Gallatin Airport Authority Annual Report Fiscal Year 2005

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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, 2005. The discussion and analysis should be read in conjunction with the entire 2005 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 2005 Gallatin Airport Authority income and expenditures Changes in Net Assets – Detail of activities that contributed to the changes in net assets during FY 2005
- Statement of Net Assets Detail of Assets, Liabilities and Net Assets (Equity)
- Highlights of the FY 2005 Budget Detail of the FY 2005 budget compared to actual FY 2005 income and expenditures
- Cash Management Detail of major sources and uses of cash
- Capital Improvements Detail of FY 2005 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

Cover photo courtesy of Mike Williams

Gallatin Airport Authority AIRPORT BOARD MEMBERS—Fiscal Year 2005



Steve Williamson Chairman



Richard R. Roehm Member



John McKenna Vice Chairman



Yvonne Jarrett Treasurer



Eric Hastings Member

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.

STAFF The Gallatin Airport Authority is among the most efficient airports in staff utilization. Through cross-utilization, a strong retention program and efficient use of technology, our staffing is 60-80% of what other comparable airports require. Turnover is a low 5% annually thus helping maintain an extremely experienced workforce. Additionally, while many comparable airports have additional second level managers for functions such as marketing/public relations, human resources, finance and planning, these functions are included in the responsibilities of the Airport Director and Assistant Airport Director at Gallatin Field.

SENIOR STAFF Airport Director— Ted Mathis, A.A.E. Assistant Airport Director— Brian Sprenger, A.A.E. Maintenance Supervisor— Tim Linn Operations, Safety and Security Supervisor— Paul Schneider Administrative Assistant— Cherie Ferguson

SUPPORT STAFF

Maintenance/ARFF Pat Teague Joel Dykstra Wes Mork Lee Huyser Dave Morrow Larry Thompson Chuck Rasnick Office Melissa Whittaker Groundskeeping Derek Fleming On-call Seasonal Help Dan Nelson Woody Fogg Custodial John Story Rod Freese Barbara Spatig Shirley Andreas Vicki Anderson Josh Norris

FY 2005 in Review

Ted Mathis, A.A.E. Airport Director

This fiscal year saw double digit growth in airline passenger boardings, aircraft fuel sales and several other areas here at Gallatin Field. This mirrors the growth of the community and illustrates our greatest challenge, accommodating the needs of a growing flying public.

Airport construction kept pace with growth as we rehabilitated and expanded the general aviation parking areas and added new hangar taxiways. Construction began on a new fire station and a new fire truck was ordered. In the terminal building, we installed a new computerized access control system and modified the airline ticket counter area to relocate checked baggage screening behind The passenger check-in the counters. procedure was also improved with the addition of eight new self-serve check-in devices. A new security camera system was also installed, which monitors thirty-two locations in the airline terminal and general aviation areas.

The Gallatin Airport Authority Board took a bold step forward in November when they entered into a cooperative agreement with the Federal Aviation Administration to install a new radar site here at the airport. The Board invested \$1.5 million in local airport funds to cost share on this project which will greatly enhance air safety and capacity. The project is the first such cooperative agreement in the nation and is scheduled for completion late in 2006.

As subdivisions continued to spring up around the airport, we continued our efforts to require avigation easements over these properties and to purchase land off the ends of our main runway. A request was also made to the City of Belgrade and the Gallatin County Commission to enact ordinances requiring avigation easements on all new subdivisions within a five-mile radius of the airport.

The airport staff continued their commitment to excellence this year by maintaining and operating our busy facility to the highest possible standards. The maintenance and safety staff received high praise following the annual FAA airport certification inspection while the administrative staff continued their great service to the public and earned another perfect financial audit.

As we move forward, we see continued growth in most aviation sectors here at Gallatin Field. A new aviation degree program at Montana State University will bring increased flight training activity to the field starting this fall. Corporate traffic shows strong growth as does the number of aircraft based here. We remain concerned about the financial health of the airline industry. Last year, the U.S. Majors suffered a net loss of \$9.2 billion. Obviously, the price of oil was a big factor in those losses. We will proceed cautiously on future terminal area expansion plans until the industry shows greater stability.

We appreciate the good work done by the more than four hundred people employed at Gallatin Field. We also appreciate any suggestions you might have to help us better serve you.

