



Gallatin Airport Authority

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

*850 Gallatin Field Road, Suite 6
Belgrade, MT 59714*

Inside this Issue:

FY2009 in Review— Brian Sprenger	3
Activity Highlights Enplanements	4
Activity Highlights Operations	5
Operating Revenues	6
Financial Highlights	7
Change in Net Assets	8
Capital Improvements Funding & Projects	9
Terminal Expansion Update &	10
Contacting Gallatin Airport Authority Financial Management	

Annual Report FY2009

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, 2009. The discussion and analysis should be read in conjunction with the entire 2009 fiscal year annual audit. 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 that affect the financial performance of the Gallatin Airport Authority
- Financial Highlights – Detail of the FY2009 Gallatin Airport Authority income and expenditures
- Changes in Net Assets – Detail of activities that contributed to the changes in net assets during FY2009
- Statement of Net Assets – Detail of Assets, Liabilities and Net Assets (Equity)



Richard R. Roehm
Chair



Greg Metzger
Vice-chair



John McKenna,
Jr. Secretary



Steve Williamson
Member



Kevin Kelleher
Member

Mission:

The Gallatin Airport Authority was established in 1972 as an independent agency to address the region's long-term air service needs. The Mission of the Gallatin Airport Authority mandated the Board plan for, provide, operate and safely maintain an aviation facility adequate to the needs of the flying public and to keep the airport self-sustaining.

Gallatin Airport Authority

Airport Staff

Page 3

Airport Director: Brian Sprenger, A.A.E.	Operations Supervisor: Chuck Rasnick	Public Safety: Kerry Bickle
Deputy Airport Director: Scott Humphrey, C.M.	Ops. & Maintenance Staff: Pat Teague	Bryan Adams
Assistant Airport Director –Ops: Paul Schneider	Joel Dykstra	Levi Talkington
Maintenance Manager: Tim Garton	Wes Mork	Jorge Gonzalez
Public Safety Chief: Bill Dove	Lee Huyser	Paul St. Aubyn
Office Manager: Cherie Ferguson	Dave Morrow	Custodial: John Story
Office Assistant Jody Boyd	Larry Thompson	Rod Freese
	Jay Blair	Barbara Spatig
	Robert Edington	Joshua Norris
	Groundskeeper: Derek Fleming	Vicki Anderson
		Brad Watts

Fiscal Year 2009 in Review—Brian Sprenger, A.A.E. Airport Director

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. This mission statement exemplifies the work that Ted Mathis achieved over the last 28 years at Gallatin Field as Airport Director. Ted retired on May 31, 2009 and through his leadership over that time, Gallatin Field is well positioned for the future.

Gallatin Field fared well during fiscal year 2009 despite the economic downturn that has occurred throughout the nation. Airline traffic showed a slight 1% increase over the fiscal year while on a national level airline traffic decreased by about 10%. Corporate aviation traffic took the biggest hit as the political winds became a headwind directed toward what has been one of Gallatin Field's fastest growing segments. Fortunately, we are starting to see some initial indications this headwind is subsiding.

On June 11, 2009, the Gallatin Airport Authority Board approved the single largest capital improvement project ever at Gallatin Field, the

\$45 million dollar terminal expansion. Based on airline traffic performance, a demonstrated need for greatly expanded facilities, an extremely positive construction bid environment and favorable financing, the board moved forward on the terminal project, which is expected to employ nearly 200 construction personnel through the project providing much needed support to the lagging construction industry. Funding for this project will come from various sources including FAA Airport Improvement Program grants, Passenger and Customer Facility Charges, TSA checked baggage screening grants and internal airport funds. The entire project is fully funded without using any local tax support.

Our staff of 27 airport professionals have continued their exceptional work toward maintaining and operating what is now the 9th busiest commercial airport in the Pacific Northwest behind Denver, Seattle, Salt Lake City, Portland, Boise, Spokane, Colorado Springs and Billings. This also marks the first full year of operation by our

public safety staff, which provides law enforcement support at Gallatin Field. All of our staff showed exemplary performance on August 14, 2009 when President Obama arrived at Gallatin Field and held one of his "Town Hall" meetings at Gallatin Field Airport. This also marked the first time a 747 aircraft, Air Force One, has landed at our airport.

