



# FINISHING TOUCHES

Louisville Regional Airport Authority®  
2004 Annual Report

## Executive Statement

The Louisville Regional Airport Authority undertook significant change in FY 2004.

First, new leadership – Skip Miller was appointed Executive Director/CEO in September 2003; J. D. Nichols and Phil Lynch were appointed Board Chairman and Vice Chairman, respectively, in January 2004; and Robert L. Knust was appointed Secretary/Treasurer in October 2003. Earl F. Jones, Jr. and Gail Strange were also appointed to the Board in FY 2004.

Second, new direction – After listening to our travelers, customers, neighbors and airport partners, we launched a more customer-focused approach to facility, amenity and service enhancements.

Third, new look – Louisville International Airport and Bowman Field received substantial enhancements; 153 families relocated voluntarily, 66 of those to Heritage Creek.

The goal behind this hard work is for Louisville International Airport and Bowman Field to become *the* airports of choice for air travelers and airport users in the region. To achieve this goal, we must constantly provide travelers more reasons to choose Louisville International Airport more often. We firmly believe that our efforts will result in better airports and stronger economic engines for the community.

We are grateful for your patience during these changes. Becoming your airports of choice may not be easy; however, we are committed to earning your business and support.



J.D. Nichols,  
*Chairman*



C.T. "Skip" Miller,  
*Executive Director*

J.D. Nichols,  
Chairman



## Board Members

Phil Lynch,  
Vice Chairman



Robert L. Knust,  
Secretary/Treasurer



The Honorable Jerry Abramson,  
Mayor of Louisville



Milo Bryant



Jack B. Dulworth



Mary Rose Evans



Earl F. Jones, Jr.



Elaine M. Musselman



Samuel R. Rechter



Gail L. Strange



## Passenger Service

FY 2004 brought an upswing in the economy and, with it, enhancements to air service at Louisville International Airport.

Although the fiscal year began with relatively static passenger counts, the second half of the fiscal year brought a 3% increase in total passenger traffic.

Louisville International's reputation as a low-fare airport was further cemented when popular low-fare carrier Independence Air announced in May 2004 that it would join our 12 existing air carriers.

Similarly, Southwest Airlines, Louisville's

flagship low-fare carrier, grew its market share to 30% by June 2004, making it Louisville's most traveled airline. It should come as no surprise, then, that Southwest was selected the "2003

Airline of the Year" by Louisville International Airport travelers.

Other air service improvements included, but were not limited to: American and United adding an additional flight each to Chicago O'Hare Airport, one of Louisville's top travel destinations; Delta

adding a flight to Cincinnati/Northern Kentucky Airport; and USAirways Express upgrading from prop aircraft to 50- and 70-seat regional jets in the Charlotte market.





## Facility Improvements

FY 2004 was a turning point in Louisville International Airport's soon-to-be-complete \$41 million terminal renovation campaign.

Six new regional jet (RJ) gates were added, with state-of-the-art bag valets that permit travelers to gate-check and pick up carry-on bags inside the terminal. The new gates offer passengers into-plane boarding of RJs directly from the terminal, as well as hold-room televisions.

The security checkpoint was expanded to five lanes, enabling federal screeners to process more passengers more quickly, particularly during peak travel periods. The arrival lane adjacent to the checkpoint also was expanded for customer convenience.

New flight information display monitors and signage were installed, as well as new flooring, ceilings, lighting, and wall finishes in sections of the terminal.

In addition, work began on the relocation of Martha Moloney Drive, which will allow the airport to extend the west runway to approximately 12,500 feet and make it more competitive with Memphis and other similar airports.

## New Terminal Amenities

In addition to facility improvements, a number of new customer amenities were added during the terminal renovation.

Altitude: A Travelers Club opened for Derby 2004. Located beyond the security checkpoint, this upscale membership club mirrors the services and ambiance offered in private airline clubs. Altitude offers the amenities business travelers need to make the most of their time on the ground – high-speed internet access; printing, copying and faxing services; complimentary beverages and snacks; bar service and light meals; cable TV, newspapers, magazines and much more. It also provides leisure travelers a quiet respite prior to departure. Open to all, memberships are available on a daily, monthly and yearly basis.

A new smoking lounge also opened in spring 2004. Adjacent to Altitude, the lounge offers bar service, cable TV, electrical outlets, and computer modem hookups; plus new, state-of-the-art air venting outside the building.

Our most in-demand concession, the concourse Starbucks, re-opened with a more private setting twice its previous size, and now offers the full Starbucks menu.