Airline Service

Southwest Montana continues to have exceptional airline service despite the upheavals within the airline industry. With daily nonstop service to Boise, Butte, Denver, Minneapolis/St. Paul, Salt Lake City and Seattle/Tacoma. Gallatin Field is connected to the world. Seasonal non-stop service to Atlanta and Detroit add additional capacity during the peak winter and summer tourist seasons. Changes in Gallatin Field Airline Service — Big Sky Airlines began service to Boise on August 6, 2005, giving Gallatin Field non-stop service to the Idaho This market was last capital. served by Horizon Air in 1995 prior to their introduction of non-



stop service to Seattle. In conjunction with the Big Sky Chamber of Commerce and several entities in the Big Sky area, Delta Air Lines announced Saturday non-stop service between Gallatin Field and Atlanta to begin on December 17, 2005 and continue through the winter ski season. This service marks the longest scheduled route ever to depart the state of Montana. Due to strong competition through hub airports and a reallocation of revenue guarantees by the Big Sky



Photo courtesy of Mike Williams

Chamber of Commerce to the new Atlanta flight, Horizon Air will not offer non-stop Saturday service to Los Angeles for the winter 2005-2006 season. Unfortunately, the lack of connecting opportunities beyond L.A., the limited flight schedule and the preference of many passengers to use smaller airports in the L.A. area, such as Burbank and Orange County, made it difficult for this one day a week flight during ski season to become successful. In December 2005, Delta will replace their 737 aircraft in the Bozeman-Salt Lake City market with 70 seat CR7 aircraft. While this will initially cause a shortage of seats in peak periods, the change will dramatically improve seat utilization during non-peak periods. We anticipate other carriers will increase seats during peak periods but expect to have a net decrease in seats through March 2006. Consequently, we expect a 2-8% decline in enplanements between December 2005 and March 2006.



Airlines - Their aircraft, brands and future

The introduction of Regional Jets over the past 15 years has benefited many airports across the nation as well as Gallatin Field. Whereas 5 years ago, Gallatin Field was served by 1 daily regional jet flight, the summer of 2005 saw 13 daily regional jet flights operated by 3 of our 5 airline brands. Unfortunately, at current fuel prices, the 50seat versions of these aircraft are less economical to operate than the larger 70- and 90-seat versions. Consequently, we expect to see some conversion from 50-seat aircraft to 70-seat aircraft over time. This could mean less frequent flights as three 70-seat flights can carry more than four 50-seat flights.

Flights operated by 124-seat - 148-seat 737 and A319/320 aircraft have remained steady with 4 daily departures in non-peak periods and up to 6 daily departures during peak seasons. Turboprop service has improved greatly with the introduction of the quiet 74seat Dash-8-400 and the exceptionally roomy 19 passenger Beech 1900D. All of the airline flights currently serving Gallatin Field are significantly quieter than the aircraft serving Gallatin Field as recently as 5 years ago.



The five airline brands serving Gallatin Field include Big Sky Airlines, Delta Air Lines, Alaska/Horizon Air, Northwest



Airlines and United Airlines. Through code share agreements, Continental Airlines, KLM Royal Dutch Airlines and America West Airlines also serve Gallatin Field in conjunction with the five airline brands operating flights into Gallatin Field. While Gallatin Field has five airline brands, these airline brands are operated by several different aircraft operators. Big Sky, Delta, Horizon and Northwest all operate aircraft under their own brand. Additionally, SkyWest operates flights for both the Delta and United Brands and Pinnacle Airlines operates some flights for the Northwest Brand. Ultimately, it is the brand that the passenger associates their travel experience with.

Future Airline Service at Gallatin Field will almost certainly be marked by drastic changes in the airline landscape. Competitive pressures, fuel prices, labor and pensions will continue to affect the entire industry for the foreseeable future. Bankruptcy, labor actions and changed business plans can all affect the local airline service despite a strong local market. Ultimately, however, the local travel market will create opportunity for new and existing airlines as the airline industry shakes out. While we expect disruptions in local air service, we also anticipate the duration of the disruption will be minimal and that in the long run, airline service will continue to improve and expand in Southwest Montana.

