin Field that needs to be resurfaced. We anticipate that this project will begin in the spring of 2004 and will include concrete pads for larger corporate jets. This project is expected to cost \$1,811,147. 90% of this project will be reimbursable by AIP grant.

Gallatin Airport Authority

Statement of Income and Expenditures—FY 2003

Income—FY 2003	FY 2003 <i>(Un-audited)</i>	FY 2002 <i>(Audited)</i>
Airline Rents and Landing Fees	\$815,716	\$763,501
Terminal Concessions—Advertising, Gift Shop, ATM, Restaurant & Lounge	\$258,434	\$211,184
Parking Lot	\$589,020	\$529,996
Car Rent Commissions	\$1,083,389	\$1,095,206
Ground Transportation Commissions	\$91,495	\$96,048
General Aviation—Rents and Landing Fees	\$278,408	\$258,659
Other Rents, Fees and Reimbursements	<u>\$352,207</u>	<u>\$319,217</u>
TOTAL OPERATING INCOME	\$3,468,669	\$3,263,811
County Tax Revenue	\$23	\$19
Interest Earned	\$145,745	\$278,720
Reclamation	<u>\$4,000</u>	<u>\$6,000</u>
TOTAL OTHER INCOME	\$149,768	\$284,739
Airport Improvement Grants (AIP)	\$2,690,849	\$1,836,675
Passenger Facility Charge Income (PFC)	<u>\$623,500</u>	<u>\$600,794</u>
TOTAL INCOME	\$6,932,786	\$5,986,019
Expenditures—FY 2003	FY 2003 <i>(Un-audited)</i>	FY 2002 <i>(Audited)</i>
Office and Administration	\$75,055	\$72,685
Control Tower	\$47,326	58,858
Insurance	\$98,185	\$47,751
Law Enforcement/Security	\$209,151	\$218,448
Operations and Maintenance	\$216,220	\$223,112
Personnel—Wages, Taxes, Benefits	\$964,654	\$885,259
Utilities	\$226,141	\$204,713
Other	<u>\$6,480</u>	<u>\$21,610</u>
TOTAL OPERATING EXPENSES	\$1,843,212	\$1,724,436
Bond Payments/Interest Expense	\$1,062,043	\$237,673
Capital Expenditures—Federally Funded	\$4,741,834	\$709,230
Capital Expenditures—Airport Funded	<u>\$906,315</u>	<u>\$1,188,830</u>
TOTAL EXPENDITURES	\$8,553,404	\$3,860,169

