



Gallatin Airport Authority Management's Discussion and Analysis Fiscal Year 2004

Introduction

The management of the Gallatin Airport Authority has prepared the following discussion and analysis of the financial performance and activity of the Gallatin Airport Authority for the fiscal year ended June 30, 2004. The discussion and analysis should be read in conjunction with the entire 2004 fiscal year annual audit.

Using the Financial Statements

This discussion and analysis consists of the following financial statements so that the reader can understand the financial condition of the Gallatin Airport Authority:

- Activity Highlights – Detail of activities at Gallatin Field which affect the financial performance of the Gallatin Airport Authority
- Financial highlights – Detail of the FY 2004 Gallatin Airport Authority income and expenditures
- Changes in Net Assets – Detail of activities that contributed to the changes in net assets during FY 2004
- Statement of Net Assets – Detail of Assets, Liabilities and Net Assets (Equity)
- Highlights of the FY 2004 Budget – Detail of the FY 2004 budget compared to actual FY 2004 income and expenditures
- Cash Management – Detail of major sources and uses of cash
- Capital Improvements – Detail of FY 2004 Capital Improvements by the Gallatin Airport Authority
- Debt Management and Capital Financing – Detail of long-term debt and Capital Improvement funding by the Gallatin Airport Authority
- Contacting the Gallatin Airport Authority's Financial Management

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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



Steve Williamson
Chairman



Tom Nopper
Vice-Chairman



Yvonne Jarrett
Treasurer



John J. McKenna
Member



Richard R. Roehm
Member

Year in Review

Ted Mathis, A.A.E.—Airport Director

Five years ago when our new air traffic control tower opened, we were concerned that we might not be able to attain the 30,000 annual aircraft operation threshold required to receive federal funding to pay the staffing contract. Needless to say, we exceeded that number the first year. Fiscal year 2004 saw over 68,000 aircraft operations. This is just one indication of the tremendous growth we are seeing here at Gallatin Field.

This year's major construction projects included reconstruction and resurfacing of Runway 12/30 and installation of new high intensity lights on that runway. We constructed a new 5,200 square foot addition to the airline terminal and installed a fourth passenger boarding bridge. Two new high capacity stand-by electric generators were also purchased to serve the terminal building.

In the general aviation area, fourteen new private hangars were built, including a 28,500 square foot commercial storage hangar built by Central Copters, Inc. They also completed a beautiful new office building at their east ramp location. FlightLine Fractionals, a new

aircraft sales company, finished their new office and hangar complex in the southwest commercial area. The Airport Authority constructed taxiways and associated infrastructure to facilitate these new hangars and commercial developments.

Again this year, the Gallatin Airport Authority Board focused on land acquisition as one of their highest priorities. To this end, we purchased 386 acres from neighboring land owners. These purchases will prevent encroachment of incompatible land use and allow for future airport expansion.

The great effort put forth by the airport staff was evident again this year as we received another clean audit and a perfect score on our FAA airport inspection. They did this while operating and maintaining a clean, safe aviation facility that served over half a million air travelers.

As we move into a new fiscal year, accommodating the needs of our growing aviation community will be our greatest challenge. We need and appreciate your input to assure that your airport continues to grow and function efficiently.