We continue to closely monitor the economy and its impact on airline and general aviation traffic. The volatility of the aviation industry over the past ten years has meant many challenges and this coming year does not appear to be an exception. The traveling public; however, can be assured that as the changes occur, the Gallatin Airport Authority will be up to the challenge.

We hope that this report will provide valuable information on the status of your airport. We welcome and appreciate your input on how we can better serve you at Gallatin Field.

Gallatin Airport Authority

Page 4

Activity Highlights - Enplanements + 1.3%

Gallatin Field saw moderate growth during FY2009 despite US domestic capacity and service reductions reflecting a weak global economy.

The airport serviced 691,276 passengers in FY2009. Enplanements were up 1.3% to a record 347,051 enplaned passengers. This is in stark contrast to CY2009 projections from the FAA which forecast US mainline domestic enplanements to be down 8.8%.

Although we have been fortunate this past year, the fact is fewer passengers are flying nation-wide, prompting many airlines to trim capacity in the face of evaporating demand. This past year, we have seen many of our airlines "rationalize" schedules, adjust-

ing capacity to accommodate demand. While we have seen downgrades of equipment and seasonal seat loss in certain segments, our frequency and access to major hubs remains strong for our market size.

Notwithstanding the current adverse impact of the global economy, the Gallatin Airport Authority is continuing forward with a comprehensive plan and shared vision building a world-class air transportation facility that will be capable of efficiently handling more than 1.5 million passengers each year.



allegiant
air

DELTA

nwa

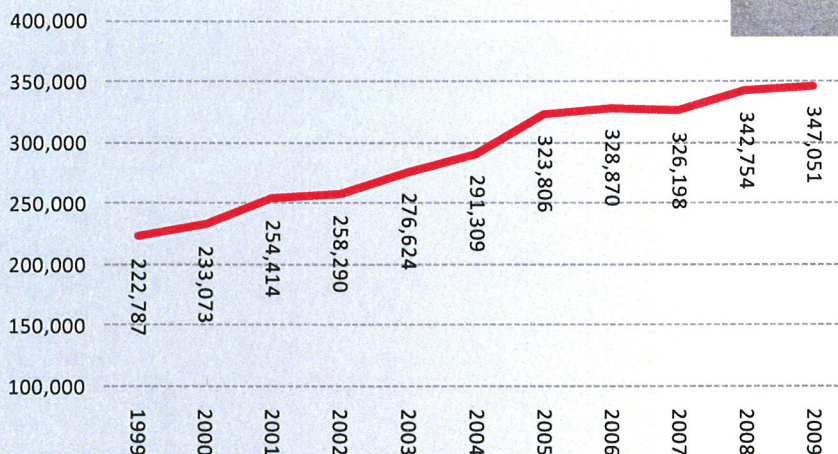
FRONTIER

Horizon Air

UNITED



Revenue Passenger Enplanements FY2009



During the past ten years, Gallatin Field has had a cumulative annual growth rate (CAGR) of 4.57%, outperforming all other Montana commercial service airports.