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Airline Statistics

Landing Fees: \$448,941 + 3.9% Terminal Rent: \$531,220 +1.4% Loading Bridge/Storage: \$40,829 +7.8%

Passenger Enplanements increased 11.2% to 323,806 during Fiscal Year 2005 surpassing the 300,000 mark for the first time in Gallatin Field history. It took Gallatin Field 38 years to enplane over 100,000 in a single year, another 11 years to pass 200,000 and only 9 more years to exceed 300,000. Approximately 65% of Gallatin Field's enplaned passengers are passengers traveling to Southwest Montana for business, vacation or to visit friends and family. The remaining 35% begin and end their trip at Gallatin Field. While Billings



 Enplanements:
 323,806
 +11.2%

 Deplanements:
 325,455
 +10.8%

 TOTAL PASSENGERS:
 649,261
 +11%



Photo courtesy of Mike Williams

Gallatin Field's cost per enplaned passenger to the airlines average a low \$3.19 per passenger and includes terminal rents and landing fees. Nationally, the cost per enplanement averages between \$5.00 and \$7.00 per passenger. This compares

> other favorably to comparable airports in northwest the with Missoula International at \$6.62. Eugene Mahlon Sweet Field at \$7.73, and Billings Logan International at \$7.11. While airport costs average less than 5% of an airline's operating expense, Gallatin Field's low cost equates to a savings of \$147,730 for an airline to operate one Boeing 737-800 into Gallatin Field at an

Logan International is still the number one airport in Montana in total passenger enplanements, Gallatin Field accommodates more passengers visiting Montana than any other airport in the state. As the economy of Southwest Montana continues to grow, we expect the percentage of local originating passengers to increase. 80% loadfactor for one year compared to Missoula International. Some airports offer one time incentives to attract new airline service (often at the expense of existing airlines); we believe the long term success of air service at Gallatin Field depends on an efficient facility at a reasonable rate for all airlines serving our market.

Airline Terminal Concessions

Gift Shop

Concession Fee: \$188,156 +18%



GIFT SHOP — The Montana Gift Corral operates both the main level gift shop and the gift shop/snack bar inside the concourse. Main level gift shop sales increased 8% to \$928,875 and the concourse gift shop sales increased 29% to \$362,618. Food and Beverage sales in the concourse increased 39% to \$111,164. Total income, including some vending, increased 15% to \$1,403,172. The Montana Gift Corral remits a 13.75% concession fee to the airport on gift shop sales and a 10% concession fee on food sales. Total concession fees generated by Montana Gift Corral in FY 2005 increased 18% to \$188,156.



RESTAURANT & LOUNGE — The Overland Express operates the Restaurant and Lounge concession at Gallatin Field and remits to the airport 10% of gross sales. Total Restaurant and Lounge revenue increased 4.2% during FY 2005 to \$729,354; consequently, the airport received \$76,004 in restaurant and lounge concession revenue. In addition, the Overland Express sells food items to the Montana Gift Corral for sale in their operation of the Concourse gift shop. While these sales are included in the revenues of the Montana Gift Corral, they contribute to total food sales at Gallatin Field and the financial health of Overland Express.

Airline Terminal Concessions

Ground Transportation

Passenger Boardings: 22,293 -2.4%

Boarding Fees: \$33,440 -2.4% MAG Adjustment: \$19,827 -45% Terminal/Parking Lot Rent: \$9,374 +100%



GROUND TRANSPORTATION — All ground transportation companies collect \$1.50 per passenger boarded and remit this amount to the Airport. In addition, Karst Stage/4X4 Stage pays the airport a minimum annual guarantee (MAG) of \$54,000 for the option of having space inside the terminal. Total passengers boarding ground transportation busses, vans and taxis decreased 2.4% to 29,293 primarily due to strong competition from the rental car companies. Karst Stage boarded 22,782 passengers, 5 more passengers than in FY 2004. Total concession fee revenue based on passengers and MAG decreased nearly 22% or \$17,186 primarily due to the lower MAG in the new contract. This was partially offset with \$9,374 in new income from space and parking rent that was also part of the new contract.