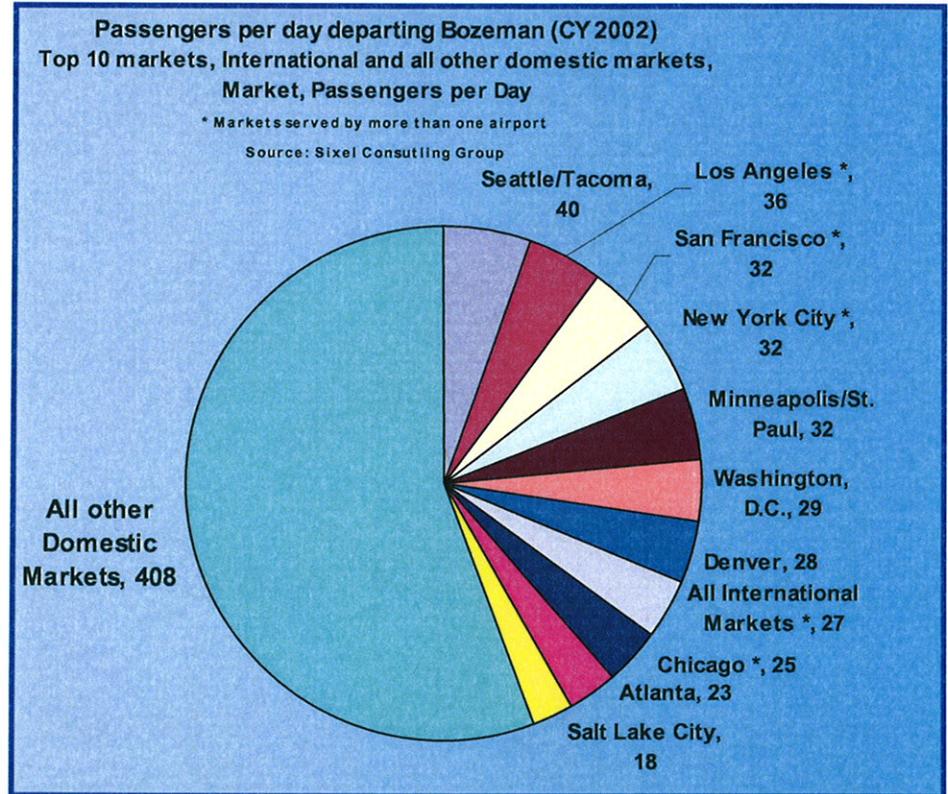
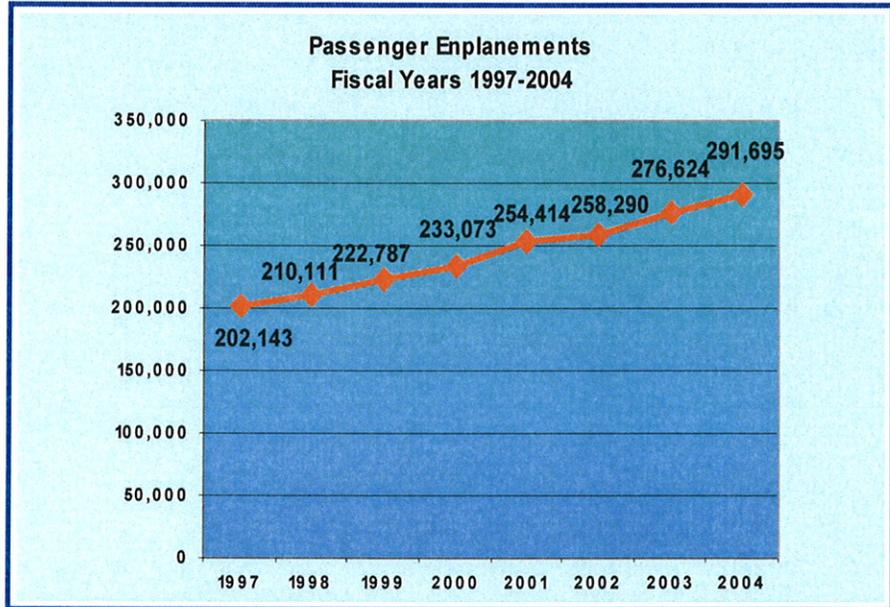
Air Service

Passenger enplanements at Gallatin Field for fiscal year 2004 were up nearly 5.4% as a record 291,695 passengers boarded flights at Gallatin Field.

The four airline brands serving Gallatin Field (Delta, Horizon, Northwest and United) continued to provide excellent schedules to the Gallatin Valley. As of July 1, 2004, Gallatin Field had 8 daily flights to Salt Lake City, 4 daily flights to Denver, 3 daily flights to Minneapolis/St. Paul, 3 daily flights to Seattle/Tacoma and once weekly non-stop service to Detroit.

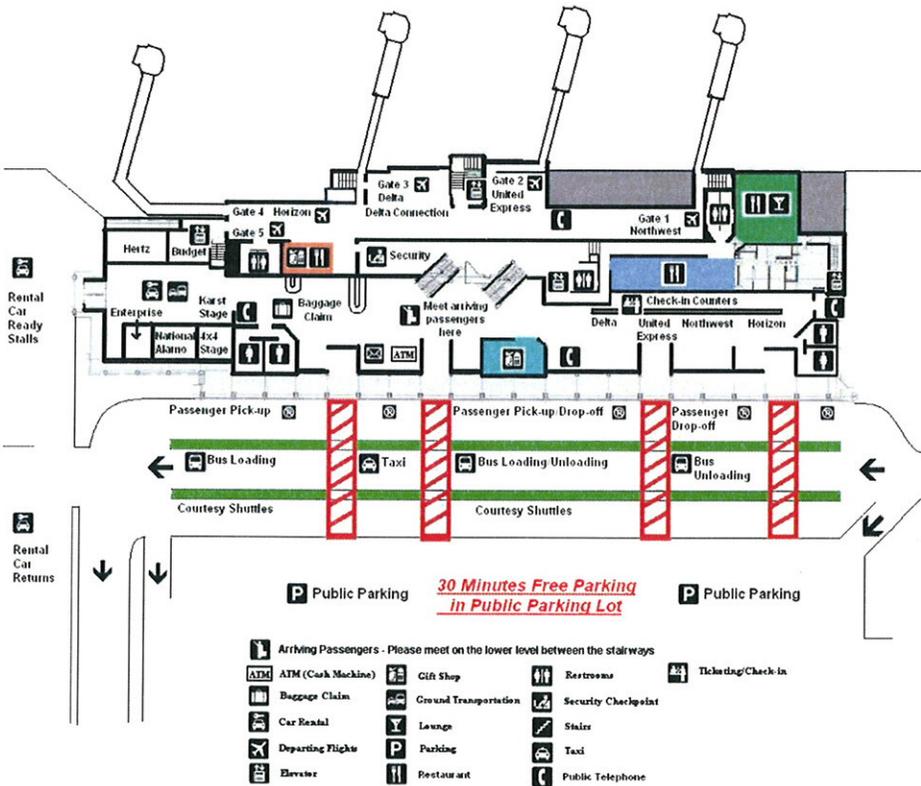
Gallatin Field was fortunate to maintain Delta mainline service in January when Delta discontinued mainline service to the other cities throughout Montana. While this indicates the strength of the Southwest Montana market, we continue to watch developments in the airline industry closely. United Airlines continues to go through the bankruptcy process while Delta and Northwest are both negotiating with their employee groups in hopes of avoiding bankruptcy proceedings. We remain optimistic that our level of air service will remain strong but dramatic actions by any one of the carriers could impact air service to Gallatin Field until other carriers fill the void. In the past, it has taken six to eighteen months for other carriers to replace lost service.

