



Naples Airport Authority
Report to the Community
2005



“We are building a
brighter future for aviation
in Collier County.”

A Year of Rebuilding, Refocusing, Recommitment

The Naples Municipal Airport is flying high, thanks to a record year in general aviation and to the return of scheduled commercial airline service.

Delta Connection is the realization of an important goal of the Naples Airport Authority – the restoration of air service to our community. We will continue to make retention and expansion of scheduled air service at the airport one of our highest priorities. We are grateful for the successful efforts of all involved in achieving this goal. And our special thanks to Peter Manion, our former chairman and current air-service liaison.

One of the year’s most significant events was the culmination of a five-year operational and legal effort to minimize the impact that older model jets had on our community’s quality of life. In June 2005, the Authority received the good news that the legal battle over Naples’ banning older jets was over – and Naples won! With that hard-fought victory, Naples Municipal Airport remains one of the nation’s leading airports in noise abatement.

We are building a brighter future for aviation in Collier County, focused on success and committed to remaining “The Best Little Airport in the Country.”

Ernest Linneman
Chairman

Board of Commissioners

Ernest Linneman
Chairman

Richard Cobb
Vice Chairman

William Hobgood

Peter Manion

Eric West

“We believe that few airports have done more to maintain the goodwill and trust of the community.”

Airport Operations

Thanks to Team Fly Naples, an air-service public-private partnership consisting of the Greater Naples Chamber of Commerce, the Naples, Marco Island, and Everglades City Convention and Visitors Bureau, the Collier County Hotel and Lodging Association, the Economic Development Council of Collier County, many individual contributors, and the Naples Airport Authority, Delta Connection launched service to Atlanta in November 2004. This regional jet service is the first interstate service at the Naples Municipal Airport.

In addition, in 2005, aircraft operations reached their highest level since the establishment of the Naples Airport Authority. This increase is attributed to the Delta Connection start-up, the growth in corporate aviation, fractional aircraft ownership activity, significant flight school activity, greater involvement of the community, and, finally, the growth of the community.

Public Safety and Economic Impact

Beneficial contributions of the Naples Municipal Airport to the Naples community are significant.

More than 50 businesses and public agencies call the Airport home. They employ over 400 people and combine for more than a \$90 million annual contribution to the local economy.

The airport is home to civil defense and public safety facilities. The airport substantially underwrites the costs of the City of Naples maintaining a fire department unit at the Airport. This unit provides services and rapid response to the surrounding community as well as to the Airport.

The Collier County Sheriff's Office is constructing a new facility that will house its aviation unit as well as other departments important to maintaining a safe community. This additional capability is a plus for aviation security and provides a base for rapid response to community needs.

The airport is a preferred airport for incoming and outgoing medical flights because of its proximity to major hospitals in Collier County. It serves as the base for emergency disaster-relief flights – as it did for Hurricane Wilma.



Mission Statement

The City of Naples Airport Authority shall operate, maintain, and preserve a high-quality aviation facility at Naples Municipal Airport that:

- Is safe, secure, and legal;
- Delivers high-quality aviation services by providing customer-focused and efficient operations, facilities, staff, finance, and administration;
- Responds to community preferences for commercial air service, gateway image and landscaping, and noise and storm-water management.

A close-up photograph of an airplane's fuselage, showing rivets and the blue and white paint. The text is overlaid in a white, outlined font.

“Products provided to
Naples Airport customers
met the highest
standards for quality.”

Fuel Management

The Naples Airport Authority was awarded the Phillips 66 “Excellence for Quality Control Award” for fuel-handling excellence. The award recognized the NAA staff for their attention to detail in ensuring that products provided to Naples Airport customers met the highest standards for quality. The award signifies the airport staff’s focus on ensuring safety in every aspect of their jobs.

Customer Amenities

The Airport has launched an exciting opportunity for businesses wanting to reach the Airport’s mobile, upscale clientele. The program encourages area businesses to provide courtesy newspapers, coffee, mints, bottled water, gift packages, discounts, cookies, and other items for Airport passengers. In turn, local businesses receive exposure in the Naples Municipal Airport, complete with an opportunity to place promotional messages and marketing materials in the hands of airline passengers, who are looking for things to do, places to stay, purchases to make, and places to eat.