Public Parking Lot

Concession Fee (Total Revenue - Management Fee): \$754,681 +7.1%



PUBLIC PARKING LOT — Standard Parking operates the parking lot concession at Gallatin Field. Total parking lot revenues increased nearly 13% to \$975,598. Of this total, the Airport Authority is paid the first \$400,000 plus 63.4% of all income over \$400,000. Prior to September 1, 2004, the percentage over \$400,000 was 56.8%. The increased revenue and higher percentage resulted in concession fee income to the airport of \$754,681 for FY 2005, an 7.1% increase from FY 2004. On September 1, 2005, the airport's percentage of income over \$400,000 increases to 67.6%.

<u>Airline Terminal Concessions</u>

Total rental car revenue generated by the four on airport and five off airport **Rental Cars** rental car companies increased 2.5% to \$12,660,827. The on airport rental car concession re-bid which occurred in early 2004 resulted in Enterprise replacing Avis as an on airport rental car concession. Due to Avis' strong

market presence at Gallatin Field, the change resulted in the share of rental car revenue generated on airport decreasing from 88% to 75%. We expect the on airport rental car companies to regain some of the market share lost during fiscal year 2005 in the coming fiscal year. However, the local rental car market remains volatile and has not yet stabilized from the re-bid transition.

On Airport Rental Car Companies

Concession Fees: \$ 944,741 -13% **MAG Adjustments:** \$535,040 +100% **Terminal/Parking Rent:** \$97,321 +100%

Each on airport rental car company remits to the airport a 10% concession fee based on total revenues. If the 10% concession fee is less than the company's Minimum Annual



Guarantee (MAG), they must also make up the difference. Additionally, each on airport company rents space in the terminal and space in the parking lot. Total FY 2005 Airport revenue from the four on airport companies increased \$491,093 to \$1,581,195. The bulk of the increase was from \$535,040 in MAG make-up and \$97,321 in new space and parking lot rent offsetting a sizeable \$141,069 decline in concession fee revenue. While the new rental car agreements provided additional revenue for the airport, total revenue generated by the on airport rental car companies actually declined by over \$1.4 million dollars.



Total revenue of the five Off Airport rental car companies increased 124% to \$3,215,080. Off airport rental car companies remit to the airport a 5% concession fee based on airport generated revenue. Consequently, airport revenue from the off airport rental car companies increased to \$160,754.

Air Cargo & Express

(The following figures do not include FedEx)

Cargo Enplaned (lbs):	560,098	-25%
Cargo Deplaned (lbs):	1,572,987	-9%
TOTAL CARGO:	2,132,995	-14%



Air Cargo and Express numbers in this report do not include FedEx because, unlike passenger airlines, they are not required by the FAA to report their monthly cargo enplanements/ deplanements for airports our size. However, beginning July 2005, FedEx will begin reporting their cargo results as required in their new facility lease. FedEx currently operates between two and three Cessna Caravans to Great Falls each business day. These flights are operated by Corporate Air. In addition, they operate a truck for lower priority packages.



DHL and UPS both operate one daily flight each business day out of Gallatin Field. These flights are operated by Ameriflight, which uses a combination of Beech 99 and Swearingen Metro aircraft. Of the total freight excluding FedEx, Ameriflight handles approximately 75% of our reported cargo and express traffic. The remaining 25% is handled by the passenger airlines serving Gallatin Field.

The passenger airlines increased cargo transported to/from Gallatin Field by 2% to 542,541 lbs. Nationwide, passenger airlines have seen a decrease in cargo due to increased security regulations of cargo transported on passenger aircraft.

Ameriflight saw an 18% decline in cargo traffic to 1,590,454 lbs. partly due to the acquisition of Airborne Express by DHL. DHL is not as widely known in the local market and as name recognition improves, DHL will likely regain some of the cargo and express traffic lost in the transition. Unfortunately, without the FedEx figures, it is impossible to tell at this time if this was a decline in the local market or a shifting between carriers. This reporting problem will be corrected in the coming years with the addition of cargo/express traffic reports from FedEx.



A New FedEx Facility is under construction between the East Ramp and Airport Road and is expected to be completed in early 2006. This is the culmination of several years planning that provided infrastructure on the east side of the airport and permited the move of cargo operations from the general aviation ramp to the east side of the airport. The new facility is designed to permit higher levels of security that may be implemented in the future for cargo operations at airports across the nation. In addition, this facility will permit FedEx to park all of their vehicles inside for package sorting, allow for expansion and provide direct access to Airport Road without having to use the main terminal access road.