Gallatin Airport Authority

Statement of Cash Flow

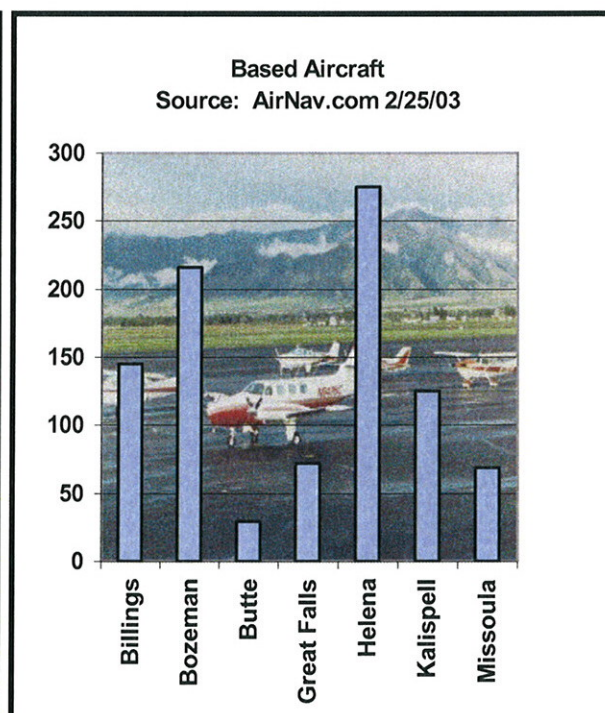
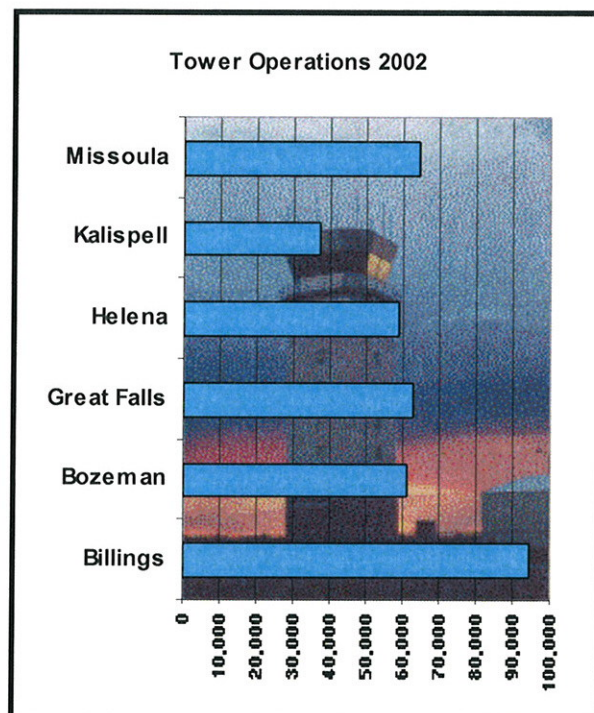
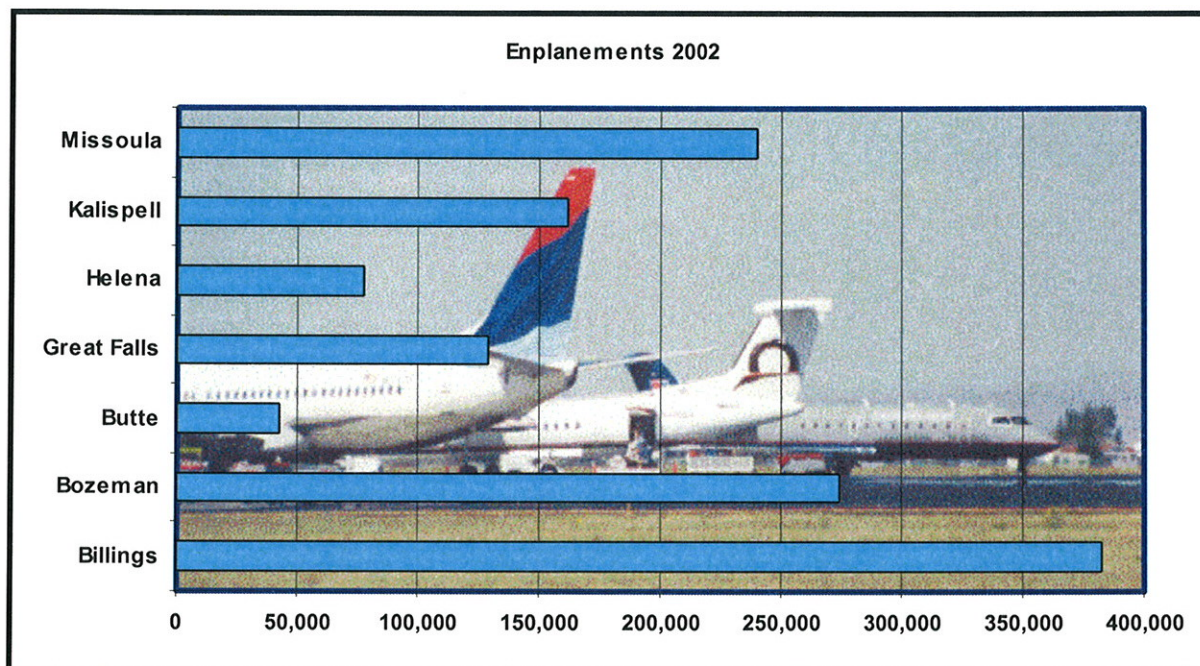
	<i>FY 2003 (Un-audited)</i>	<i>July 1, 2002— June 30, 2003</i>	<i>FY 2002 (Audited)</i>	<i>July 1, 2001 — June 30, 2002</i>
Cash Balance at July 1		\$9,862,738		\$7,768,344
Operating Revenue	\$3,468,669		\$3,263,811	
Operating Expenses	<u>(\$1,843,212)</u>		<u>(\$1,724,436)</u>	
Net Operating Income		\$1,625,457		\$1,539,375
Interest Income		\$145,745		\$278,720
County Tax		\$23		\$19
Reclamation		\$4,000		\$6,000
PFC Revenue		\$623,500		\$600,794
1993 Bond & Interest Payments		<u>(\$1,062,043)</u>		<u>(\$237,673)</u>
AIP Grant Revenue		\$2,690,849		\$1,836,675
Capital Improvements		<u>(\$5,648,149)</u>		<u>(\$1,898,060)</u>
Changes to Assets and Liabilities				<u>(\$31,456)</u>
Cash Balance at June 30		\$8,242,120		\$9,862,738