Airport Safety

Every U.S. airport under the control of the Federal Aviation Administration (FAA) must undergo an annual certification inspection in areas such as airfield lighting, pavement management, and emergency fire response. The FAA inspector has the authority to decertify an airport if there is a pattern of noncompliance or if he or she detects a serious violation with no effort for correction. The inspectors are universally, and appropriately, rigorous in their efforts.

The Naples Municipal Airport passed its federally mandated certification inspection without any corrective comment.



Vision Statement

A safe, high-quality, attractive local airport with the leadership, operating skills, and financial strength for successfully balancing community expectations to:

- **Preserve and operate a community infrastructure asset;**
- **Meet rising quality and environmental standards.**



“The project,
completed in 2005, has
significantly increased
operational safety at the
Naples Municipal Airport.”

Airfield Lighting

Recently, the Authority concluded, after considering expert advice, that the entire airfield lighting system for all runways and taxiways would soon require complete replacement. The existing system was extremely susceptible to lightning strikes despite its having been originally designed and installed in accordance with then-current Federal Aviation Administration design standards. Over the years, the airport replaced and patched numerous damaged fixtures and cables that had been destroyed by lightning, while incurring increased costs and diminished operational flexibility and capacity.

After a thorough design, review, and bid process, a contractor was selected. The project, completed in 2005, has significantly increased operational reliability, flexibility, and capacity while supporting the airport's efforts to respond to the FAA's recent focus on reducing runway incursions. Further, the excess man-hours needed to maintain a 60-year-old system will be eliminated.

Taxiway “E” and Access Improvement Project

As development in the airport's north quadrant progressed, it became clear that the area was in need of improved taxiway access for the aircraft that will be housed in the new hangars. A project is under way to address this need, including:

- Separation of parallel taxiways, accommodating hangar/apron improvements;
- Coordination with construction of the sheriff's office hangar, incorporating an improved taxiway intersection;
- Expansion of terminal apron to meet seasonal demand for aircraft parking.

Noise Abatement

The Authority considers the reduction of aircraft noise a priority issue and has worked aggressively to make the skies over Naples quieter while striking the right balance between the needs of the aviation community and the needs of area residents living close to the flight paths.

Public participation is an important element in the Authority's effort to improve its noise-abatement performance. The Authority works closely with local government officials, concerned citizens, the FAA, pilots, and others. With our recent noise-abatement legal victory, the Authority has become a nationally recognized leader in the ongoing effort to make local airports compatible with the communities they serve.

At a Glance:

Airport Identifier – APF

Number of runways – 2

Number of terminals – 2

Number of passengers – 66,000

Number of aircraft operations – 163,000

**Total economic impact (estimated) –
\$90 million per year**

**The busiest day at the Naples Municipal Airport
in 2005 was Presidents Day, February 21.**

**The Naples Municipal Airport had a 725%
increase in commercial airline passenger
traffic in 2005.**

**In 2005, aircraft operations reached
their highest level in the history of the
airport – 163,000.**

**March is the busiest month at the
Naples Municipal Airport, with approximately
577 daily operations.**

2005 Financials

MANAGEMENT'S DISCUSSION AND ANALYSIS The following is a general overview of the City of Naples Airport Authority's activities and financial performance over the last three fiscal years.

AIRPORT ACTIVITIES AND HIGHLIGHTS The Authority operates the Naples Municipal Airport, which provides both general aviation and commercial airline service to the public. Major areas of activity of the Naples Municipal Airport are as follows:

	2005	2004	2003
Aviation fuel gallons	6,322,000	5,509,000	5,243,000
% increase (decrease)			
from prior year	+14.8%	+5.1%	+0.3%
Aircraft operations	163,000	136,000	112,000
% increase (decrease)			
from prior year	+19.9%	+21.4%	-19.4%
Enplanements	33,000	4,000	11,000
% increase (decrease)			
from prior year	+725.0%	-63.6%	-26.7%

In 2005, aviation fuel gallons reached their highest level since the establishment of the Authority in 1969. The increase in fuel volume over the last three years is attributed to the growth in corporate aviation, especially related to fractional aircraft ownership activity.