Commercial General Aviation

Jet A Fuel Flowage Fees: \$79,145 +4.8% Commercial Hangar Land Rent: \$27,040 +0% FBO Building Rent: \$35,328 +2.8% Landing Fees: \$70,991 +7.2%

Commercial General Aviation at Gallatin Field continues to show exceptional strength. The two full service Fixed Base Operators, Arlin's Aircraft and Yellowstone Jetcenter, provide exceptional service to all users at Gallatin Field and help to support the ever increasing corporate jet traffic. Fuel flowage increased 15% to over 5.3 million gallons.

Flight Schools continue to thrive with Aero Flight School, Paragon Air Adventures and Summit Aviation providing various levels of flight instruction. This fall, Summit Aviation and MSU's College of Technology are offering an Associate of Applied Science degree program in Aviation with flight instruction based at Gallatin Field.

Additionally, Central Copters, Sunbird Aviation, Gallatin Flying Service and Montana Aircraft contribute to the full range of aviation services provided at Gallatin Field.

Gallatin Field provides an economical base for these aviation related business with a low rate of \$.07 per square foot of leased land. The Gallatin Airport Authority also collects a low \$.05 per gallon fee on aviation fuel purchased and tie-down fees.

Landing Fees—The Gallatin Airport





Authority also collects landing fees on aircraft over 12,500 lbs. These fees increased by 8.4% with an additional 154 landings of aircraft over 12,500 lbs during FY 2005.





Non-commercial General Aviation in Southwest Montana continues to be a significant contributor to the growth at Gallatin Field. Five additional privately built hangars and one based aircraft were added during FY 2005. All but 10 of the 133 hangars at Gallatin Field are non-commercial hangars for private aircraft.

Based Aircraft at Gallatin Field—March 2005

Ultralite	2
Sailplane	15
Single Engine (Piston)	171
Turboprop (Single)	6
Turboprop (Twin)	4
Twin Engine (Piston)	8
Jet (Single Engine)	3
Jet (Multi Engine)	17
Helicopter	6
Total	232





Air Traffic Control

Airline Operations:	12,836	+19%
Cargo Operations:	2,420	-6%
Air Taxi (Non Airline/Cargo)	: 3,480	+8%
General Aviation Itinerant:	27,581	+26%
Military	201	-40%
Local General Aviation:	26,456	-10%

TOTAL TOWER OPERATIONS: 72,974 +7%

Tower Operations at Gallatin Field increased 7% to 72,974 during FY 2005. Operated by Serco, a contract tower operator, the tower is open from 6:00 a.m. until midnight. Commercial Operations by airlines, cargo carriers and air taxi operators accounted for 26% of the airport activity while general aviation contributed 74%. Military operations account for less than

1% of the tower operations at Gallatin Field. While itinerant traffic (traffic originating at or destined to airport other than an Gallatin Field) increased a substantial 20%, local traffic declined by 10%. A significant increase in airline flights and strong general aviation itinerant traffic more than offset fewer operations in other categories.





 S0,000
 S0,000

 70,000
 60,000

 50,000
 40,000

 40,000
 20,000

 10,000
 0

 FY 2002
 FY 2003
 FY 2004

Radar— A decade of persistence finally paid off when the Federal Aviation Administration announced this year that Gallatin Field would have radar coverage by the end of 2006. In a first of a kind cost sharing agreement, the Gallatin Airport Authority contributed \$1.5 million dollars toward the radar facility. Upon completion, the facility will increase safety and reduce delays by permitting controllers to accurately determine aircraft locations in the vicinity of Gallatin Field.

Financial Highlights Operating Income

Total Operating Income for the Gallatin Airport Authority increased by 17.6% to \$4,586,813. **Airline Terminal Related** income increased 20.7% to \$3,901,078. Airline Rents and Landing Fees increased 2.7%. Terminal concessions increased 14.2% mostly due to the gift shop related income. Parking Lot revenue increased 7% due to increased local traffic while car rental and ground transportation concession fees increased 42.9% due to higher rental car minimum annual guarantees under the new rental car agreements.

General Aviation (GA) Related income increased 7.8% to \$309,353. Hangar land rent increased 4.2%. GA landing fees increased 7.2% and Freighter landing fees decreased 13.45%. Tie down fees and hangar rent increased a modest \$3,640. Fuel flowage fees increased 4.8% to \$84,372.

