Memorandum

MIAMI-DADE COUNTY

Date: September 22, 2016

To: Honorable Chairman Jean Monestime
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: Miami-Dade County Aviation Revenue Refunding Bonds, Post-Sale and Ratings Information Update

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I am pleased to report the successful sale of $744.375 million Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT) and Series 2016B, collectively "The Bonds." The Bonds were priced on August 2 and 3, 2016 by Merrill Lynch, Pierce, Fenner & Smith Inc., Senior Manager for the transaction. The transaction closed on August 25, 2016.

On June 21, 2016, the Board of County Commissioners (Board) approved Resolution Number R-551-16 (Series 2016 Resolution) authorizing the issuance and negotiated sale of Aviation Revenue Refunding Bonds, not to exceed $750 million. The Bonds were issued for the purpose of refunding and redeeming a portion of the outstanding Aviation Revenue Bonds, Series 2003E, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2009A, Series 2009B and Series 2010A, and Aviation Revenue Refunding Bonds, Series 2007C (collectively, the "Refunded Bonds").

The Bonds were sold to Retail Investors on August 2, 2016 and to Institutional Investors on August 3, 2016. The refunding generated debt service savings of $152.015 million over the life of the Bonds, representing a net present value savings of $97.640 million or 13.07 percent, and a true interest cost of 3.27 percent.

The following table together with Attachment 1 to this memorandum summarizes the requirements of R-1313-09 for the proposed refunding transaction:

Number Run	Par Amount of Refunding Bonds to be Issued	Gross Debt Service Savings over Life of the Refunding Bonds	Net Present Value Savings	Issuance Cost	Final Maturity
Initial Number Run of Attachment 1 as of May 24, 2016	$635,575,000	$79,255,911	8.74 percent; estimated at $55,580,631	$5,582,207 including Underwriter's Discount	October 1, 2041
Rerun of Attachment 1 as of June 15, 2016	$744,440,000	$109,768,027	10.23 percent; estimated at $76,167,361	$6,599,538 including Underwriter's Discount	October 1, 2041
Final Numbers as of August 3, 2016	$744,375,000	$152,05,129.85	13.07 percent; or $97,639,844.94	$5,559,745.52 including Underwriter's Discount	October 1, 2041

The County applied for ratings from three (3) of the major rating agencies on the Bonds: Fitch Ratings (Fitch), S&P Global Ratings (S&P), and Kroll Bond Rating Agency. All three rating agencies affirmed their ratings of A (stable), A (stable), and AA- (stable), respectively.

Attached for your review is the final number runs (Attachment 1) for the Bonds, as well as the rating reports (Attachment 2).

Attachments

c. Abigail Price-Williams, County Attorney
Edward Marquez, Deputy Mayor and Director, Finance Department
Emilio T. González, Ph.D., Director, Aviation Department
Sandra Bridgeman, Chief Financial Officer, Aviation Department
Jennifer Moon, Director, Office of Management and Budget
Frank P. Hinton, Director, Division of Bond Administration, Finance Department
Neil Singh, Interim Commission Auditor

SOURCES AND USES OF FUNDS

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
Aviation Revenue Refunding Bonds, Series 2016B (Taxable)
** Final Pricing Numbers **

Dated Date	08/25/2016
Delivery Date	08/25/2016

Sources:	Series 2016A (Non-AMT)	Series 2016B (Taxable)	Total
Bond Proceeds:			
Par Amount	315,730,000.00	428,645,000.00	744,375,000.00
Premium	71,664,460.25		71,664,460.25
	387,394,460.25	428,645,000.00	816,039,460.25
Other Sources of Funds:			
Debt Service Fund	7,465,704.17	8,738,460.94	16,204,165.11
Debt Service Reserve Fund	4,558,452.16		4,558,452.16
	12,024,156.33	8,738,460.94	20,762,617.27
	399,418,616.58	437,383,460.94	836,802,077.52

Uses:	Series 2016A (Non-AMT)	Series 2016B (Taxable)	Total
Refunding Escrow Deposits:			
SLGS Purchases	396,961,186.00	434,281,146.00	831,242,332.00
Delivery Date Expenses:			
Cost of Issuance	868,367.70	1,176,691.46	2,045,059.16
Underwriter's Discount	1,589,062.88	1,925,623.48	3,514,686.36
	2,457,430.58	3,102,314.94	5,559,745.52
	399,418,616.58	437,383,460.94	836,802,077.52

BOND SUMMARY STATISTICS

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
Aviation Revenue Refunding Bonds, Series 2016B (Taxable)
** Final Pricing Numbers **

Dated Date	08/25/2016
Delivery Date	08/25/2016
First Coupon	10/01/2016
Last Maturity	10/01/2041
Arbitrage Yield	
True Interest Cost (TIC)	3.270882%
Net Interest Cost (NIC)	3.534818%
All-In TIC	3.293732%
Average Coupon	4.154700%
Average Life (years)	14.769
Duration of Issue (years)	11.216
Par Amount	744,375,000.00
Bond Proceeds	816,039,460.25
Total Interest	456,767,389.49
Net Interest	388,617,615.60
Total Debt Service	1,201,142,389.49
Maximum Annual Debt Service	170,729,341.60
Average Annual Debt Service	47,854,278.47
Underwriter's Fees (per $1000)	
Average Takedown	4.544412
Other Fee	0.177249
Total Underwriter's Discount	4.721661
Bid Price	109.155301