## Airport Partners

Of course, it is our business partners that fuel Louisville International Airport as the economic engine of the community. Our airline, military, general aviation and corporate aircraft operators flew 171,258 landings and take-offs in FY 2004.

Louisville International Airport is the fifth largest air cargo airport in the U.S. and tenth largest in the world, according to Airport Council International. This is due primarily to the fact that UPS's International Worldport air hub is located here. Louisville's total cargo/freight/mail volume for FY 2004 was 1.9 billion pounds, 1.8 billion of which was carried



by UPS. This is up 11% from the previous year, compared with an increase of 7% industry-wide. This comes as no surprise, as UPS Worldport sorts an average of 304,000 packages per hour and employs 17,206 locally.

Another key airport partner is the Kentucky Air National Guard, based on the east side of the airport. The Air National Guard also has a cargo and transport mission.

In FY 2004, the Air National Guard's 150 crew members flew 1,800 missions, using its twelve C-130 H2 aircraft to destinations as far and remote as Iraq, Japan, Wake Island and small remote grass airstrips in South America. The Guard employs a total of 1,200 at Louisville International Airport, of which 200 are full-time employees.

Chautauqua Airlines opened a new aircraft maintenance facility in temporary quarters at Louisville International's FBO AvCenter in FY 2004. Chautauqua's new maintenance facility is currently in design and is slated for occupancy in FY 2006.



## Noise Compatibility Program

Because our commitment to our neighbors is just as important as our commitment to our passengers, the Noise Compatibility Program continues to play a crucial role in our planning.

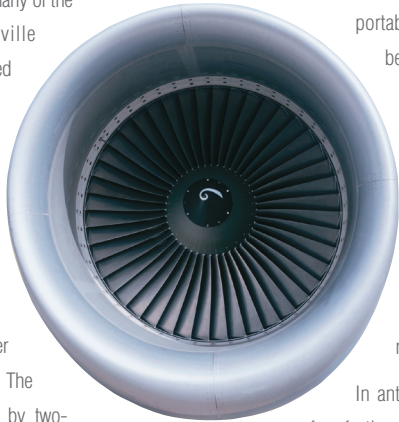
In May 2004, the Federal Aviation Administration (FAA) substantially approved many of the recommendations in Louisville International Airport's proposed Noise Compatibility Program. This approval affirms the four years of work invested by the 1,000-plus members of the Noise Compatibility Study Group on crafting a plan for creating the least amount of aircraft noise over the fewest number of families. The proposed plan would reduce by two-thirds (from 1,539 to 549) the number of families most affected by aircraft noise when recommended flight procedures are implemented.

The Airport Authority launched a state-of-the-art flight

tracking system in FY 2004. This system utilizes a unique "multi-lateration" process for tracking aircraft operations at Louisville International Airport and Bowman Field. The tracking system allows users to view flight tracks and identify aircraft in near real-time or re-play mode. Information from two portable noise monitors may also be uploaded into the system to correlate aircraft noise with flight tracks and dates.

The FAA also reaffirmed its continuing support for relocating the remaining 411 eligible families in the airport's current voluntary residential relocation program.

In anticipation of the FAA's request for further environmental analysis on certain Program recommendations, the airport contracted with Wyle Laboratories for an acoustical study on areas north and west of the airport that may be affected by the new proposals.





## Voluntary Residential Relocation Program

In FY 2004, the airport moved forward on its goal to voluntarily relocate residents in the airport's most noise-impacted areas.

As of the end of FY 2004, the airport had voluntarily relocated a total of 1,768 families, 153 of them during FY 2004. This includes a total of 365 families who chose to participate in the innovative house-swap program by which families traded their current homes for newly built ones in Heritage Creek. Of those, about 66 families relocated to Heritage Creek in FY 2004, with still another 31 in the process of building there at the end of FY 2004.

Of course, steady progress in the voluntary residential relocation program was due, in large part, to Congresswoman Anne Northup's continuing commitment and dedication to securing federal funds for this program, for which she received the 2004 Legislator of the Year Award from NOISE, a national organization. The airport received \$27.2 million in federal Part 150 funds in FY 2004 for the voluntary residential relocation program.

The airport projects that an additional \$62.4 million is required to complete voluntary relocations of the remaining 411 families who qualify for the current program.

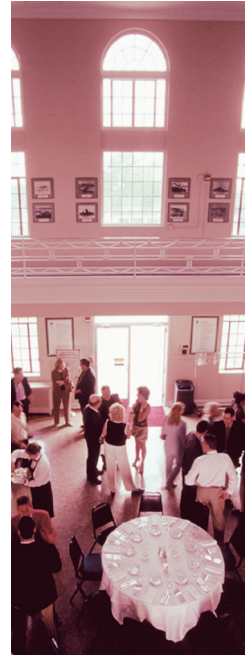
## Renaissance Zone

To encourage compatible re-development and re-use of land acquired during the airport expansion, a 3,000-acre Renaissance Zone and business park was designated immediately south of Louisville International Airport in FY 2004. This zone includes the 700 acres that comprise the Minors Lane relocation area.