Balance Sheet (* Prior to FY 2003 Year End and Depreciation adjustments)

	<i>June 30, 2003 (Un-audited)</i>	<i>June 30, 2002 (Audited)</i>
Cash	\$8,242,120	\$9,862,738
Receivables/Prepaid Expenses	\$228,251 *	\$621,746
Property, Plant and Equipment	\$27,316,962 *	\$21,657,623
Other Assets	\$84,652 *	\$84,652
Total Assets	\$35,871,985 *	\$32,226,759
Current Liabilities	\$245,755 *	\$452,841
Long Term Liabilities	\$0	\$1,025,000
Total Liabilities	\$245,755 *	\$1,477,841
Equity	\$35,626,230 *	\$30,748,918
Total Liabilities and Equity	\$35,871,985 *	\$32,226,759

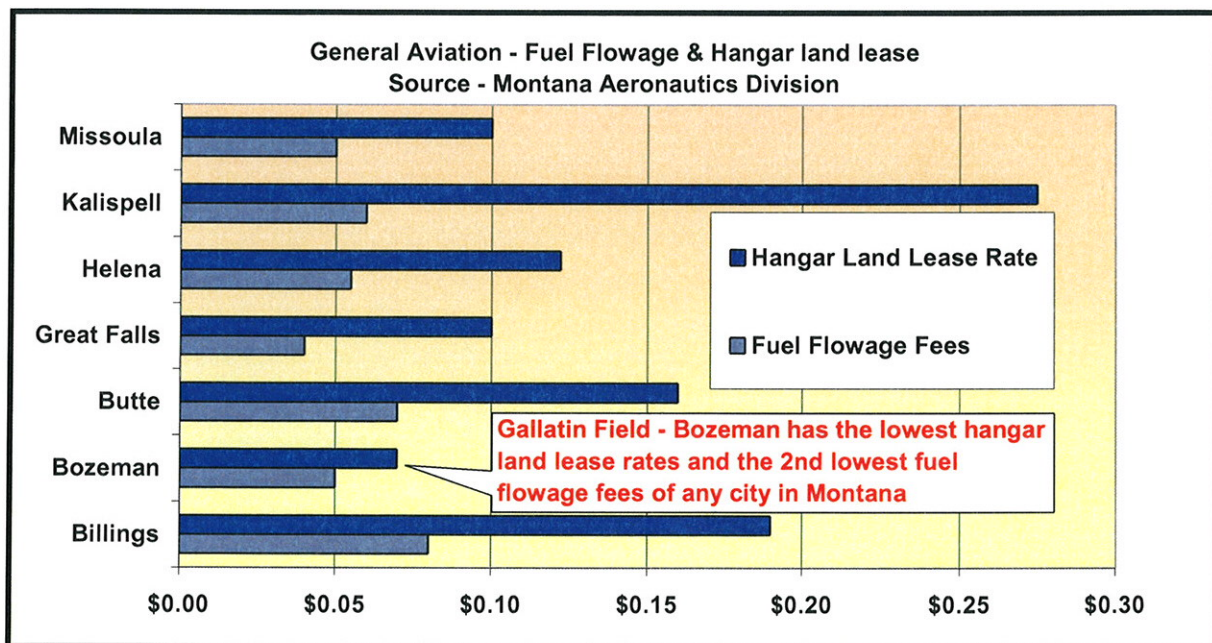
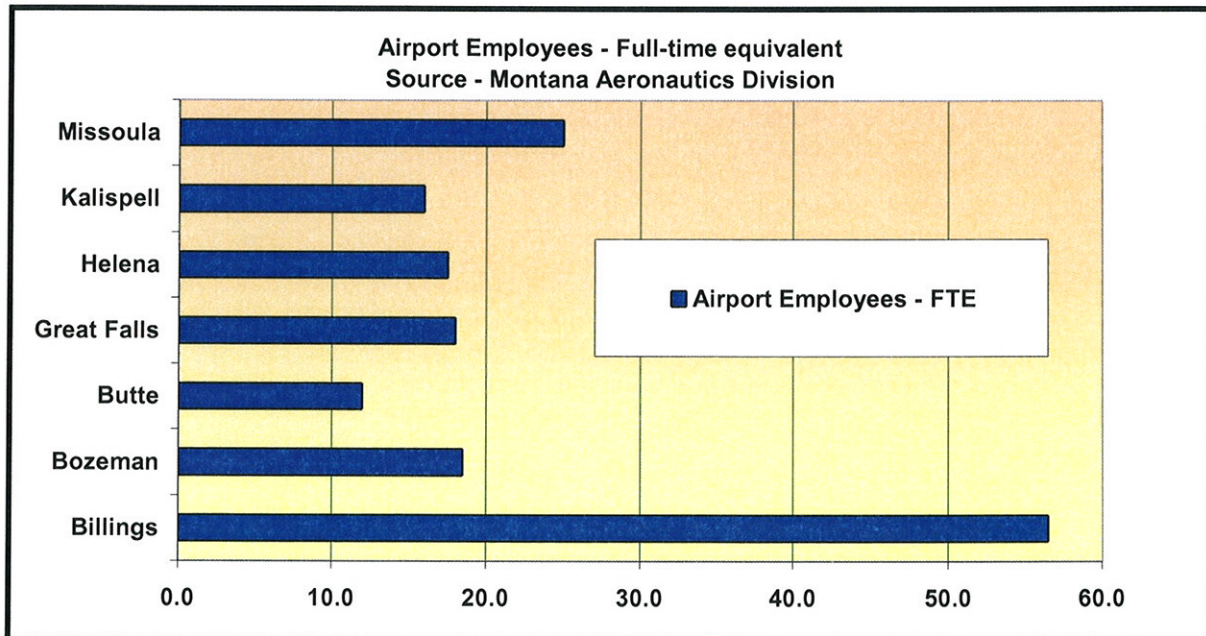
Gallatin Airport Authority

