



navigating a changing industry

FISCAL YEAR 2008 ANNUAL REPORT • LOUISVILLE REGIONAL AIRPORT AUTHORITY®



meeting the challenges

By most measures, Fiscal Year 2008 (July 1, 2007 through June 30, 2008) was one of the Louisville Regional Airport Authority's most successful years. While the first three quarters produced overwhelmingly positive results, the fourth quarter provided a glimpse into a rapidly changing industry that will create a challenging environment in the coming years.

In FY '08, the number of travelers choosing Louisville International Airport rose to more than 3.9 million, an increase of 6.5%. This number of travelers has been surpassed only twice—in FY '01 and FY '00; and despite last year's increase in traffic over the previous fiscal year, customer satisfaction with airport services reached near-record levels.

On the cargo front, UPS's global air-hub operations maintained Louisville International's ranking as the third busiest cargo airport in North America and the ninth busiest in the world. According to Airports Council International, UPS moved 2,078,947 metric tons of freight through Louisville International last year, a 4.8% increase over the previous year.

However, despite all of our gains in FY' 08, there are strong indications that leaner times are ahead. In the last quarter of the fiscal year, record-high fuel prices transformed the airline industry almost overnight. Passenger airlines began reducing flights, delaying delivery of new, more fuel-efficient aircraft and implementing new fees for services. Virtually all U.S. airports have been impacted by these airline changes, including Louisville International.

In the future, we expect passenger airlines to alter the way they evaluate their operations and, without a doubt, there will be challenges for us to overcome. However, Louisville's strong consumer demand and healthy mix of passenger and cargo operations make us a financially attractive market. These strengths should enable us to take advantage of opportunities when the industry recovers and airlines again consider expanding service.

In the meantime, the Authority Board and staff are committed to offering the best possible service. To that end, we're working with top travel professionals to serve destinations most frequently visited, and we continue to communicate diligently to airline executives the many reasons why Louisville is their next best opportunity for growth.

J.D. Nichols
Chairman of the Board

C.T. "Skip" Miller
Executive Director



6.5%

increase in passenger traffic from Fiscal Year 2007

passenger

Passenger service at Louisville International reached high levels again in Fiscal Year 2008.

It was the airport's third busiest fiscal year as passenger demand drove up its ranking to the 69th busiest commercial passenger service airport in North America, clearly placing it in the top third of the continent's airports.

The airport boasted nonstop service to 29 destinations—the most in its history—with convenient connections to cities worldwide. Air service highlights during the fiscal year included new service to Boston; upgraded service to Dallas, Denver and Milwaukee; and additional flights to Atlanta, Charlotte, Cleveland, Detroit, Houston, Memphis, Newark, New York-LGA, Orlando, Philadelphia and Tampa.

3rd

busiest cargo airport in north america

cargo

Home to UPS's global air hub, Louisville International ranked just behind Memphis and Anchorage in North America and among the top ten cargo airports in the world, outpacing Miami, Singapore and Los Angeles.

Worldportsm II

Following the FAA's approval of the \$1 billion expansion of WorldportSM, the airport and UPS have worked together to implement the changes and improvements necessary to accommodate the company's growth. In FY '08, an agreement was reached between the airport and UPS that allowed the company to convert Taxiway Foxtrot to Ramps 1 and 2 of the expanded facility.



connecting to
the world

making travel easier

Travelers have consistently given Louisville International high customer satisfaction ratings and FY '08 was no exception as 96% of guests surveyed affirmed they were either satisfied or very satisfied with airport services. Throughout the year, customers specifically noted the clean, easy-to-use facilities and cheerful assistance offered 365 days a year by the airport's corps of 60 volunteer Ambassadors.

In FY '08, Louisville International continued its commitment to enhance services with new customer amenities and improved facilities.

parking

With the introduction of valet parking service, passengers may now conveniently drop off and pick up their vehicles curbside. Other new parking choices include a credit-card-only lot and three express, credit-card lanes at the toll booth that offer quick and convenient ways to exit the airport.

These new services also are now more visible, thanks to improved airport roadway signage that better directs customers to all terminal facilities.



terminal services

Guest services also were improved with the introduction of a new, in-line baggage system, which allowed the screening process to be moved behind the scenes. Travelers now can more easily check their bags and proceed to their gates.