Other Operational income decreased 2.2% to \$352,179 primarily due to the conversion of the old terminal to the new Aircraft Rescue and Firefighting building and the related loss of rental revenue in this building.

Operating Income	FY 2005	FY 2004
Airline Rents and Landing Fees	\$ 1,020,991	\$ 993,870
Terminal Concessions & Other Terminal Rent	\$ 355,082	\$ 293,430
Parking Lot	\$ 754,681	\$ 705,069
Rental Car Concession Fees & Terminal Rent	\$ 1,697,458	\$ 1,157,560
Ground Transportation Concession Fees & Terminal Rent	\$ 72,866	\$ 81,349
General Aviation - Rents and Landing Fees	\$ 333,556	\$ 309,353
Other Rents, Fees, Guarantees and Reim- bursements	\$ 352,179	\$ 360,127

\$

TOTAL OPERATING INCOME

4,586,813 \$ 3,900,758



Financial Highlights Operating Expenses

Total Operating Expenses for the Gallatin Airport Authority increased by 12.1% to \$3,740,581.

Law Enforcement expense increased 17.8% to \$332,458.

Operation, Maintenance and Control Tower expenses decreased 5% to \$245,026.

Office, Administration and Other expenses increased 36% to \$108,692. While office and administration costs increased 32.7%, other expenses increased by \$6,551 to \$18,500.

Wages/Taxes/Benefits expenses increased 15.1% to \$1,182,093. Wages and Salaries increased 10% while taxes and insurance increased 31.6% mainly due to increases for workers' compensation insurance and health insurance.

Utilities and Insurance expenses decreased 2.9% to \$328,307. Utilities decreased 1.8% while insurance expense decreased 7.3% due to lower premiums.

Depreciation and Amortization expenses increased 14.3%.

Operating Expenses	FY 2005	FY 2004
Office and Administration	\$ 90,192	\$ 67,968
Control Tower and Contract Services	\$ 55,094	\$ 56,343
Insurance	\$ 62,719	\$ 67,668
Law Enforcement & Security	\$ 332,458	\$ 282,021
Operations and Maintenance	\$ 189,932	\$ 201,520
Personnel - Wages, Taxes & Benefits	\$ 1,182,093	\$ 1,027,390
Utilities	\$ 265,588	\$ 270,385
Other	\$ 18,500	\$ 11,949
Depreciation & Amortization	\$ 1,544,005	\$ 1,350,355
TOTAL OPERATING EXPENSES	\$ 3,740,581	\$ 3,335,599



Financial Highlights

Non-Operating Income and Expenses

Interest income nearly doubled to \$213,825 due to higher interest rates. County tax revenue remained insignificant at \$275.00. Reclamation deposit income remained at \$8,000. Interest expense remained at \$0.

Capital Contributions

Capital contributions due to capital improvements decreased slightly to \$4,127,316.

Changes in Net Assets

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 \$5,195,648 and \$4,827,053 for the years ended June 30, 2005 and 2004 respectively. A summary caparison of the Gallatin Airport Authority's changes in Net Assets on June 30, 2005 and June 30, 2004 is as follows:

Changes in Net Assets	July '	1, 2004 -	July	July 1, 2003 -		
onanges in Net Assets	June 30, 2005		June	e 30, 2004		
Operating Revenue	\$	4,586,813	\$	3,900,758		
Operating Expenses	\$	(3,740,581)	\$	(3,335,599)		
Operating Income	\$	846,232	\$	565,159		
Non-Operating Revenue	\$	222,100	\$	115,651		
Non-Operating Expense						
Captial Contributions	\$	4,127,316	\$	4,146,243		
INCREASE IN NET ASSETS	\$	5,195,648	\$	4,827,053		

	Captial Contributio	ns	
	Non-Operating Expen	se \$0	\$4,127,316
-\$3,740,581	Non-Operating Reven	ue \$222,100	
	Operating Expense	9 S	\$4,586,813
	Operating Reven	ue	
- (000'000)	\$(2,000,000) - \$(1,000,000) -	* - +	\$2,000,000 - \$3,000,000 - \$4,000,000 -