In 2005, aircraft operations reached the highest level since the establishment of the Authority. As with increase in fuel volume, the increase in aircraft operations over the last three years is attributed to the growth in corporate aviation, especially related to fractional aircraft ownership activity, plus the increase in flight school activity. The 2003 activity level is consistent with the levels attained in 1994 through 1998.

In June 2003, the airport lost all scheduled air service, and in 2004 had only seasonal scheduled air service on nine- (9-) passenger aircraft. The increase in enplanements in 2005 reflects the start-up of scheduled regional jet service to Atlanta on forty- (40-) passenger aircraft in addition to continued seasonal scheduled air service to Key West.

Financial Highlights and Summary

THE FOLLOWING IS A CONDENSED SUMMARY OF THE AUTHORITY'S REVENUES, EXPENSES, AND CHANGES IN NET ASSETS AS OF 30 SEPTEMBER.

	2005	2004	2003
Total operating revenues, net	\$ 8,907,000	\$ 7,983,000	\$ 6,295,000
Total non-operating revenues	415,000	234,000	348,000
Total revenues	9,322,000	8,217,000	6,643,000
Total operating expenses	7,630,000	8,067,000	7,559,000
Total non-operating expenses	141,000	142,000	157,000
Total expenses	7,771,000	8,209,000	7,716,000

Income (loss) before capital contributions	1,551,000	8,000	(1,073,000)
Capital contributions	1,732,000	162,000	951,000
Increase (decrease) in net assets	3,283,000	170,000	(122,000)

Beginning net assets	28,474,000	28,304,000	28,426,000
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Ending net assets	\$ 31,757,000	\$ 28,474,000	\$ 28,304,000
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Operating revenues for 2005 increased \$924,000 over the prior year. This 11.6% increase in operating revenues is attributed to increased fuel sales, additional hangar and tie-down rentals, increased line-service revenues related to general aviation activity, and increased concession fees from rental car companies related to commercial aviation activity. The most significant increase in operating revenues occurred in 2004, with a \$1.7 million increase over 2003. This 26.8% increase in operating revenues is attributed to the award of a permanent mandatory injunction against a tenant's illegal fueling of aircraft at the airport. Not only did the Authority see an increase in fuel sales, but revenues earned from other aircraft services increased as well.

Non-operating revenues for 2005 increased \$181,000 over the prior year. This 77.4% increase in non-operating revenues is attributed to an increase in customer facility charges related to increased rental car activity and an increase in interest revenue related to the increase in the Authority's bank balances. Non-operating revenues for 2004 decreased \$114,000 over 2003. This 32.8% decrease is attributed to a reduction in customer facility charges from rental car companies and a reduction in passenger facility charges, both related to the loss of scheduled air service for part of FY 2004. Also in 2003, the Authority received an operating grant for exotic tree clearing.

Operating expenses for 2005 decreased \$437,000. This 5.4% decrease is attributed to a reduction in legal fees with the conclusion of the noise litigation with the Federal Aviation Administration, less litigation activity with tenant issues, and a decrease in depreciation expense, offset by increased staffing levels in the operations, facilities, and security departments. Operating expenses for 2004 increased by \$508,000 over the prior year. This 6.7% increase is attributed to increased staffing levels in the operations, facilities, and security departments, extensive legal fees related to continued noise and tenant issues, and an increase in police service costs contracted through the City of Naples, offset by a decrease in depreciation expense. The decrease in depreciation expense over the last three years reflects the Authority's delay in large capital improvement projects due to a hold on federal grants.

Capital contributions received in the form of grants from the federal and state governments increased from \$162,000 and \$951,000 in 2004 and 2003, respectively, to \$1.7 million in 2005. The significant increase in capital contributions in 2005 reflects the United States Court of Appeals for the District of Columbia's decision that the Authority's Stage 2 jet ban was justified and the FAA's subsequent release of the Authority's entitlement funds (grants). The amount of capital contributions received by the Authority is limited by project eligibility, matching funds available from the Authority, and the amount of grant funds available from the federal and state governments.