Gallatin Airport Authority

Activity Highlights - Operations

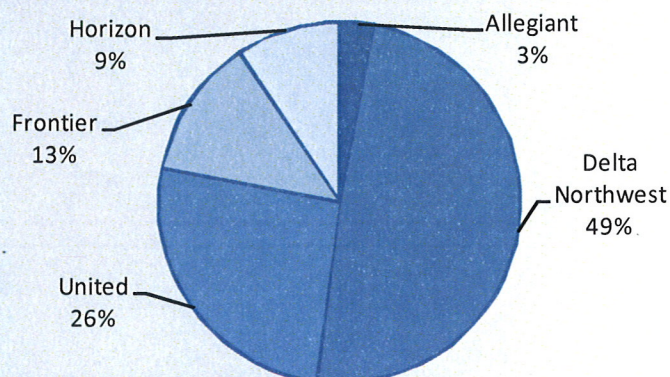
Page 5

Tower Operations - 9.0%

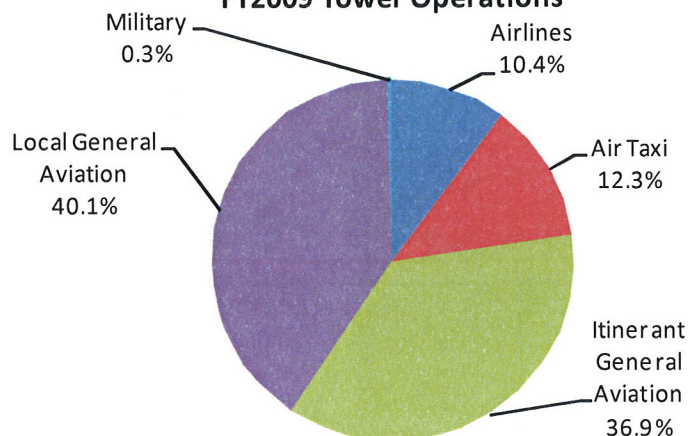
Tower operations declined 9.0% in FY2009 to 74,879 operations. The largest decline was in itinerant traffic, both private and business. Corporate landings of aircraft over 12,500 lbs decreased 22.6% to 2,513. Airline operations decreased 5.4% as airlines cut capacity.

	% Change	Operations
Airlines	-5.4%	7,815
Air Taxi	-16.1%	9,189
Itinerant General Aviation	-13.5%	27,608
Local General Aviation	-1.5%	30,012
Military	-59.8%	255

FY2009 Airline Market Share



FY2009 Tower Operations



Fuel Flowage Income - 19.6%

Fuel flowage revenue dropped 28.9% to \$109,986 driven by a sharp decline in Itinerant General Aviation traffic due to fuel costs and concerns regarding discretionary spending. The Gallatin Airport Authority receives a \$0.06 per-gallon fuel-flowage charge from general aviation and non-signatory airlines.

	% Change	Gallons
Jet A (Airline)	-2.3%	4,087,575
Jet A (General Aviation)	-29.3%	1,586,292
AvGas	-10.6%	165,508

Cargo, Express & Mail - 9.1%

Cargo, express and mail decreased 9.1% in FY2009 to 4,043,000 lbs handled. Passenger airlines accounted for 420,000 lbs. while UPS and FedEx (cargo airlines) accounted for 3,635,000 lbs.



Gallatin Airport Authority

Operating Revenues

Page 6



Parking Lot Income + 11.2%

Parking lot revenue collected by Standard Parking was up 13.0% to \$1,357,204. Standard Parking paid the airport \$1,093,972 as a concession fee, a net increase of 11.2% from the previous year. The remain-

ing \$263,232 went to parking lot operations, which includes personnel expenses, parking lot maintenance, snow removal and profit for managing the public parking lot. Additionally, the airport invested an additional

\$276,197 in upgraded equipment and facilities for the parking lot including new ticket booths, ticket dispensers, computer software, and barrier gates.

Rental Car Income + 3.9%

Rental car income was up 3.9% during FY2009 to \$1,451,707. On airport car rental concession increased 6.4% to \$1,305,915; off airport concession fees decreased 14.4% to \$145,792. On airport rental car companies pay

a 10% concession fee while off airport rental car companies pay a 5% concession fee. In addition, on airport rental car companies pay terminal rent for counter space, parking stalls and service facilities. This fall,

all rental car agencies are located in the terminal. Additionally, the airport is investing \$3.6 million dollars in a consolidated service facility to be used by all rental car companies and paid for with a user fee.

Food & Retail - 7.2%

Food and retail commissions fell 7.2% to \$264,630 in FY2009 as passengers curtailed spending due to economic uncertainty. The Montana Gift Corral operates the

gift shops in the main terminal and in the concourse. The Gift Corral pays the airport 14.75% commission on retail sales and a 10% commission on food items.

Overland Express operates the restaurant and lounge paying the airport a 10% commission on food and beverages.

Ground Transportation - 2.4% Advertising - 1.5%

Ground transportation revenue decreased 2.4% to \$59,145 reflecting a 4.5% decline in ridership. 23,216 passengers took advantage of shuttle service from the airport. Currently, there are seven companies operating cab, bus and limo service from the airport. The airport receives \$1.50 for each passenger using the ground transportation system.

Advertising revenue fell slightly to \$80,980 as some advertising space was lost during relocation and build-out of ticket counters and adjacent fixtures.



Gallatin Airport Authority

Financial Highlights

Page 7

Cash Income: Increased 2.5% due to increased terminal, parking lot and car rental revenue. Cash income includes landing fees, general aviation fees, concession fees, parking lot revenue, pavement grants and other miscellaneous revenue.

Cash Expenses: Cash expenses decreased 9.3% due to start-up expenses incurred in FY2008 for the formation of Gallatin Airport Authority's Public Safety Department.