An updated Altitude: A Traveler's Club®, with newly refined business services, offers complimentary snacks, soft drinks and a full-service bar in quiet, comfortable seating areas for a small, daily fee.



Other enhancements in FY '08 included renovating the restrooms throughout the terminal and expanding the nearby rental car-return lots to further reduce waiting time for customers.

Airport Authority employees make improving the safety and efficiency of airport operations their highest priority.

airfield enhancements

In 2007, our efforts to improve safety and efficiency were recognized by the FAA when it presented Louisville International with its Southern Region Runway Safety Partnership Award. The award recognized the airport for its three-pronged campaign to enhance runway safety and reduce the risks of runway incursions.

In presenting the award, the FAA noted, "Your proactive approach to safety and desire to maintain Louisville International Airport to the highest standards makes you a leader in aviation safety."

In addition, phases of ongoing multi-year projects to repair pavement, upgrade airfield electrical cable and replace incandescent taxiway lights with brighter, more energy-efficient LED lights at Louisville International were completed in FY '08.



public safety

In 2004, Louisville International began building a unified Public Safety Department to improve emergency response capabilities, reduce costs and increase staffing flexibility. At the end of the fiscal year, nearly three quarters of the officers had been cross-trained to work as a police officer, firefighter, EMT and dispatcher.

The Public Safety Department also has mutual-aid agreements with community fire and police departments and proactively offers its technical assistance to local agencies responding to aviation-related incidents.



For the first time, the airport boasts four canine teams certified by the National Explosives Detection Canine Team Program. These highly trained, mobile teams can quickly identify dangerous materials and check unattended packages, structures and vehicles—without delaying or disrupting passenger travel.

In addition to their airport duties, these canine teams assisted federal agencies at more than 20 community events in FY '08.



operating safely
and efficiently



investing
in the future



Beyond 2010

In 2006, Louisville International Airport began making plans to accommodate current airport growth needs, and secure the community's economic future, by putting

infrastructure in place to retain and attract aviation-related companies and jobs.

The project, Beyond 2010, implements portions of the airport master plan that was adopted by the Airport Board in 2002, and approved by the Federal Aviation Administration (FAA) in 2004.

In FY '08, the Airport Authority continued to work with local, state and federal officials to fund key elements of the project.



Compass Airlines maintenance hangar

In FY '08, Compass Airlines (a wholly owned subsidiary of Northwest Airlines) began construction of an aircraft maintenance facility on a 6.3-acre site in the Louisville International Commerce Center.

The \$9.5 million facility includes three aircraft bays that will handle scheduled maintenance for the carrier's fleet of 76-seat Embraer 175 regional jet aircraft.

The maintenance operation will create up to 70 new jobs when construction is complete at the end of 2008.

building on success

Beyond 2010 builds on the success of other airport infrastructure enhancements, including:

- The 1991 airport expansion that provided airfield accessible land on which UPS's WorldportSM, the Chautauqua Airlines maintenance facility and the new Compass maintenance hangar are now located
- The Residential Relocation Program, where vacated land provides for airport-compatible development, such as UPS's Global Operations Center
- The \$20 million extension of the West Runway enables larger aircraft to carry heavier loads nonstop to the Pacific Rim and Asia