The following is a summary of the Authority's operating revenues as of 30 September.

	2005	2004	2003
Operating revenues:			
Fuel sales (net)	\$ 6,249,000	\$ 5,618,000	\$ 4,155,000
Concession fees	548,000	417,000	454,000
Hangar/T-shelter/tie-down	1,009,000	968,000	856,000
Building and land-rent	809,000	746,000	694,000
Line services	198,000	177,000	122,000
Other	94,000	57,000	14,000
Net operating revenues	\$ 8,907,000	\$ 7,983,000	\$ 6,295,000

The following is a summary of the Authority's operating expenses before depreciation as of 30 September.

	2005	2004	2003
Operating expenses:			
Personnel	\$ 3,169,000	\$ 2,923,000	\$ 2,549,000
Professional fees	1,312,000	1,971,000	1,570,000
Communications	123,000	124,000	88,000
Insurance	363,000	369,000	349,000
Utilities and environmental	278,000	267,000	347,000
ATCT, ARFF, and police service	514,000	472,000	363,000
Maintenance and repair	385,000	343,000	279,000
Other	116,000	98,000	79,000
Total operating expenses before depreciation	\$ 6,260,000	\$ 6,567,000	\$ 5,624,000

The following is a condensed summary of the Authority's net assets as of 30 September.

	2005	2004	2003
Current and other assets	\$ 7,534,000	\$ 5,514,000	\$ 4,288,000
Capital assets (after depreciation)	28,018,000	26,341,000	27,311,000
Total assets	35,552,000	31,855,000	31,599,000

Current liabilities	2,210,000	1,597,000	1,344,000
Noncurrent liabilities	1,585,000	1,784,000	1,951,000
Total liabilities	3,795,000	3,381,000	3,295,000

Net assets:			
Invested in capital assets, net	26,553,000	24,543,000	25,280,000
Restricted	185,000	197,000	186,000
Unrestricted	5,019,000	3,734,000	2,838,000
Net assets	\$ 31,757,000	\$ 28,474,000	\$ 28,304,000

Total assets increased by \$3.7 million or 11.6% in 2005. This increase is attributed to increased revenues and the reinstatement of FAA grants. Total assets increased slightly by \$256,000 or 0.8% in 2004. Total liabilities increased by \$414,000 or 12.2% in 2005, due to an increase in accounts payable related to capital projects. The \$86,000 or 2.6% increase in total liabilities in 2004 is attributed to an increase in accounts payable related to aviation fuel purchases and an increase in deferred revenue related to greater participation in the Authority's prepaid aviation fuel program, offset by a reduction in the Authority's notes payable.

The Authorities total assets exceeded liabilities by \$31.8 million and \$28.5 million, in 2005 and 2004, respectively. The largest portion of the Authorities net assets each year (83.6% of total net assets for 2005) represents its investment in capital assets (e.g., land, infrastructure, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those assets. It is important to note that the resources required to repay the outstanding debt must be provided from the Authority's operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

The restricted portion of the Authority's net assets (0.6% of total net assets for 2005) represents customer facility charges that are subject to external restrictions on how they can be used under loan covenants and passenger facility charges that are restricted by federal PFC regulations.

The remaining \$5.0 million of net assets (15.8% of total net assets for 2005) may be used to meet any of the Authority's ongoing obligations.

A comparison of the Authority's current assets to current liabilities (current ratio) is a way to analyze the Authority's ability to satisfy short-term obligations as they become due. A low ratio may indicate an inability to meet short-term debt in an emergency. A high ratio is considered favorable to creditors, but may indicate excessive investment in working-capital items. The increase in the Authority's current ratio from 2.68 for 2003 to 3.14 for 2004 is attributed to the \$1.4 million increase in current assets related to the growth in the Authority's operations in 2004, and the further increase in the current ratio to 3.21 for 2005 is attributed to the continued growth in the Authority's operations and an increase in receivables from grants.