Financial Highlights 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 \$46,941,226, an increase of \$5,219,795. Liabilities increased to \$191,922 resulting in total net assets of \$46,749,304. A summary comparison of the Gallatin Airport Authority's assets, liabilities and net assets on June 30, 2005 and June 30, 2004 is as follows:

Statement of Net Assets	 June 30, 2005		June 30, 2004
Cash	\$ 4,557,188	\$	4,358,710
Restricted Cash	\$ 4,722,092	\$	4,801,556
Receivables/Prepaid Expenses	\$ 1,648,102	\$	1,489,858
Property, Plant and Equipment	\$ 35,993,711	\$	31,043,120
Other Assets	\$ 20,133	\$	28,187
Total Assets	\$ 46,941,226	\$	41,721,431
Current Liabilities	\$ 191,922	\$	167,775
Long Term Liabilities	\$ -	≎ \$	-
Total Liabilities	\$ 191,922	\$	167,775
NET ASSETS	\$ 46,749,304	\$	41,553,656
TOTAL LIABILITIES AND NET ASSETS	\$ 46,941,226	\$	41,721,431



Financial Highlights

Highlights of the FY 2005 Budget & Cash Management

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 111% of budget expectations while operating expenses were only 94.2% of the budgeted amount. The 2005 capital improvement budget included a potential of \$9,272,894 in projects of which 70% was expended. Contributions from the Gallatin Airport Authority capital improvement fund were not required. Additionally, \$119,014 was contributed to the capital improvement fund from excess revenues.

Actual to Budget Comparison Income - FY 2005	FY	2005 Actual	FY	2005 Budget
Total Cash Receipts	\$	4,081,244	\$	3,670,033
Total Other Income	\$	222,100	\$	130,501
Airport Improvement Grants (AIP)	\$	3,673,411	\$	3,596,608
Passenger Facility Charge Income (PFC)	\$	775,236	\$	650,000
Capital Improvement Fund			\$	3,503,475
Total Income	\$	8,751,991	\$	11,550,617
				2. 公本公共党
Actual to Budget Comparison Expenditures - FY 2005	FY	2005 Actual	FY	2005 Budget
Total Operating Expenditures (Does not include Depre- ciation or Amortization)	\$	2,146,438	\$	2,277,723
Capital Expenditures	\$	6,486,539	\$	9,272,894
Capital Improvement Fund	\$	119,014		
Total Expenditures	\$	8,751,991	\$	11,550,617

Cash Management

The Gallatin Airport Authority's cash and cash equivalents increased \$119,014 to \$9,279,280 for the year ended June 30, 2005 from \$9,160,266 for the year ended June 30, 2004. Cash in excess of operational needs was invested in the Montana Short Term Investment Program (STIP).

	July 1, 2004 -			July 1, 2003 -		
Statement of Cash Flows			-			
	June	June 30, 2005		e 30, 2004		
Cash Balance at July 1	\$	9,160,266	\$	8,241,990		
Cash Income	\$	4,081,244	\$	3,726,065		
Cash Expense	\$	(2,146,438)	\$	(2,003,100)		
Interest Income	\$	213,825	\$	107,639		
County Tax	\$	275	\$	12		
Reclamation	\$	8,000	\$	8,000		
PFC Revenue	\$	775,236	\$	711,688		
AIP Grant Revenue	\$	3,673,411	\$	4,502,646		
Captial Improvements	\$	(6,486,539)	\$	(6,134,674)		
Cash Balance at June 30	\$	9,279,280	\$	9,160,266		

Financial Highlights Capital Improvements

Terminal Area—During peak periods, Gallatin Field has up to 8 airliners requiring overnight parking. The ramp adjacent to the terminal has space for 6 aircraft. Consequently, two aircraft were required to be parked at remote locations such as the old terminal ramp. In order to remedy this issue, we constructed a 60,000 square foot ramp addition on the east side of the terminal ramp. The addition is capable of accommodating two 757 aircraft or three regional jets. In conjunction with this project, we added 67 stalls to the terminal employee parking lot to accommodate the increased employment at the terminal. **Cost: \$424,475**