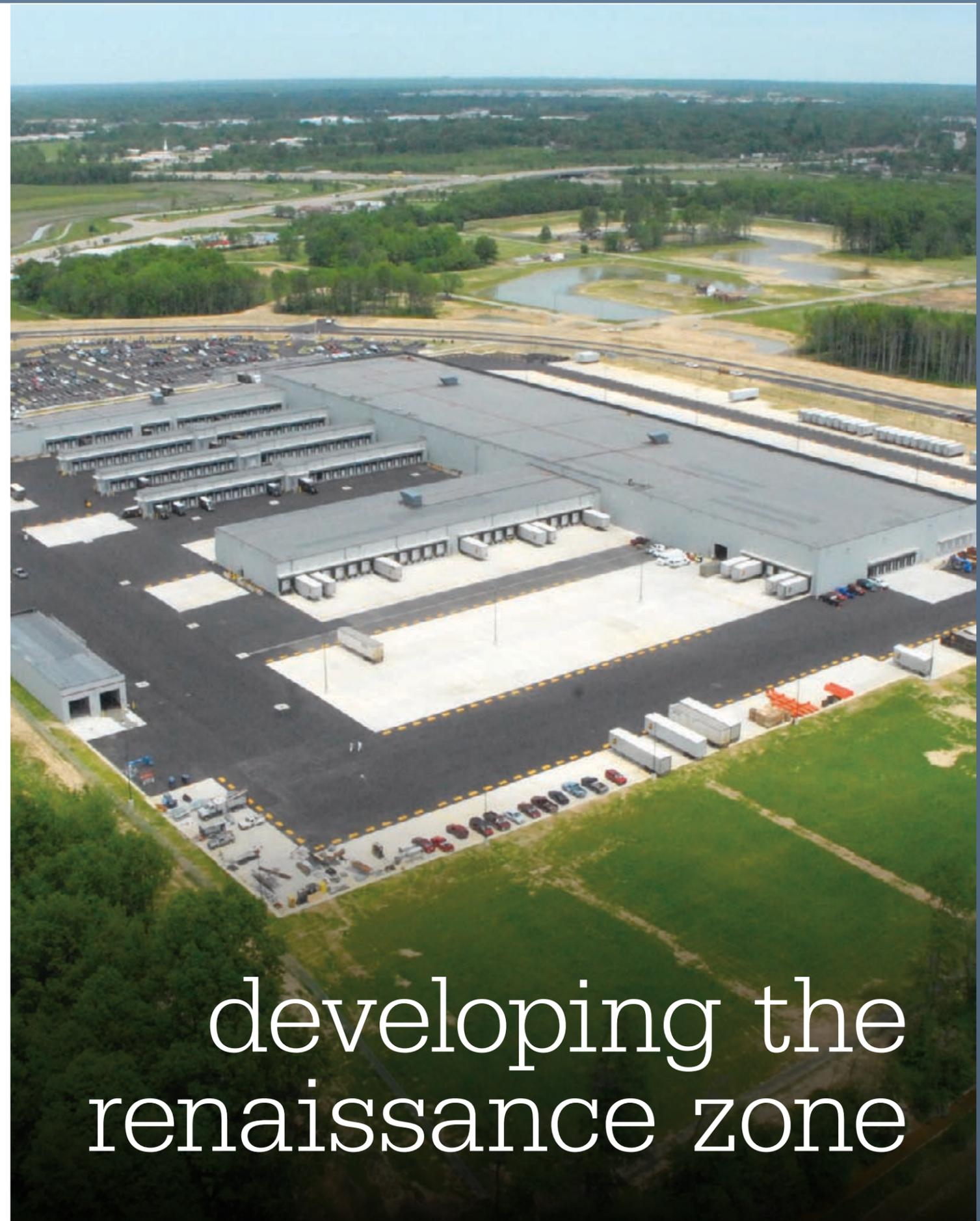
LOUISVILLE RENAISSANCE ZONE CORPORATION

developing the
renaissance zone

The Louisville Renaissance Zone Corporation (LRZC) was created to promote economic development and airport-compatible community redevelopment on 3,000 acres just south of the airport. A board that mirrors the Airport Authority Board oversees its actions.

In FY '08, the LRZC made public infrastructure improvements in the area's new industrial business park that allowed UPS to relocate its trucking fleet's ground-sorting operations to the zone from an area next to WorldportSM.

The move makes room for the \$1 billion expansion of WorldportSM, currently scheduled to be complete in 2010.



developing the
renaissance zone



enhancing bowman field



fy '08 plans and improvements

To provide pilots with more direct access to both runways and other airfield facilities, Taxiway Lima is being built parallel to Runway 14/32. The south end of the taxiway has been constructed; construction of the north end is planned for spring 2009.

In FY '08, repairs to preserve the historic art deco Administration Building also created new weather-tight space for tenants and the first phase of reconstructing the 1930s-era Central American hangar ramp was completed. In addition, Bowman now boasts the largest snow-removal fleet in its history, with the addition of a snow broom/blower.