The Renaissance Zone, a pilot program, provides for future use of this land in a manner compatible with adjacent economic development assets, such as Louisville International Airport, UPS Worldport and Ford's Louisville Assembly Plant, to name but a few. The zone is a tax-increment financing district that sets aside a portion of future state and local tax revenues from future industrial development to finance infrastructure improvements in the area.

In June 2004, Hi-Tech Mold & Tool was the first business located in the new Renaissance Zone to announce an expansion. Its plastic injection molding production facility will receive \$5.5 million in investments for a new 85,000-square-foot facility employing an additional 150 people.





## Bowman Field

Bowman Field is the nation's oldest continually operating airport and is an essential reliever airport for Louisville International Airport.

It fulfilled its role in the state's general aviation infrastructure, with 119,551 flight operations in FY 2004.

However, the activity at Bowman was not limited to the runways. In FY 2004, the Kentucky Transportation Cabinet approved \$300,000 in funding for enhancements to Bowman Field's historic Administration Building. These include, but are not limited to, a fire escape, sprinkler system and new flooring for the third floor, enabling the Regional Airport Authority to lease the space. Combined with last year's air-conditioning upgrade, this historic building's unique lobby has become an even more attractive facility to rent for special occasions.

With new construction, renovation and maintenance projects totaling over \$7.8 million scheduled for FYs 2005-2009, this airport with a rich past has a very vibrant future.

<b>ASSETS</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Current assets (unrestricted)		
Cash and cash equivalents	\$ 20,083,133	\$ 14,271,690
Investments	15,130,085	100,000
Fees and rentals receivable	3,594,580	3,510,148
Supplies and prepaid expenses	<u>678,980</u>	<u>679,105</u>
Total current assets	<u>39,486,778</u>	<u>18,560,943</u>
Restricted assets		
Cash - PFC fund	2,947,806	872,195
Cash and cash equivalents	61,687,537	73,222,513
Investments	19,033,898	30,536,233
Grants receivable	<u>0</u>	<u>1,877,766</u>
Total restricted assets	<u>83,669,241</u>	<u>106,508,707</u>
Capital assets		
Airport property, facilities and equipment		
Land	202,315,988	198,056,260
Land improvements	317,344,850	312,577,392
Buildings	144,217,641	143,514,985
Utility systems	34,992,442	34,956,875
Vehicles and other	<u>19,526,231</u>	<u>18,305,185</u>
	718,397,152	707,410,697
Less accumulated depreciation	<u>270,150,454</u>	<u>243,681,743</u>
Net airport property, facilities and equipment	448,246,698	463,728,954
Construction in progress	<u>235,077,553</u>	<u>191,322,859</u>
Total capital assets	<u>683,324,251</u>	<u>655,051,813</u>
Other assets		
Deferred bond costs, net of accumulated amortization of \$2,710,709 in 2004 and \$1,792,450 in 2003	<u>17,747,038</u>	<u>18,562,897</u>
Total assets	<u>\$ 824,227,308</u>	<u>\$ 798,684,360</u>

<b>LIABILITIES</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Current liabilities (payable from unrestricted current assets)		
Accounts payable	\$ 6,058,100	\$ 776,760
Accrued expenses and other	849,420	738,833
Deferred income	<u>212,423</u>	<u>226,389</u>
Total current liabilities (unrestricted)	<u>7,119,943</u>	<u>1,741,982</u>
Current liabilities (payable from restricted assets)		
Current portion of bonds payable	12,990,000	5,205,000
Accounts payable	958,447	2,862,632
Accrued interest	9,212,234	5,676,717
Revolving coverage	<u>4,300,000</u>	<u>4,300,000</u>
Total current liabilities (restricted)	<u>27,460,681</u>	<u>18,044,349</u>
Total current liabilities	<u>34,580,624</u>	<u>19,786,331</u>
Long-term debt		
Bonds payable	<u>421,685,000</u>	<u>434,675,000</u>
Other liabilities		
Deposit from Kentucky Air National Guard	3,033	3,033
Deposit from UPS Land Option	2,186,987	2,186,987
Unamortized bond premium, net	9,568,288	10,058,352
Deposit from Commonwealth of Kentucky	20,000,000	20,000,000
Deferred revenue	<u>174,563</u>	<u>185,182</u>
Total other liabilities	<u>31,932,871</u>	<u>32,433,554</u>
Total liabilities	<u>488,198,495</u>	<u>486,894,885</u>
Commitments and contingencies		
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	319,200,005	300,918,279
Restricted for debt service	8,885,114	8,885,114
Restricted for capital projects	2,947,806	2,749,961
Unrestricted net assets (deficit)	<u>4,995,888</u>	<u>(763,879)</u>
Total net assets	<u>\$ 336,028,813</u>	<u>\$ 311,789,475</u>