General Aviation Area—The General Aviation area was rehabilitated during FY 2005. With its completion, all major surfaces at the airport are either new or have been rehabilitated within the last six years. Coupled with this project, we added a new tie down ramp so that we can provide better separation and improved safety between jet and propeller aircraft. We also constructed a new road providing access to the east ramp without having to enter the air movement area. This safety improvement loops around the south end of runway 3 and will assist in reducing vehicular traffic needing access to the air movement area. **Cost: \$1,970,955**

Airfield—Phase I of the new fire station is expected to be completed this fall in time for the arrival of our new E-1 series airport crash fire rescue truck. We expect Phase II, which will tie in the new building with the old terminal building, to begin early next year. In addition, land acquisition continues to be a priority for the Gallatin Airport Authority and we continue to budget for parcels on our acquisition list that may become available. **Cost: Up to \$6,000,000**



Airport Renewal—As the diagram above illustrates, almost every asphalt and concrete surface at the airport is either new or rehabilitated within the last six years. Asphalt has a life cycle of between 12 and 20 years and concrete has a life cycle of over 30 years. The aggressive renewal of surfaces at Gallatin Field permits airport management to now devote precious capital resources toward land acquisition, equipment modernization, terminal improvements and interchange infrastructure over the next 10 years.

Financial Highlights Looking to the Future

Terminal Area—We expect the existing terminal to be sufficient to handle our needs for the next 4-5 years given current growth trends. Unfortunately, any future expansion of the current facility will be substantial. Fortunately, we have some time to determine the best solution while we closely watch the airline industry and fuel prices and their potential affect on the local air travel market. In order to adequately plan for the future, we anticipate beginning a terminal area study within the next 12—18 months to determine our future terminal area needs, potential options and funding requirements to meet those needs.

Runways—A paved air carrier runway, paved crosswind runway for light aircraft and a turf runway make up the Gallatin Field runway system. The three runways fully serve the needs of Gallatin Field. In addition, we have the capability and land to extend the main air carrier runway, the crosswind runway and pave the turf runway should conditions require. Based on the airport master plan and our current runway configuration, operations at Gallatin Field use less than 40% of our annual service volume capacity. Consequently, we do not anticipate any additional runway needs in the foreseeable future.



General Aviation Area—The General Aviation area has nearly doubled in the last 15 years. While this growth is substantial, Gallatin Field has ample open land areas adjacent to the air movement area on the east side of runway 3/21 and on the north side of turf runway 11/29. These areas alone provide enough land area to more than quadruple the existing General Aviation Hangar area. This would accommodate over 800 based aircraft. Of the 24 existing sites capable of handling commercial general aviation operations, only 7 are involved in active commercial activities. In addition, new hangar developments will be capable of expanding commercial opportunities as needed.

Airport Noise—The FAA recommends airports own or control all the land within the 75 dNL noise contours. The Gallatin Airport Authority has gone beyond this recommendation and owns or controls through easements 80% of the land within the 65 dNL. In addition, the airport desires to acquire a significant portion of the remaining parcels within the 65 dNL not already developed. While the airport is doing its part to reduce noise impact on the surrounding community, the airlines, aircraft manufacturers and engine manufacturers are also doing their part with quieter aircraft.

Airport Land—Gallatin Field has had an effective land acquisition program in place for over 25 years. During this period, land in the approach paths to the main air carrier runway and for future expansion of the crosswind runway have been acquired. Overall, the airport controls the extended centerline of the main air carrier runway nearly 2 miles to the east and almost a mile and a half to the west of each end of the runway. The airport owns or controls through easements over 2,400 acres.

Financial Highlights Debt Management & 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 2005 is \$2,125,580. 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 2005 totaled \$3,673,411.

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 FAA in consultation with the airlines and will benefit the passengers using the commercial airlines. The Gallatin Airport Authority will be fully reimbursed for PFC project number 2 in the 4th Quarter of calendar year 2005. Consequently, we are in the process of imposing PFC project number 3 concurrent with the end of PFC project number 2. PFC project number 3 will include the following projects; expansion of the terminal ramp, Terminal Area Plan update of the Airport Layout Plan, replacing four pieces of 20-year-old snow removal equipment, purchase an Interactive Employee Training System, expand the cargo apron and purchase an Air Traffic Control Tower Radar Display. 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 2005 collections through Passenger Facility Charges totaled \$775,236.

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 expect to use several years of future grants to reimburse the construction of the employee parking lot addition completed in 2005.

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.

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