Bowman also continued its tradition of hosting community events including a summer aviation camp for students ages 10 to 15, the Bluegrass Balloon Festival and numerous charity fundraisers.



Bowman Field, Louisville's first airport, is a busy general aviation airport, an essential reliever airport for Louisville International and a key component of the community's airport system. Built in 1919, it also has become a cherished community resource.

During the past five years, the Airport Authority has focused on preserving and enhancing the field's facilities, while continuing to be sensitive to surrounding neighbors. Current plans for Fiscal Years 2009 through 2013 include more than \$9 million in capital and major maintenance improvements.



The Airport Authority has long recognized that its plans, growth and operations must be sensitive to the environment while ensuring safe and efficient airport operations.

noise

In the early 1990s, the community and airport embarked upon a noise-mitigation program that became one of the largest airport residential acquisition and relocation programs ever carried out in the United States. By the end of FY '08, 2,057 of the 2,159 eligible families in the most noise-impacted areas surrounding Louisville International had been relocated to quieter neighborhoods.

Following the success of the Voluntary Residential Relocation Program, planning began for a sound-insulation program to minimize aircraft noise in other nearby neighborhoods. During the year, staff and a board working group designed the overall program including application procedures, home-improvement measures, a homeowner's handbook and other program materials.

The Community Noise Forum, formed in 2003, continues to meet monthly to explore other noise-abatement solutions.



fy '08 initiatives

To help determine the next steps to reduce airport emissions, air emission inventories were completed for Louisville International and Bowman Field.

Recycling stations for newspaper and aluminum were added to Louisville International's passenger terminal and a bio-diesel tank was installed to fuel the airports' diesel-powered vehicles.



Energy savings also are considered when equipment is replaced. For example, the replacement air conditioning chillers at Louisville International are 20% more energy efficient and use a more environmentally sensitive refrigerant than the older models.

In addition, nearly 80% of Louisville International's incandescent taxiway lights have been replaced with brighter, more energy-efficient LED lights. The airport should realize a 35% reduction in airfield electrical use when the project is complete in 2010.



focusing on
the environment

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30		June 30	
	2008	2007	2008	2007
ASSETS				
Current Assets, Unrestricted				
Cash and equivalents	\$ 17,270,133	\$ 6,180,545	\$ 2,239,999	\$ 18,826
Investments, at amortized cost plus accrued interest	12,476,915	25,034,805	-	-
Fees and rentals receivable	2,901,710	2,808,388	385,580	-
Due from component unit	2,123,463	1,534,373	-	-
Supplies and prepaid expenses	786,880	699,006	-	-
Total unrestricted current assets	35,559,101	36,257,117	2,625,579	18,826
Current Assets, Restricted				
Cash and equivalents	29,808,835	30,334,056	-	-
Cash – Land Fund	9,478,360	4,169,094	-	-
Interest receivable	273,454	634,266	-	-
Grants receivable	3,858,802	2,807,887	-	-
Investments, at amortized cost plus accrued interest	-	4,607,337	-	-
Total restricted current assets	43,419,451	42,552,640	-	-
Total current assets	78,978,552	78,809,757	2,625,579	18,826
Noncurrent Assets, Unrestricted				
Capital assets not being depreciated	361,225,947	342,283,480	15,040,236	8,662,589
Depreciable capital assets, net	224,672,579	249,292,426	-	-
Deferred loan and bond cost, net of accumulated amortization of \$5,960,592 in 2008 and \$4,919,779 in 2007	15,373,157	16,276,132	2,886,878	2,153,816
Total unrestricted noncurrent assets	601,271,683	607,852,038	17,927,114	10,816,405
Noncurrent Assets, Restricted				
Cash – PFC Fund	5,157,420	4,094,446	-	-
Cash and equivalents	11,246,785	3,876,677	-	-
Investments, at amortized cost plus accrued interest	35,698,123	42,625,614	-	-
Total restricted noncurrent assets	52,102,328	50,596,737	-	-
Total noncurrent assets	653,374,011	658,448,775	17,927,114	10,816,405
Total assets	\$ 732,352,563	\$ 737,258,532	\$ 20,552,693	\$ 10,835,231