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.



Airline Terminal

Gallatin Field Airport - Bozeman, Montana
Airline Terminal Building



Rental Cars

On-Airport Rental Car Companies—
The 2004 fiscal year revenues of the 4 rental car companies (National and Alamo are co-branded and operated by Corpatec, Inc.) within the terminal totaled \$10,857,638, an increase of 6.8%. FY 2004 marked the end of the rental car concession agreement.

Request for Proposals—On-Airport Rental Car Concession—A request for proposals went out in March 2004 and bids were opened at the April Airport Board meeting. The top 4 bidders (Hertz, Budget, National/Alamo and Enterprise) were awarded contracts to operate inside the terminal. Avis was unsuccessful in their bid and moved off airport effective July 1, 2004.

These companies collect and remit a concession fee of 10% on gross receipts and provide a minimum annual guarantee. Effective July 1, they also pay rent for space inside the terminal as well as each exclusive stall in the rental car lot west of the terminal building.

Off Airport Car Rental Companies—
The off airport car rental companies generated revenues of \$1,493,694, an increase of 13.3%. While these companies do not have space within the terminal and are not required to provide a minimum annual guarantee, they are required to collect and remit a concession fee of 5%.

Restaurant/Lounge

Revenues at the restaurant and lounge operated by the Overland Express were essentially flat with 2004 fiscal year revenues increasing less than 1% to \$729,354. However, food sales from the Overland Express to the Montana Gift Corral for the concourse snack bar increased 274% to \$72,584. (The concession fee is paid by Montana Gift Corral so it is not reported under restaurant and lounge figures. The Overland Express pays a concession fee of 10% on gross sales to the airport.

Gift Shop

Montana Gift Corral's total gift shop sales for the 2004 fiscal year increased 26.6% to \$1,215,092. The first full year of operation for the concourse gift shop and snack bar contributed significantly to the strong performance as nearly 30% of the revenue generated came from the concourse operation. Montana Gift Corral currently pays a 13.75% concession fee on gross sales to the airport.

Ground Transportation

Ground transportation companies boarded 29,911 passengers during fiscal year 2004, an increase of 11.6%. This sector is particularly strong during the ski/snowmobile season with nearly 18% of passengers arriving Gallatin Field in the January—March period using one of

the ground transportation companies. The on-airport ground transportation concession was re-bid in April 2004 and Karst Stage was successful in maintaining their on-airport location. 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. Effective July 1, 2004, they also pay for space in the terminal as well as exclusive bus and van parking stalls.

Public Parking Lot

The public parking lot operated by Standard Parking generated a substantial 22% increase in parking lot revenues for fiscal year 2004. Total revenues for the period were \$866,354. The parking lot's increase resulted partially from volume as well as a rate increase that became effective on September 1, 2003.

Public Parking **30 Minutes Free Parking in Public Parking Lot** Public Parking

- Arriving Passengers - Please meet on the lower level between the stairways
- ATM (Cash Machine)
- Baggage Claim
- Car Rental
- Departing Flights
- Elevator
- Gift Shop
- Ground Transportation
- Lounge
- Parking
- Restaurant
- Restrooms
- Security Checkpoint
- Stairs
- Taxi
- Public Telephone
- Ticketing/Check-in

Tower Operations

The Gallatin Field air traffic control tower operates from 6:00 a.m. until 11:00 p.m. and is operated by Serco, a contract tower operator. Tower operations (defined as a landing or a takeoff) for fiscal year 2004 increased 7.5% to 68,178. Commercial operations accounted for 24% of the airport activity while General Aviation made up 76%. Military operations account for less than 1% of total operations.