How do we compare?



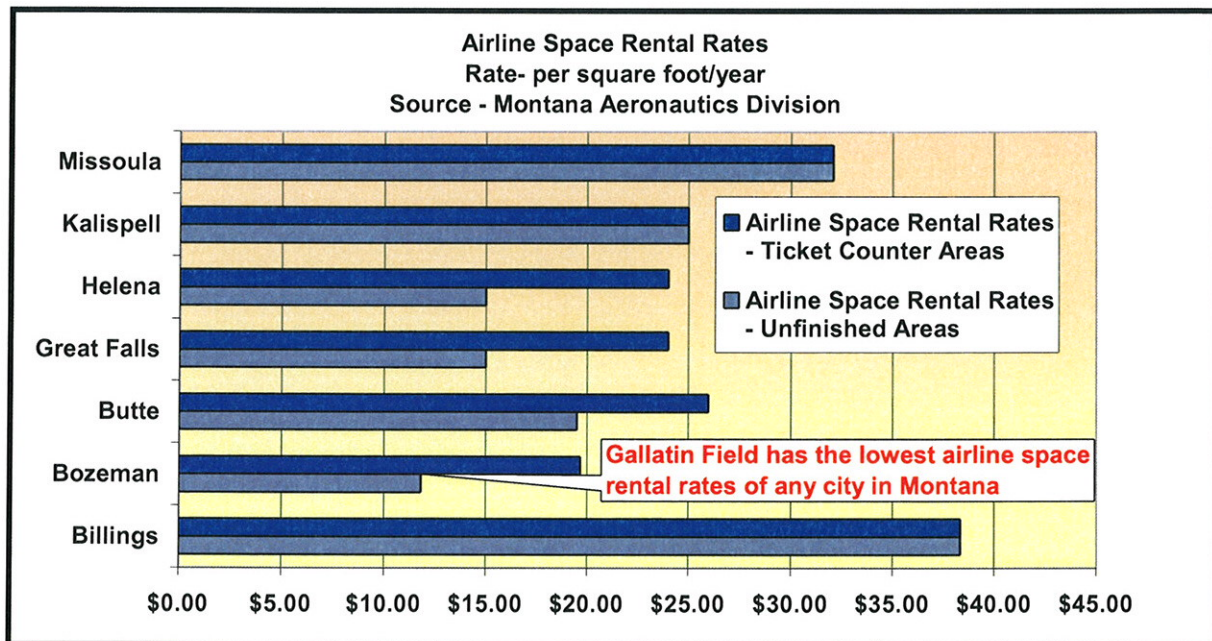
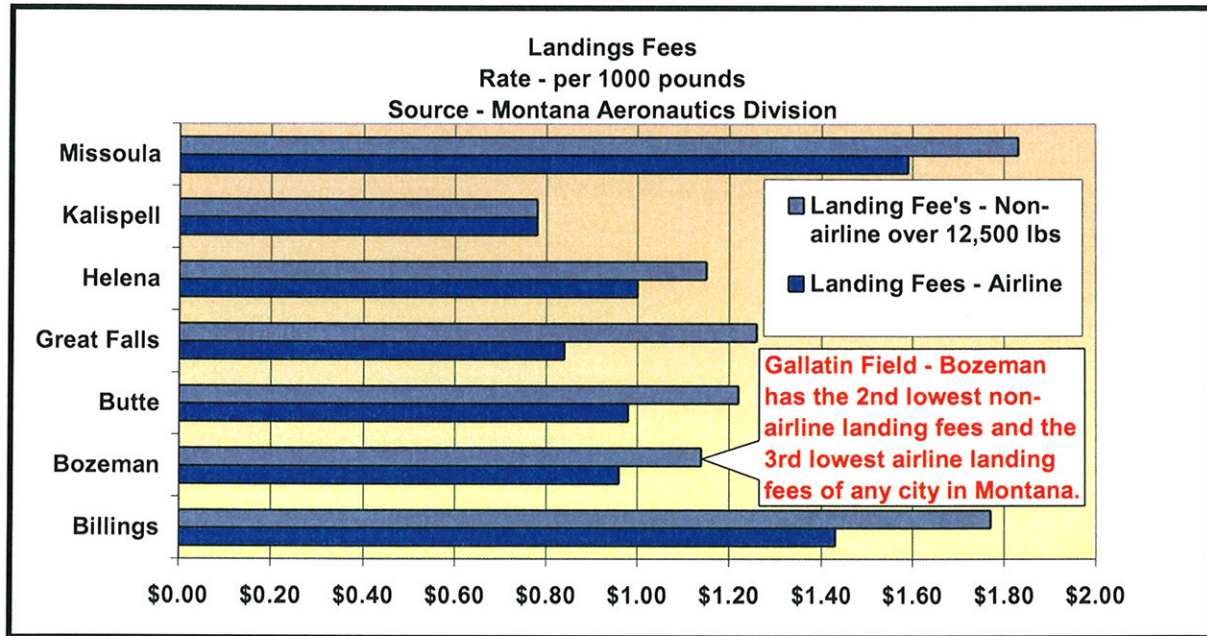
Gallatin Airport Authority