Interest Income: Interest from cash balances decreased 93% to \$33,069 as the Airport Authority invested \$10,500,000 in an FDIC insured Certificate of Deposit Account Registry Service (CDARS) FY2008. The value of the CDARS at end of FY2009 was \$10,896,859.

Cash From Operations: Cash from operations increased 17.9% driven by decreased security and outside law enforcement costs. Gallatin Airport Authority transitioned to an internal public safety department in FY2008 and incurred additional start-up expense.

AIP Funding: In anticipation of the terminal expansion project, AIP funding (entitlement and discretionary) was carried over to FY2010 to coincide with the capital improvement program (CIP). Additionally, Gallatin Field reconciled FY2008 AIP funding resulting in a \$17,821 credit to the FAA.

Passenger Facility Charge (PFC): The PFC program was established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act. The airport collects \$4.50 PFC from revenue enplaned passengers to pay the cost to design and construct eligible airport capital projects or repay debt service to build such projects. The airport recognized \$955,385 in PFC revenue in FY2009, which includes receivables of \$115,952 to be collected in FY2010.

Statement of Cash Flows	July 1, 2008— June 30, 2009	July 1, 2007— June 30, 2008
Cash Income	\$5,173,558	\$5,049,305
Cash Payments	\$(2,600,581)	\$(2,867,242)
Net Cash Provided by Operations	<u>\$2,572,977</u>	<u>\$2,182,063</u>
Cash Flows from Non-Operating Activities	July 1, 2008— June 30, 2009	July 1, 2007— June 30, 2008
Net Purchases Property, Plant & Equipment	\$(6,262,136)	\$(4,326,322)
Master Plan	\$(16,642)	\$(316,198)
PFC Receipts	\$839,432	\$825,526
AIP Grant	\$(17,821)	\$3,384,988
Net Cash Used by Non-Operating Activities	<u>\$(5,457,167)</u>	<u>\$(432,006)</u>
Investments Purchased	\$0	\$(10,500,000)
Interest Received	\$33,069	\$487,110
Net Cash Provided By Investing	<u>\$33,069</u>	<u>\$(10,012,890)</u>
Reclamation	\$0	\$18,000
Cash and Cash Equivalents at beginning of Year	\$5,650,673	\$13,895,506
Cash and Cash Equivalents at End of Year	<u>\$2,799,552</u>	<u>\$5,650,673</u>
Actual to Budget Comparison	FY2009 Actual	FY2009 Budget
Operating Revenue	\$5,173,558	\$4,749,962
Non-Operating Revenue	\$357,407	\$310,501
AIP Grants	\$(17,821)	\$6,813,906
PFC Income	\$955,384	\$750,000
Total Income	<u>\$6,468,528</u>	<u>\$12,624,369</u>
Total Operating Expense (Not including Depreciation or Amortization)	\$(2,836,995)	\$(3,181,787)
Net Capital Expenditures	\$(5,457,167)	\$(21,236,032)
Capital Improvement Fund	\$4,248,565	\$11,793,454
Total Expenditures	<u>\$(4,045,597)</u>	<u>\$(12,624,369)</u>