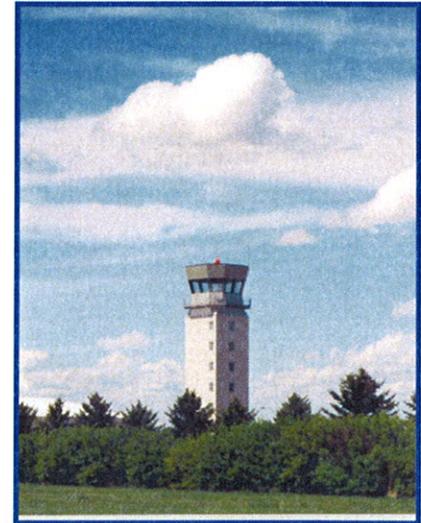
Landing Fees

Gallatin Field currently collects landing fees from each of the passenger airlines and cargo/express carriers serving Gallatin Field.

Additionally, Corporate and General Aviation aircraft with maximum gross landing weights of over 12,500 pounds pay landing fees to help pay their share of the maintenance and operation of the airport.

The following is a breakdown of landing fees at Gallatin Field by type of aircraft operator.

Airlines—Passenger	\$432,174
Airlines—Cargo Only	\$ 16,868
<u>Corporate/GA</u>	<u>\$ 66,228</u>
Total Landing Fees	\$515,270



FY 2004 Tower Operations								
	Itinerant				Total Itinerant	Local General Aviation	Total	GA Landings >12,499 lbs
	Air Carrier	Air Taxi	General					
			Aviation	Military				
Totals	5,713	10,839	21,900	335	38,787	29,391	68,178	1,818

Based Aircraft

As of March 2004, Gallatin Field had 231 based aircraft, an increase of 27 aircraft since March 2003.

18 Jets (+1)

11 Twin Engine

4 Turboprop (+1) and 7 Piston (+2)

7 Helicopters (+5)

175 Single Engine

6 Turboprop (+3) and 169 Piston (+10)

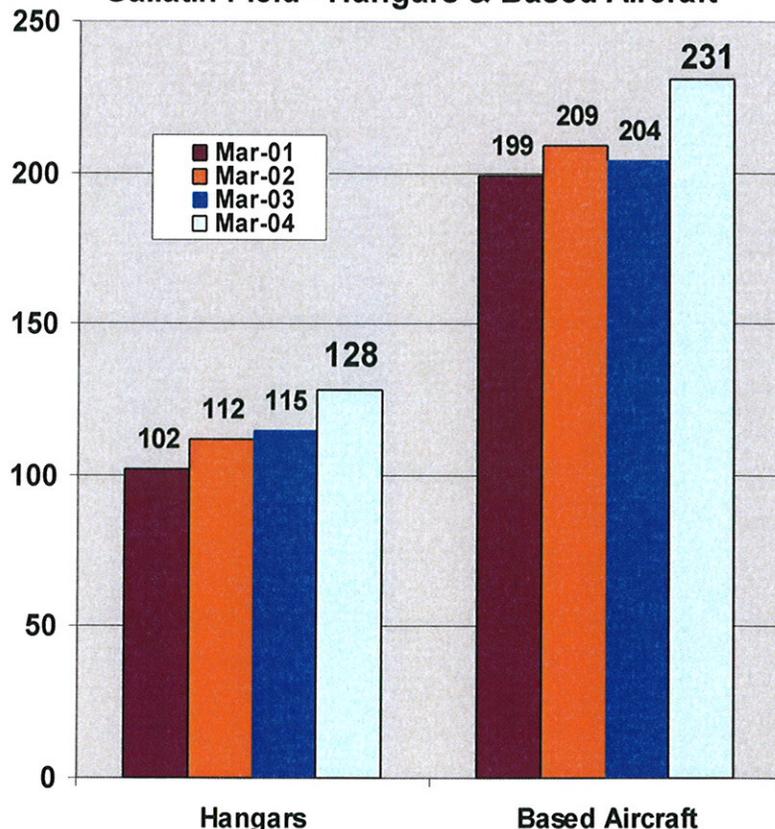
15 Sailplanes (+5)

5 Ultra-lights

Hangars

As of March 2004, Gallatin Field was home to 128 hangars, an increase of 15 hangars since March 2003. In addition, 3 hangars have been approved by the airport board and are in various stages of construction.

Gallatin Field - Hangars & Based Aircraft



General Aviation



Gallatin Field is one of the busiest general aviation airports in Montana with more based aircraft and more hangars than any other airport in the state.

