CITY OF BILLINGS
AVIATION & TRANSIT DEPARTMENT

FISCAL YEAR 2012
FIVE-YEAR FINANCIAL FORECAST UPDATE

BILLINGS LOGAN INTERNATIONAL AIRPORT

FIVE-YEAR FINANCIAL FORECAST

While the Airport has enjoyed a significant number of growth years with adequate revenue generation, the recent economic downturn has resulted in reduced revenues for Fiscal Year 2009 through Fiscal Year 2011. While the existing Business Model in use with the airlines allows the Airport to maintain a balanced budget, Airport Administration has remained sensitive to the amount of the total charges that the airlines might bear. To analyze what the impacts could be to the Airport and the airlines, as the Airport looks into the future, a scenario was developed and placed into a five-year financial forecast. Table 1, Page 3, contains a five-year financial forecast for the Airport beginning with the 2012 Fiscal Year. The assumptions used to develop these forecasts are listed below.

ASSUMPTION ONE – ***Given the regional nature of the Billings Airport, passenger enplanements will most likely continue to grow in the future once the current downturn ends. That growth, when it begins, will result in expanded revenue growth.***

Future growth issues, while important, are not the current focus of Airport management as we needed to determine whether the Airport could continue to reasonably operate with just modest passenger growth. Under this Scenario, it is anticipated that the declining travel demand caused by the recession will stabilize by the end of the 2011 Fiscal Year and begin to increase at a modest rate (1.5% to 3%) for the remainder of the five-year planning period. This Scenario of the forecasted passenger information is the catalyst for the financial projections (landing fees, concession revenues, etc.) that have been adjusted to reflect the respective growth rates.

ASSUMPTION TWO – ***The Federal Airport Improvement Program and locally generated capital funding programs are projected to remain stable during the next five years and are reflected as such. The new CFC and the existing PFC programs have been projected to increase from 1.5% to 3% per year (enplanement growth) during the five-year planning period.***

FIVE-YEAR FINANCIAL FORECAST

ASSUMPTION THREE – ***Land and building rentals are projected to increase at 3% during the planning period.***

Although new building starts have slowed during the last 18 months, all current and any new land and building leases require annual CPI-U adjustments, which will help the annual revenues received from these leases to keep pace with inflation.

ASSUMPTION FOUR – ***The five-year forecast assumes that wages and benefits (mostly health insurance costs) will increase at 5%, and other operational and maintenance items at 3% per year.***

ASSUMPTION FIVE – ***The business relationship/operating agreement with the airlines will remain relatively the same for the next five years.***

ASSUMPTION SIX – ***Although it is probable that one or more of the existing air carriers could exit the Billings market or a new one could enter the market, staff feels that the overall seat count into and out of Billings will remain relatively constant during the five-year planning period.***

SUMMARY

Because of the dynamics of the current Business Model with the Airport's airline tenants, the City's Airport will be able to continue to operate as normal over the next five-year time frame. While this analysis assumes modest passenger growth over the next five years, the Airport should be able, for the same five-year forecast period, to offset a lack of new revenues through a reduced capital program and a minimized maintenance program. The main downside to operating in those conditions will be the buildup of deferred maintenance and capital items that will subsequently need to be addressed, and that could put pressure on the airlines' rates and charges if the non-airline revenues do not continue to grow.

TABLE 1
FIVE YEAR PROJECTION
ALL AIRPORT FUNDS

	Assumptions	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues						
Airline Revenues	From Rates & Charges Schedule	$ 2,793,944	$3,526,004	$2,988,711	$2,998,361	$3,341,767
Non-Airline Revenues						
Concessions[1]	See Footnote 1	3,533,242	3,603,907	3,694,005	3,786,355	3,899,945
TSA LEO Reimbursement	Reimbursement Will Remain Constant	163,286	163,286	163,286	163,286	163,286
Other	3% Annual Increase (CPI-U)	1,866,259	1,922,247	1,979,914	2,039,312	2,100,491
Car Rental Fuel Sales	10% Annual Increase	585,000	643,500	707,850	778,635	856,499
AIP Grant Revenues	Based on AIP, CIP and ERP	1,148,398	9,000,000	3,200,000	3,000,000	3,000,000
PFC Charges	Dependent Upon Enplanements	1,064,608	1,085,900	1,113,048	1,140,874	1,175,100
CFC Charges	Dependent Upon Concessions	778,200	793,764	813,608	833,948	858,967
Total Revenues		11,932,937	20,738,608	14,660,421	14,740,770	15,396,055
Expenditures						
Personnel Services	5% Annual Increase	4,086,121	4,290,427	4,504,948	4,730,196	4,966,706
Operations & Maintenance	3% Annual Increase	2,447,867	2,521,303	2,596,942	2,674,850	2,755,096
CFC Maintenance	CFC Maintenance Costs	134,245	138,272	142,421	146,693	151,094
Car Rental Fuel Sales	5% Annual Increase	576,800	634,480	697,928	767,721	844,493
Debt Service						
Series 2010A Bond Refunding	Actual Based on Payment Schedule	976,569	974,319	974,319	980,119	979,518
Series 2010B QTA Bonds	Actual Based on Payment Schedule	479,244	499,444	499,444	496,344	498,094
Local Capital		800,636	757,884	343,584	188,232	372,059
AIP Capital (Local Share)	5% of Total AIP Capital Costs	60,442	473,684	168,421	157,895	157,895
AIP Capital (Federal Share)	95% of Total AIP Capital Costs	1,148,398	9,000,000	3,200,000	3,000,000	3,000,000
PFC Capital	PFC Capital = PFC Revenue for Future Years	1,031,415	1,085,900	1,113,048	1,140,874	1,175,100
CFC Capital	CFC Capital = CFC Collections Less Debt Service	298,956	294,320	314,164	337,604	360,873
Total Expenditures		12,040,693	20,670,034	14,555,219	14,620,528	15,260,927
Revenues Over (Under) Expenditures		$ (107,756)	$ 68,574	$ 105,203	$ 120,242	$ 135,128
	Landing Fees	$ 0.86	$ 1.77	$ 0.93	$ 0.83	$ 1.21
	Terminal Rate	$ 46.15	$ 47.84	$ 49.29	$ 50.88	$ 52.45

Additional Assumptions:

[1] Concession increases are 2% in FY 2013, 2.5% in FYs 2014 and 2015, and 3% in FY 2016.