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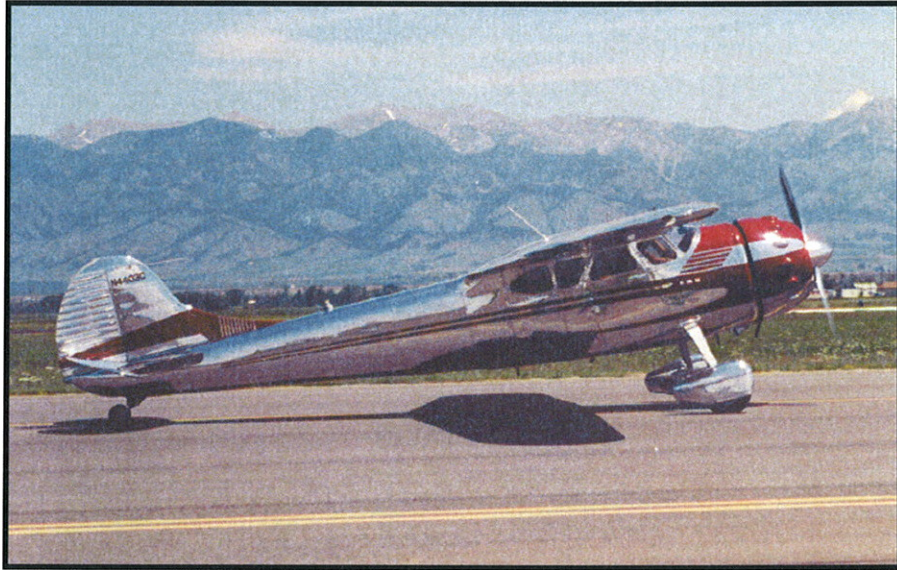


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