Commercial General Aviation

Gallatin Field provides an inexpensive base for several companies providing a variety of aviation services including fixed base operators (FBO), flight school instruction, charter services, aerial photography, scenic flights and aircraft management. 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. The following com-

panies operate out of Gallatin Field's general aviation complex.

Arlin's Aircraft Service

Full-service fixed base operator

Yellowstone Jetcenter

Full-service fixed base operator

Central Copters

Partial service fixed base operator specializing in helicopter services

Aero Flight School

Flight school with FAA approved testing center

Flightline Management/Contrail Club

Management services for aircraft owners and access to aircraft for non-owners

Gallatin Flying Service

Specialized charter services

Paragon Air Adventures

Flight school

Place Creek Airways

Sightseeing flights

Montana Aircraft

Charter services

Summit Aviation

Flight school

Sunbird Aviation

Charter services

Fuel Flowage

Fuel flowage at Gallatin Field from the two full-service FBOs totaled 4,642,781 gallons during fiscal year 2003, a 3% increase. The increase can be attributed to increased Corporate/GA Jet Fuel sales. Flowage by type of fuel:

Jet fuel

Airlines

3,018,769 gallons—down 3.3%

Corporate/General Aviation (GA)

1,445,164 gallons—up 19.9%

AvGas

178,848 gallons—down 1.5%



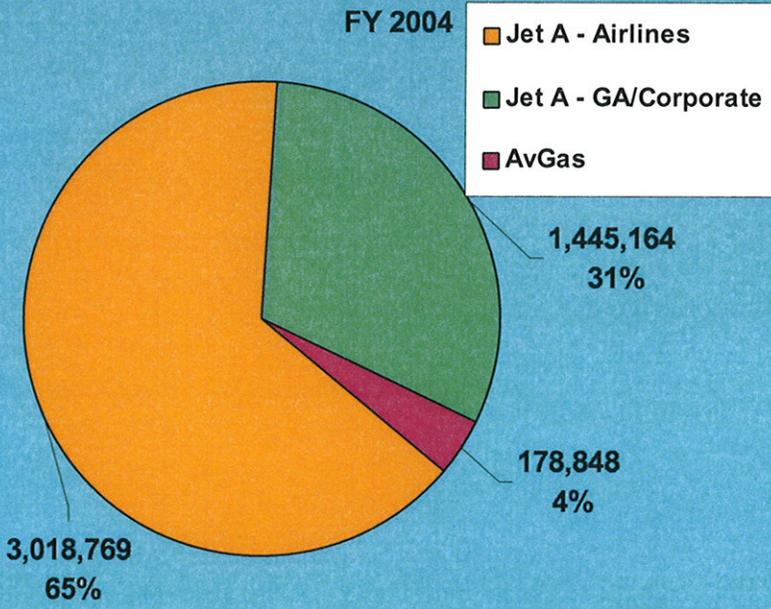
Air Cargo/Express

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 DHL. 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 fiscal year 2004. FedEx is working with Yellowstone Jetcenter to construct a new Express/Cargo facility adjacent to the east ramp. UPS and DHL currently load and unload on the east ramp and transfer their cargo to remote locations.



Gallatin Field Fuel Flowage (Gallons)

FY 2004



Cooperation with other Government entities

Belgrade Rural Fire—The Gallatin Airport Authority has a long-term service and joint training agreement with the Belgrade Rural Fire Department.

City of Belgrade—The Gallatin Airport Authority and the City of Belgrade have cooperated on a number of projects over the past 30 years. The airport has a long-term lease agreement with the city, which includes water and sewer service for the airport and the lease of airport owned or controlled water production, water storage, sewage treatment and space for the city's shop building. The agreement also provides for effluent from the treated sewage treatment ponds to be sprinkled on the newly opened turf runway. The agreement allows both the airport and the city to provide required services at lower costs than either could provide individually.

Federal Aviation Administration—The FAA leases the airways facilities office building from the Gallatin Airport Authority for support of FAA navigational aids located at Gallatin Field.

Gallatin County—A new long-term agreement between the Gallatin Airport Authority and the Gallatin County Sheriff's Department provides law enforcement support for Gallatin Field.

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 provided Gallatin County nearly \$400,000 (\$318,000 from the airlines) in tax dollars in 2003. These dollars are then passed on to various county agencies such as Belgrade Rural Fire, Belgrade Schools, the Gallatin County Sheriff and others.

Staff

The Gallatin Airport Authority is fortunate to have a very experienced and knowledgeable staff with nearly 200 years of combined airport and aviation industry experience.