<b>CASH FLOW</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Cash flows from operating activities		
Receipts from customers and users	\$ 49,915,119	\$ 56,982,194
Payments to suppliers	(9,858,604)	(12,778,725)
Payments to employees	<u>(6,539,702)</u>	<u>(7,535,785)</u>
Net cash provided by operating activities	<u>33,516,813</u>	<u>36,667,684</u>
Cash flows from capital and related financing activities		
Capital contributions	33,310,798	21,115,290
Repayment of capital contributions	0	(2,000,000)
Passenger facility charges	4,556,577	4,548,046
Acquisition and construction of capital assets	(57,878,580)	(32,628,337)
Proceeds from sale of assets	0	25,550
Proceeds from issuance of capital debt	0	235,980,000
Principal paid on capital debt	(5,205,000)	(238,545,000)
Interest paid on capital debt	(11,026,974)	(13,591,215)
Fees paid on bonds	(222,468)	(69,000)
Issuance costs of capital debt	<u>(148,107)</u>	<u>(6,882,536)</u>
Cash flows used by capital and related financing activities	<u>(36,613,754)</u>	<u>(32,047,202)</u>
Cash flows from investing activities		
Proceeds from maturities of investments	17,100,869	65,282,483
Purchase of investments	(19,595,196)	(27,118,753)
Investment income	<u>1,943,346</u>	<u>12,282,149</u>
Net cash provided (used) by investing activities	<u>(550,981)</u>	<u>50,445,879</u>
Net increase (decrease) in cash and cash equivalents	(3,647,922)	55,066,361
Cash and cash equivalents, beginning of year	<u>88,366,398</u>	<u>33,300,037</u>
Cash and cash equivalents, end of year	<u>\$ 84,718,476</u>	<u>\$ 88,366,398</u>

<b>CASH FLOW (continued)</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 1,050,633	\$ 9,999,522
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	27,186,535	27,057,863
Changes in assets and liabilities:		
Fees and rentals receivable	84,432	792,379
Deferred income	24,585	(1,336,984)
Supplies and prepaid expenses	(125)	(3,381)
Accounts payable	5,281,340	106,234
Accrued expenses and other	<u>(110,587)</u>	<u>52,051</u>
Net cash provided by operating activities	<u>\$ 33,516,813</u>	<u>\$ 36,667,684</u>

## Noncash capital and financing activities:

The Authority has retainage and accounts payable related to construction in progress of \$5,621,405 and \$2,862,632 as of June 30, 2004 and 2003, respectively. These noncash transactions have been excluded from the above statements.

<b>REVENUES &amp; EXPENSES</b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Operating revenues		
Rentals and concessions	\$ 32,894,594	\$ 32,165,040
Landing and field use fees	<u>15,607,052</u>	<u>23,593,760</u>
Total operating revenues	<u>48,501,646</u>	<u>55,758,800</u>
Operating expenses		
Operations and maintenance	11,826,265	10,961,954
Depreciation and amortization	27,186,535	27,057,863
Administrative, general, planning and engineering	<u>8,438,213</u>	<u>7,739,461</u>
Total operating expenses	<u>47,451,013</u>	<u>45,759,278</u>
Operating income	<u>1,050,633</u>	<u>9,999,522</u>
Nonoperating revenues (expenses)		
Investment earnings, net	2,253,055	4,353,435
Interest expense	(14,562,491)	(17,413,882)
Passenger facility charges	4,630,820	4,548,046
Net loss on sale of assets and other revenue	<u>(565,711)</u>	<u>(144,028)</u>
Net nonoperating revenues (expenses)	<u>(8,244,327)</u>	<u>(8,656,429)</u>
Income (loss) before capital contributions	(7,193,694)	1,343,093
Capital contributions	<u>31,433,032</u>	<u>22,405,025</u>
Increase in net assets	24,239,338	23,748,118
Net assets, beginning of year	<u>311,789,475</u>	<u>288,041,357</u>
Net assets, end of year	<u>\$ 336,028,813</u>	<u>\$ 311,789,475</u>



**LOUISVILLE  
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