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF NET ASSETS -- CONTINUED

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30		June 30	
	2008	2007	2008	2007
LIABILITIES				
Current Liabilities (payable from unrestricted current assets)				
Accounts payable	\$ 2,540,770	\$ 9,834,961	\$ 267,269	\$ 202,903
Due to the Authority	-	-	2,123,463	1,534,373
Accrued expenses and other	994,123	833,072	441,908	120,888
Loans Payable	-	-	72,519	-
Deferred income	114,185	101,200	-	-
Total unrestricted current liabilities	3,649,078	10,769,233	2,905,159	1,858,164
Current Liabilities (payable from restricted current assets)				
Current portion of bonds and loans payable	15,070,000	14,410,000	-	-
Accounts payable	6,007,747	3,305,670	-	-
Accrued interest	8,160,753	8,341,130	-	-
Total restricted current liabilities	29,238,500	26,056,800	-	-
Total current liabilities	32,887,578	36,826,033	2,905,159	1,858,164
Long-Term Debt				
Bonds and loans payable	367,050,000	382,120,000	17,027,719	9,695,832
Other Liabilities				
Deposit from UPS Land Option	8,031,250	8,031,250	-	-
Unamortized bond premium, net	9,432,344	10,029,721	-	-
Deposit from Commonwealth of Kentucky	18,724,824	19,813,663	-	-
Other liabilities	83,600	83,600	-	-
Revolving coverage (payable from restricted assets)	4,300,000	4,300,000	-	-
Total other liabilities	40,572,018	42,258,234	-	-
Total liabilities	440,509,596	461,204,267	19,932,878	11,553,996
Commitments and contingencies				
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	282,163,832	270,978,416	-	-
Restricted for debt service	14,447,382	14,407,952	-	-
Restricted for capital projects	5,157,420	4,094,446	-	-
Unrestricted net assets (deficit)	(9,925,667)	(13,426,549)	619,815	(718,765)
Total net assets (deficit)	\$ 291,842,967	\$ 276,054,265	\$ 619,815	\$ (718,765)

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30		June 30	
	2008	2007	2008	2007
Operating Revenues				
Rentals and concessions	\$ 43,826,224	\$ 38,864,953	\$ -	\$ -
Landing and field use fees	19,451,017	18,555,278	-	-
Land sales and TIF revenues	-	-	2,559,080	-
Total operating revenues	63,277,241	57,420,231	2,559,080	-
Operating Expenses				
Operations and general maintenance	16,319,440	15,068,319	641,860	-
Administrative, general, planning and engineering	8,003,151	7,989,156	263,379	600,205
	24,322,591	23,057,475	905,239	600,205
Major maintenance	3,610,139	3,551,265	-	-
Depreciation and amortization	29,796,970	29,469,112	-	-
Total operating expenses	57,729,700	56,077,852	905,239	600,205
Operating income (expense)	5,547,541	1,342,379	1,653,841	(600,205)
Non-Operating Revenues (Expenses)				
Investment earnings, net	5,184,333	5,869,285	18,372	2,328
Interest expense	(19,308,182)	(19,660,090)	(333,633)	(120,888)
Passenger facility charges	5,323,789	5,780,894	-	-
Net gain (loss) on disposal of assets and other expense	(4,682)	(105,653,595)	-	-
Net non-operating revenue (expense)	(8,804,742)	(113,663,506)	(315,261)	(118,560)
Income (Loss) before capital contributions	(3,257,201)	(112,321,127)	1,338,580	(718,765)
Capital Contributions	19,045,903	23,603,434	-	-
Increase (decrease) in net assets	15,788,702	(88,717,693)	1,338,580	(718,765)
Net assets (deficit), beginning of year	276,054,265	364,771,958	(718,765)	-
Net assets (deficit), end of year	\$ 291,842,967	\$ 276,054,265	\$ 619,815	\$ (718,765)