Airport Director

- Ted Mathis , AAE	
Years in current position—	23
Years in aviation industry—	35

Assistant Airport Director

- Brian Sprenger	
Years in current position—	5
Years in aviation industry—	21

Maintenance Supervisor

- Tim Linn	
Years in current position—	15
Years in aviation industry—	15

Operations Safety & Security Supervisor

- Paul Schneider	
Years in current position—	New
Years in aviation industry—	21

Administrative Assistant

- Cherie Ferguson	
Years in current position—	6
Years in aviation industry—	6

Airport Office Assistant

- Suzie Hockel	
Years in current position—	New
Years in aviation industry—	New

Maintenance/Aircraft Rescue Firefighters

- Pat Teague	
Years in current position—	14
Years in aviation industry—	14

- **Joel Dykstra**

Years in current position—	14
Years in aviation industry—	14

- **Wes Mork**

Years in current position—	9
Years in aviation industry—	9

- **Lee Huyser**

Years in current position—	8
Years in aviation industry—	8

- **Dave Morrow**

Years in current position—	6
Years in aviation industry—	6

- **Larry Thompson**

Years in current position—	6
Years in aviation industry—	8

- **Chuck Rasnick**

Years in current position—	1
Years in aviation industry—	1

Custodial

- **John Story**

Years in current position—	14
Years in aviation industry—	14

- **Rod Freese**

Years in current position—	5
Years in aviation industry—	5

- **Barbara Spatig**

Years in current position—	4
Years in aviation industry—	4

- **Shirley Andreas**

Years in current position—	2
Years in aviation industry—	2

- **Vicki Anderson**

Years in current position—	New
Years in aviation industry—	New

- **Josh Norris**

Years in current position—	New
Years in aviation industry—	New

Groundskeeper

- **Heidi Rodas**

Years in current position—	New
Years in aviation industry—	New

The Gallatin Airport Authority also uses a pool of on-call seasonal help for winter operations.

- **Jim Snider** 4 years

- **Dan Nelson** 4 years

- **P.J. Mork** 3 years

- **Ernie Griffanti** 4 years

Operating Income

Total Operating Income for the Gallatin Airport Authority increased by 13.1% to \$3,900,758.

Airline Terminal Related income increased 16.1% to \$3,231,278. Airline Rents and Landing Fees increased 21.8% primarily due to increased flight activity. Terminal concessions increased 13.5% mostly due to the gift shop related income. Parking Lot revenue increased 32.3% due to volume and rate increases while car rental and ground transportation concession fees increased 5.4%.

General Aviation Related income in-

creased 11.1% to \$309,353. Hangar land rent increased 11.1%. GA landing fees increased 26.4% and Freighter landing fees decreased 1.5%. Tie down fees and hangar rent increased a modest \$3,500. Fuel flowage fees increased 19% to \$80,520.

Other Operational income decreased 7.6% to \$360,127 primarily due to reduced reimbursement of increased law enforcement costs.

Operating Income—FY 2004	FY 2004	FY 2003
Airline Rents and Landing Fees	\$993,870	\$815,716
Terminal Concessions	\$293,430	\$258,434
Parking Lot	\$705,069	\$533,044
Car Rent Commissions	\$1,157,560	\$1,083,389
Ground Transportation Commissions	\$81,349	\$91,495
General Aviation—Rents and Landing Fees	\$309,353	\$278,408
Other Rents, Fees and Reimbursements	\$360,127	\$389,911
TOTAL OPERATING INCOME	\$3,900,758	\$3,450,397

Operating Expenses

Total Operating Expenses for the Gallatin Airport Authority increased by 12.9% to \$3,335,599.

Law Enforcement expense increased 23.8% to \$282,021.

Operation, Maintenance and Control Tower expenses decreased .3% to \$257,863.

Office, Administration and Other expenses increased 11.7% to \$79,917. While office and administration costs increased 6.1%, other expenses in-

creased by \$4,505 to \$11,949.

Wages/Taxes/Benefits expenses increased 5.4% to \$1,027,390. Wages and Salaries increased 3.7% while taxes and insurance increased 11.2% mainly due to increases for workers' compensation insurance.

Utilities and Insurance expenses increased 9.3% to \$338,053. Utilities increased 8.9% while insurance expense increased 10.8% due to higher premiums and increased coverage.

Depreciation and Amortization expenses increased 21.3%.

Non-Operating Revenues & Expenses

Interest income decreased 31.5% to \$107,639 primarily due to lower interest rates.

County tax revenue remained insignificant with a decrease of \$15.00 to \$8.00.

Reclamation deposit income doubled to \$8,000.

Interest expense decreased 100% to \$0 with the payoff of the 1993 Bonds in FY 2003.

Operating Expenses—FY 2004	FY 2004	FY 2003
Office and Administration	\$67,968	\$64,092
Control Tower and Contract Services	\$56,343	\$46,390
Insurance	\$67,668	\$61,059
Law Enforcement/Security	\$282,021	\$227,771
Operations and Maintenance	\$201,520	\$212,250
Personnel—Wages, Taxes, Benefits	\$1,027,390	\$975,160
Utilities	\$270,385	\$248,351
Other	\$11,949	\$7,444
Depreciation and Amortization	\$1,350,355	\$1,112,981
TOTAL OPERATING EXPENSES	\$3,335,599	\$2,955,498

Capital Contributions

Capital contributions due to capital improvements decreased 20.5% to \$4,146,243.