Gallatin Airport Authority

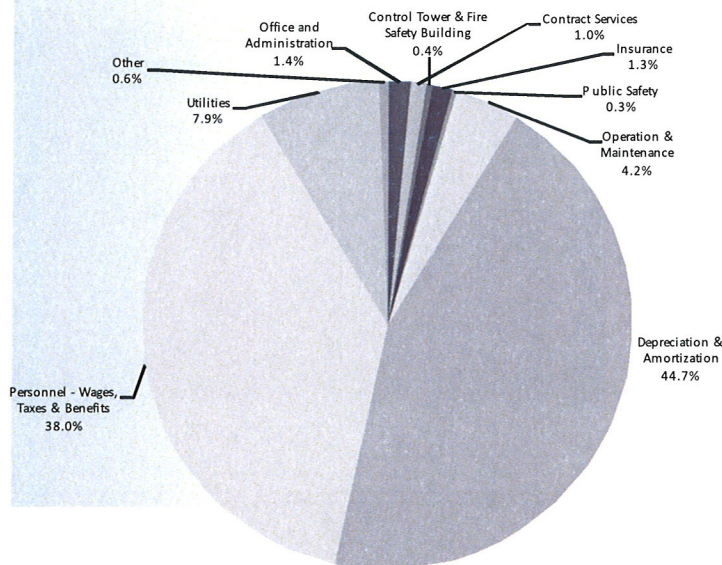
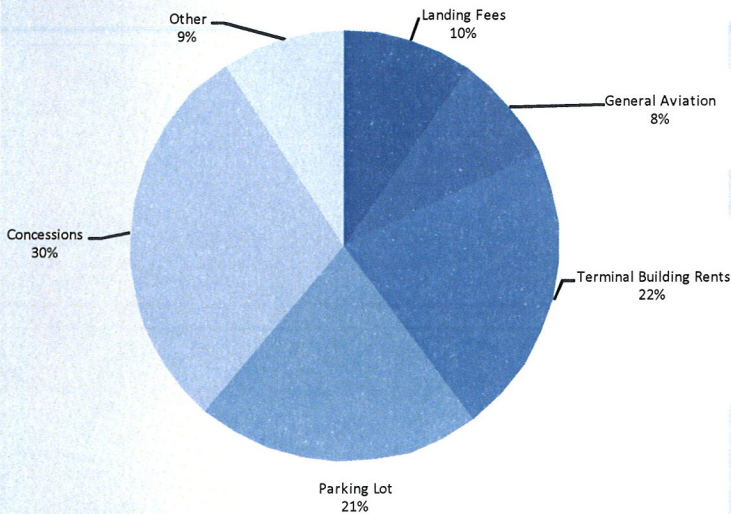
Change in Net Assets

Page 8

Statement of Revenues, Expenses and Change in Net Assets

The metric "Change in Net Assets" is an indicator of whether the Authority's overall financial condition has improved or deteriorated during the fiscal year. Net Assets increased in FY2008 by \$1,338,301. The following is a summary of the statement of revenues, expenses, and changes to net assets.

Gallatin Field Operating Revenue FY2009



Gallatin Field Operating Expenses FY2009

Statement of Net Assets	FY2009	FY2008
Cash	\$2,766,437	\$5,130,582
Investments (CDARS)	\$10,896,859	\$10,572,521
Restricted Cash	\$33,115	\$520,091
Receivables/Prepaid Expense	\$941,119	\$847,269
Property, Plant & Equipment (Including Accumulated Depreciation)	\$45,450,294	\$41,407,733
Other Assets (1)	\$307,877	\$307,877
Total Assets	\$60,395,701	\$58,786,073
Current Liabilities	\$523,031	\$251,704
Long-Term Liabilities	\$0	\$0
Total Liabilities	\$523,031	\$251,704
Net Assets Invested in Capital Areas	\$45,450,294	\$41,407,733
Net Assets-Restricted	\$252,876	\$623,900
Net Assets-Unrestricted	\$14,169,500	\$16,502,736
Total Net Assets	\$59,872,670	\$58,534,369
Total Liabilities and Net Assets	\$60,395,701	\$58,786,073

Changes in Net Assets	July 1, 2008— June 30, 2009	July 1, 2007— June 30, 2008
Operating Revenue	\$5,116,543	\$5,189,143
Operating Expense	\$(5,073,212)	\$(4,847,681)
Operating Income	\$43,331	\$341,462
Non-Operating Revenue	\$357,407	\$577,630
Non-Operating Expense	\$0	\$0
Capital Contributions	\$937,563	\$4,054,186
Increase in Net Assets	\$1,338,301	\$4,973,278

(1) Airport Master Plan

Capital Improvement Funding & Projects

Sources of Capital Improvement Funding:

The Gallatin Airport Authority finances its capital improvements through a combination of Airport Authority Revenues, Airport Improvement Program (AIP) entitlements, and Federal Aviation Administration discretionary funds.

Long-Term Debt:

The Gallatin Airport Authority recently issued \$16 million in Airport Revenue Bonds backed by Net Revenue and Passenger Facility Charge Revenue. The Series 2009 Bonds will be used to (1) pay a portion of the costs to expand, improve, construct and equip the Airport Terminal Expansion (2) fund the Debt Service Requirement of the Series 2009 Bonds and (3) pay all or a portion of the issuance costs of Series 2009 Bonds. The first three (3)

years of debt service will be interest only with a maturity date of 2034.

Airport Improvement Program (AIP):

The AIP provides grants to public agencies for the planning and development of public use airports included in the National Plan of Integrated Airports. The FAA distributes funds based on national priorities and objectives.