The following is a summary of the major sources and uses of cash and cash equivalents for the past three years. Cash equivalents include cash on hand, bank deposits, and highly liquid investments with a maturity of three months or less when purchased.

	2005	2004	2003
Cash flows from:			
Operating activities	\$ 2,968,000	\$ 1,427,000	\$ 307,000
Non capital financing activities	16,000	87,000	38,000
Capital and related financing activities	(1,248,000)	(408,000)	(679,000)
Investing activities	173,000	72,000	74,000
Net increase (decrease) in cash and cash equivalents	1,909,000	1,178,000	(260,000)

Cash and cash equivalents:			
Beginning of year	4,314,000	3,136,000	3,396,000
End of year	\$ 6,223,000	\$ 4,314,000	\$ 3,136,000

The Authority's available cash and cash equivalents increased from \$3.1 million at the end of 2003 to \$4.3 million at the end of 2004 and increased to \$6.2 million by the end of 2005. The increase in 2005 is due to the increase in the Authority's operating activities and the release of FAA grants.

BUDGETARY HIGHLIGHTS No amendments to the originally adopted Fiscal Year 2005 City of Naples Airport Authority Operating and Capital Budget were made.

Actual total available resources, revenues, and receipts were \$175,000 less than the budget, reflecting greater-than-anticipated operating and non-operating revenues, offset by less-than-anticipated capital contributions. Total Expenses and Expenditures were \$2.6 million less than budgeted, reflecting less-than-anticipated operating expenses and capital expenditures. The Net Change in Available Resources Balance was \$2.1 million greater than the budget.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES At the end of 2005, the Authority had \$28.0 million invested in a broad range of capital assets, including its terminal and office buildings, aircraft hangars, fuel facilities and equipment, runways and taxiways, and buildings and equipment for fire/rescue and air traffic control. This amount represents a net increase (including additions and deductions) of \$1.7 million, or 6.4% greater than last year.

During 2005, completed projects totaling \$230,000 were closed from construction-in-progress to their respective capital accounts. The major completed projects were:

Equipment	\$ 210,000
Vehicle	16,000
Computer/network equipment	4,000

At the end of 2005, major projects within construction-in-progress consisted of the following:

Airfield lighting and signage phase II	\$ 1,353,000
Taxiway "E" and access road	1,312,000
T-hangar design	364,000
Small projects	79,000

Capital asset acquisitions and improvements are funded using a variety of financing techniques, including federal and state grants, airport funds, debt issuance, and airport revenues.

DEBT As 30 September 2005, the Authority had \$1.5 million in outstanding debt (notes payable to bank). No new debt was issued in fiscal year 2005.

	2005	2004	2003
Airport road note	\$ 1,123,000	\$ 1,233,000	\$ 1,344,000
Rental car facility note	342,000	565,000	687,000
End of year	\$ 1,465,000	\$ 1,798,000	\$ 2,031,000

ECONOMIC FACTORS AND FUTURE IMPACTS The Authority financially supports itself directly from airport user fees and indirectly from airport user taxes. No local, state, or federal general taxes, such as property, utility, sales, intangible, or income taxes directly support the Authority. The Authority receives, for certain capital projects, state and federal financial grants from trust funds established largely from aviation fuel taxes and airline ticket taxes.

The Authority is dedicated to providing the best possible air service to our public. In order to entice new carriers to the Naples Municipal Airport, the Authority will continue to waive rents and fees, and will provide ground-handling and marketing support to scheduled air carriers providing a minimum of 12 months of continuous service at Naples Municipal Airport.

On October 24, 2005, Hurricane Wilma traveled through Southwest Florida, causing damage to various buildings and properties owned by the Authority. Cost estimates to repair or replace these buildings and properties are expected to exceed \$6.0 million and are expected to be substantially recovered from a variety of sources, including insurance proceeds, federal programs, and state programs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or require additional financial information, please contact the Authority's director of finance at 160 Aviation Drive North, Naples, FL, 34104.



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