Changes in Net Assets —

The following Statement of Changes in Net Assets presents the financial position of the Gallatin Airport Authority at the end of the fiscal year. The statement includes all operating and non-operating revenues and expenses as well as capital contributions. Changes in net assets are an indicator of whether the overall fiscal condition of the Gallatin Airport Authority has improved or worsened during the year. Changes in Net Assets for the Gallatin Airport Authority increased \$4,827,053 and \$5,835,896 for the years ended June 30, 2004 and 2003 respectively. A summary comparison of the Gallatin Airport Authority's changes in Net Assets on June 30, 2004 and June 30, 2003 is as follows:

	July 1, 2003—June 30, 2004	July 1, 2002—June 30, 2003
Operating Revenue	\$3,900,758	\$3,450,397
Operating Expenses	(\$3,335,599)	(\$2,955,498)
Operating Income	\$565,159	\$494,899
Non-Operating Revenue	\$115,651	\$161,196
Non-Operating Expense		(\$37,043)
Capital Contributions	\$4,146,243	\$5,216,844
Increase in Net Assets	\$4,827,053	\$5,835,896

Statement of Net Assets -

The following Statement of Net Assets presents the financial position of the Gallatin Airport Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Gallatin Airport Authority. Net assets are the difference between total assets and total liabilities and indicate the current financial health of the Gallatin Airport Authority. The financial position of the Gallatin Airport Authority remains strong with total assets equaling \$41,721,431 an increase of \$4,817,310. Liabilities decreased to \$167,775 resulting in total net assets of \$41,553,656. A summary comparison of the Gallatin Airport Authority's assets, liabilities and net assets on June 30, 2004 and June 30, 2003 is as follows:

	June 30, 2004	June 30, 2003
Cash	\$4,358,710	\$5,068,296
Restricted Cash	\$4,801,556	\$3,173,694
Receivables/Prepaid Expenses	\$1,489,858	\$2,374,743
Property, Plant and Equipment	\$31,043,120	\$26,250,748
Other Assets	\$28,187	\$36,640
Total Assets	\$41,721,431	\$36,904,121
Current Liabilities	\$167,775	\$177,518
Long Term Liabilities	\$0	\$0
Total Liabilities	\$167,775	\$177,518
Net Assets	\$41,553,656	\$36,726,603
Total Liabilities and Net Assets	\$41,721,431	\$36,904,121

Highlights of the FY 2004 Budget

The Gallatin Airport Authority budget is prepared according to provisions in the Airport Authority's Airport Use Agreement and in accordance with budget requirements of the Gallatin County Commission. Operating revenues (cash) reached 114% of budget expectations while operating expenses were only 94.9% of the budgeted amount. The 2004 capital improvement budget included a potential of 13,070,303 in projects of which 47% was expended. Contributions from the Gallatin Airport Authority capital improvement fund were not required. Additionally, \$918,276 was contributed to the capital improvement fund from excess revenues.

Income—FY 2004 Actual to Budget Comparison	FY 2004 ACTUAL	FY 2004 BUDGET
Total Cash Receipts	\$3,726,065	\$3,282,180
Total Other Income	\$115,651	\$162,780
Airport Improvement Grants (AIP)	\$4,502,646	\$6,739,803
Passenger Facility Charge Income (PFC)	\$711,688	\$620,000
Capital Improvement Fund		\$4,476,528
TOTAL INCOME	\$9,056,050	\$15,281,291
Expenditures—FY 2004 Actual to Budget Comparison	FY 2004 ACTUAL	FY 2004 BUDGET
Total Operating Expenditures (Does not include Depreciation or Amortization)	\$2,003,100	\$2,110,988
Capital Expenditures	\$6,134,675	\$13,070,303
Capital Improvement Fund	\$918,276	
TOTAL EXPENDITURES	\$9,056,050	\$15,281,291

Cash Management

The Gallatin Airport Authority's cash and cash equivalents increased to \$9,160,266 for the year ended June 30, 2004 from \$8,241,990 for the year ended June 30, 2003 primarily due to receipt of AIP income from projects completed in FY 2003. Cash in excess of operational needs was invested in the Montana Short Term Investment Program (STIP).