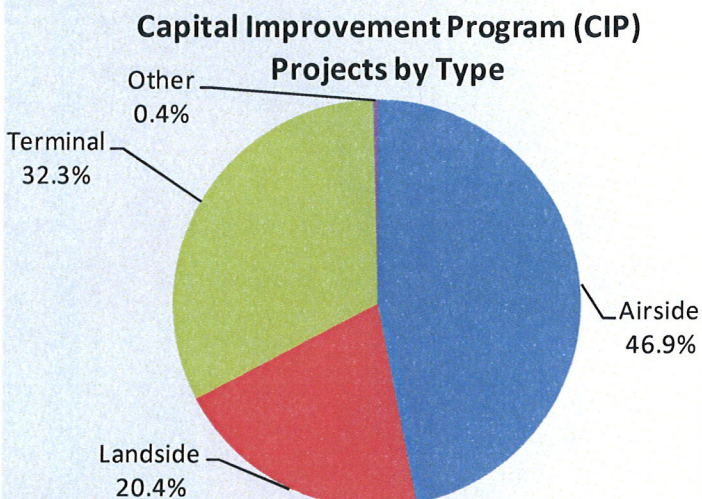
Passenger Facility Charges (PFC): PCFs are federally authorized charges that are levied and collected by the Airport Authority to fund capital improvement projects that enhance safety, security, capacity, reduce noise or increase competition. Gallatin Field now collects \$4.50 per enplaned passenger to fund improvement projects including the terminal project. FY2009 PFC revenue realized was \$955,384.

Rental Car Customer Facility Charge (CFC): The Gallatin Airport Authority authorized a Customer Facility Charge to be levied by car rental agencies operating out of Gallatin Field to fund a \$3.6 million project including a Consolidated Service Facility, expanded parking, and terminal improvements. Rental car agencies will collect \$2.75 per transaction day from customers to reimburse the Airport Authority for building and maintaining the rental car preparation facility, parking lot and terminal improvements. The CFC, which took effect October 1, 2009, is expected to generate \$825,000 in additional revenue.

Other Grants: The Gallatin Airport Authority receives a pavement maintenance grant from the Montana Aeronautics Division

Highlights of Ongoing Capital Improvement Projects FY2009:

- **Taxiway, Service Road and Apron Improvements \$3,624,414**
- **Terminal Expansion \$2,786,296**
- **Parking Lot Expansion/Equipment \$1,757,716**
- **ATC Tower Improvements \$413,076**
- **Building & Equipment \$35,853**



Gallatin Airport Authority

Terminal Expansion Update

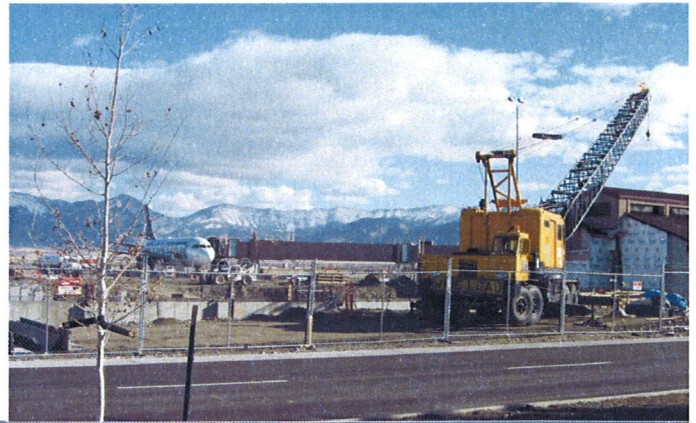
Page 10

On July 9, 2009, the Gallatin Airport Authority broke ground on the Terminal Expansion Project designed to add approximately 125,000 square feet to the main lobby and 2nd level of the terminal. The project is expected to take two years to complete and will accomplish the following:

- Expand airline gates from four to eight;
- Expand baggage claim carousels from two to three;
- Expand the passenger screening area;
- Relocate food and beverage concession to mid-terminal and expand concourse;
- Relocate car rental facilities and airline check-in;
- Create a new consolidated car rental facility.

To date:

- Site preparation and excavation has begun on both the terminal and the consolidated car rental facility;
- Car rental agencies have been temporarily relocated to mid-terminal and rental cars have been relocated to the expanded west parking lot;
- Loop road has been completed;
- Passenger jet bridge has been relocated.



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:

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