LOUISVILLE REGIONAL AIRPORT AUTHORITY

STATEMENTS OF CASH FLOWS

	Louisville Regional Airport Authority		Component Unit Louisville Renaissance Zone Corporation	
	June 30		June 30	
	2008	2007	2008	2007
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 62,607,814	\$ 61,669,292	\$ -	\$ -
Land sales and TIF revenues	-	-	2,173,500	-
Payments to suppliers	(24,589,336)	(13,249,634)	(251,783)	1,053,798
Payments to employees	(7,862,331)	(7,547,331)	-	83,273
Net cash provided by operating activities	30,156,147	40,872,327	1,921,717	1,137,071
Cash Flows From Capital and Related Financing Activities				
Capital contributions	17,994,988	22,834,268	-	-
Passenger facility charges	5,323,789	5,780,894	-	-
Acquisition and construction of capital assets	(24,403,028)	(41,657,921)	(7,110,709)	(10,816,405)
Proceeds from sale of assets	182,957	4,001,180	-	-
Proceeds from issuance of debt	-	-	7,404,406	9,695,832
Principal paid on capital debt	(14,410,000)	(23,725,000)	-	-
Interest paid on capital debt, net of capitalized interest	(19,488,559)	(20,239,533)	-	-
Fees paid on bonds	(187,629)	(206,115)	-	-
Issuance costs of capital debt	(137,838)	492,112	-	-
Cash flows used for (provided by) capital and related financing activities	(35,125,320)	(52,720,115)	293,697	(1,120,573)
Cash Flows From Investing Activities				
Proceeds from maturities of investments	64,428,167	50,248,946	-	-
Purchase of investments	(32,343,300)	(51,017,370)	-	-
Investment income	5,183,170	5,081,139	5,759	2,328
Net cash provided by investing activities	37,268,037	4,312,715	5,759	2,328
Net Increase (Decrease) in Cash and Cash Equivalents	32,298,864	(7,535,073)	2,221,173	18,826
Cash and Cash Equivalents, Beginning of Year	48,654,818	56,189,891	18,826	-
Cash and Cash Equivalents, End of Year	\$ 80,953,682	\$ 48,654,818	\$ 2,239,999	\$ 18,826
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 5,547,541	\$ 1,342,379	\$ 1,653,841	\$ (600,205)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	29,796,970	29,469,112	-	-
Changes in assets and liabilities:				
Fees and rental receivable	(682,412)	414,120	(385,580)	-
Deferred income	12,985	(695,545)	-	-
Supplies and prepaid expenses	(87,874)	(67,274)	-	-
Accounts payable	(4,592,114)	5,902,487	653,456	1,737,276
Accrued expenses and other	161,051	(24,202)	-	-
Deposit from UPS land option	-	4,531,250	-	-
Net cash provided by operating activities	\$ 30,156,147	\$ 40,872,327	\$ 1,921,717	\$ 1,137,071



louisville's airports

louisville international (SDF)

Just 10 minutes from downtown, Louisville International Airport is a low-fare airport that draws travelers within a 200-mile radius of the city. The airport offers convenient curbside valet parking, credit-card-only and long-term parking lots and a four-level parking garage (three levels under cover). The airport also offers a cell-phone waiting lot where visitors can wait free-of-charge for arriving guests. The airport, home to UPS's global air hub, is the third largest cargo airport in North America and the ninth largest in the world.

The airport features one crosswind and two parallel runways. With its 12,000-foot length, the West Parallel Runway safely accommodates virtually any commercial aircraft.

bowman field (LOU)

Bowman Field, established in 1919, is the longest continuously operating, general aviation airport in the United States. Located on 426 acres, it is approximately 5 miles from downtown Louisville. The airport has two runways, two Fixed Base Operators and 366 based aircraft.

economic impact

Studies indicate that 7% of employment—one in every fourteen jobs in the Metropolitan Statistical Area—is attributable to airport-related activities. In 2005, our airports generated more than:

- 43,589 total jobs
- \$1.8 billion in total annual payroll
- \$4.5 billion in total business expenditures
- \$246 million in state and local taxes

board of directors



J.D. Nichols
Chairman



Phil Lynch
Vice Chairman



Robert L. Knust
Secretary/Treasurer



The Honorable Jerry Abramson
Mayor of Louisville



P. Richard
Anderson, Jr.



Mary Rose
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Elaine M.
Musselman



Norman E.
Risen



Gail L.
Strange



Jeffrey S.
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