Statement of Cash Flows	July 1, 2003—June 30, 2004	July 1, 2002—June 30, 2003
Cash Balance at July 1	\$8,241,990	\$9,862,738
Operating Revenue	\$3,726,065	\$3,479,189
Operating Expenses	(\$2,003,100)	(\$1,862,830)
Interest Income	\$107,639	\$157,173
County Tax	\$12	\$23
Reclamation	\$8000	\$4,000
PFC Revenue	\$711,688	\$623,642
1993 Bond & Interest Payments	\$0	(\$1,269,419)
AIP Grant Revenue	\$4,502,646	\$2,690,849
Capital Improvements	(\$6,134,674)	(\$5,658,093)
Contributed Capital – Belgrade	\$0	\$214,718
Cash Balance at June 30	\$9,160,266	\$8,241,990

Capital Improvements—Terminal Area

Terminal Addition and Access Control

A new 5,775 square foot addition was completed with an additional gate, improved passenger flow and space for the TSA. In addition, a new access control system will be completed this winter.

Estimated project cost: \$1,947,626

Additional Jetway Acquired

We acquired a used jetway from Boise last year and spent the winter refurbish-

ing it. A comparable new jetway would cost over \$300,000.

Project cost: \$108,639



Ticket Counters Moved—We moved the ticket counters 8' into the lobby to relocate the TSA checked baggage inspection behind the check-in process. This greatly improved customer service and allows for continued proliferation of self service check-in devices.

Project cost: \$112,760

Rental Car Service Road—In order to reduce traffic in front of the terminal, we are constructing a new road from the rental car parking lots to their service facilities to be completed this fall.

Project cost: \$123,758

Capital Improvements— General Aviation Area

West General Aviation Ramp Rehabilitation—Once this ramp is rehabilitated, all major asphalt surfaces will be less than 5 years old.

Estimated project cost: \$1,380,287

New Central General Aviation Ramp—This new ramp will help separate the jet and propeller aircraft on the general aviation side of the airport. In addition, Yellowstone Jetcenter, Arlin's Aircraft Service and the Gallatin Airport Authority have coordinated efforts to move the self-fueling facility from its current location to the new central GA ramp.

Estimated project cost: \$292,857

Incursion Road—This new road provides access to the east ramp without having to enter the air movement area. It loops around the crosswind runway to the south of runway 3.

Project cost: \$297,811

Capital Improvements— Airfield

Land Acquisition—Growth in the Gallatin Valley has strengthened the need to protect the approaches to our runways as well as provide for future growth opportunities for the airport through land acquisition. We will continue to acquire land that becomes available and is in the best interest of the airport to protect from development.

Project cost to date: \$3,334,115

Fire Truck—Our oldest fire truck is now 28 years old. It will be replaced next year by a new E-1 series airport crash fire rescue truck.

Project cost: \$520,000

Fire Station—In order to accommodate our new fire truck and provide for future growth, a new fire station adjacent to the old terminal building is being built. We will also remodel the inside of the old terminal building to provide conference and training rooms for our Aircraft Rescue and Firefighting (ARFF) personnel as well as provide future office space for the Transportation Security Administration and the Gallatin County Sheriff's Department. The existing fire station building will become available for airline ground vehicle storage.

Estimated project cost: \$730,000

Debt Management and— Capital Financing

Long Term Debt—Gallatin Field is debt free and does not anticipate acquiring new debt at this time.

Capital Improvement Financing—The Gallatin Airport Authority is financing its capital improvements through a combination of Airport Authority revenues, Airport Improvement Program (AIP) entitlements and discretionary grants received from the Federal Aviation Administration, Passenger Facility Charges (PFC) and state grants.

Airport Improvement Program (AIP)—The federal government collects various aviation user fees such as a 7.5% airline ticket tax, a 6.25% tax on air freight, and taxes on aviation fuel sales and parts. Approximately 85% of all the aviation user fees collected come from the airline ticket tax. Congress then appropriates a portion of these user fees back to the airport system through AIP entitlements and discretionary grants. Gallatin Field's AIP entitlement for 2004 is \$2,192,000.

Additionally, certain projects are also eligible for funding from discretionary funds. AIP grants require the sponsor airport to provide 5-10% of the funds for each project with the remaining 90-95% paid by the AIP grant. AIP grant income in FY 2004 totaled \$4,502,646.

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 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 2004 collections through Passenger Facility Charges totaled \$711,668.

Other Grants—The Gallatin Airport Authority also receives a pavement maintenance grant from the Montana Aeronautics Division. These funds come from the airline fuel tax generated within the state and are distributed annually to the 7 commercial airline airports in Montana. We combined the FY 2003 and FY 2004 grants to assist in paving the old terminal parking lot.

Contacting the Gallatin Airport Authority's Financial Management

This financial report is designed to provide the Gallatin Airport Authority's Board, management, Gallatin County Commission, customers and creditors with a general overview of the Airport's finances and to demonstrate the Gallatin Airport Authority's accountability for the funds it receives and expends. For additional information about this report, or if you need additional financial information, please contact Brian Sprenger, Assistant Airport Director, 850 Gallatin Field Rd., Suite 6, Belgrade, MT 59714 or email info@gallatinfield.com.