Bond Component	Par Value	Price	Average Coupon	Average Life	Duration	PV of 1 bp change
Serial Bonds	179,540,000.00	124.511	5.000%	12.964	10.061	175,699.65
Term Bond due in 2041	136,190,000.00	120.308	5.000%	24.791	15.424	133,466.20
Serial Bonds - Taxable	376,085,000.00	100.000	3.043%	10.603	8.997	324,686.95
Term Bond due in 2041 - Taxable	52,560,000.00	100.000	3.856%	24.783	16.170	84,096.00
	744,375,000.00			14.769		717,948.80

	TIC	All-In TIC	Arbitrage Yield
Par Value	744,375,000.00	744,375,000.00	
+ Accrued Interest			
+ Premium (Discount)	71,664,460.25	71,664,460.25	
- Underwriter's Discount	(3,514,686.36)	(3,514,686.36)	
- Cost of Issuance Expense		(2,045,059.16)	
- Other Amounts			
Target Value	812,524,773.89	810,479,714.73	
Target Date	08/25/2016	08/25/2016	08/25/2016
Yield	3.270882%	3.293732%	

BOND DEBT SERVICE

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
Aviation Revenue Refunding Bonds, Series 2016B (Taxable)
** Final Pricing Numbers **

Dated Date	08/25/2016
Delivery Date	08/25/2016

Period Ending	Principal	Coupon	Interest	Debt Service
10/01/2016			2,801,988.87	2,801,988.87
10/01/2017	5,465,000	0.950%	28,019,888.70	33,484,888.70
10/01/2018	5,515,000	1.183%	27,967,971.20	33,482,971.20
10/01/2019	5,580,000	1.343%	27,902,728.76	33,482,728.76
10/01/2020	5,655,000	1.635%	27,827,789.36	33,482,789.36
10/01/2021	33,290,000	1.885%	27,735,330.10	61,025,330.10
10/01/2022	36,370,000	** %	27,107,813.60	63,477,813.60
10/01/2023	50,950,000	** %	26,132,955.10	77,082,955.10
10/01/2024	52,620,000	** %	24,547,714.30	77,167,714.30
10/01/2025	48,805,000	** %	23,105,933.50	71,910,933.50
10/01/2026	49,125,000	** %	21,565,022.10	70,690,022.10
10/01/2027	36,405,000	** %	20,001,112.50	56,406,112.50
10/01/2028	27,495,000	5.000%	18,666,502.30	46,161,502.30
10/01/2029	14,750,000	5.000%	17,291,752.30	32,041,752.30
10/01/2030	20,290,000	5.000%	16,554,252.30	36,844,252.30
10/01/2031	15,240,000	5.000%	15,539,752.30	30,779,752.30
10/01/2032	16,240,000	** %	14,777,752.30	31,017,752.30
10/01/2033	35,480,000	** %	14,106,183.70	49,586,183.70
10/01/2034	37,115,000	** %	12,731,882.90	49,846,882.90
10/01/2035	39,625,000	** %	11,264,884.90	50,889,884.90
10/01/2036	19,610,000	** %	9,685,098.40	29,295,098.40
10/01/2037	580,000	5.000%	8,836,213.60	9,416,213.60
10/01/2038	12,610,000	5.000%	8,807,213.60	21,417,213.60
10/01/2039	6,115,000	** %	8,176,713.60	14,291,713.60
10/01/2040	6,395,000	** %	7,933,597.60	14,328,597.60
10/01/2041	163,050,000	** %	7,679,341.60	170,729,341.60
	744,375,000		456,767,389.49	1,201,142,389.49

UNDERWRITER'S DISCOUNT

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
Aviation Revenue Refunding Bonds, Series 2016B (Taxable)
** Final Pricing Numbers **

Underwriter's Discount	$/1000	Amount
Average Takedown	4.54441	3,382,746.50
Underwriter's Counsel	0.07461	55,535.16
i-Deal Bookrunning	0.06728	50,085.09
i-Deal Order Monitor	0.01633	12,156.57
Out-of-Pocket	0.01343	10,000.00
i-Deal Wires	0.00136	1,012.54
CUSIP Charge & Disclosure Fee	0.00208	1,550.50
DTC Services Fee	0.00215	1,600.00
	4.72166	3,514,686.36

COST OF ISSUANCE

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
Aviation Revenue Refunding Bonds, Series 2016B (Taxable)
** Final Pricing Numbers **

Cost of Issuance	$/1000	Amount
Contingency	0.02378	17,699.78
Bond Counsel	0.42632	317,343.75
Bond Counsel Expenses	0.01343	10,000.00
Disclosure Counsel	0.29843	222,140.63
Disclosure Counsel Expenses	0.00269	2,000.00
Financial Advisor	0.40302	300,000.00
Financial Advisor Expenses	0.01343	10,000.00
Miami-Dade Co Finance Dept. Fee	1.00000	744,375.00
S&P	0.18808	140,000.00
Fitch	0.17464	130,000.00
Kroll	0.08060	60,000.00
Trustee	0.01343	10,000.00
Trustee Counsel	0.06986	52,000.00
Co-Trustee	0.01209	9,000.00
Co-Trustee Counsel	0.01008	7,500.00
DAC	0.00336	2,500.00
Verification Agent	0.00470	3,500.00
Printing	0.00940	7,000.00
	2.74735	2,045,059.16

SAVINGS

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
Aviation Revenue Refunding Bonds, Series 2016B (Taxable)
** Final Pricing Numbers **

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings
10/01/2016	19,444,998.13	16,204,165.11	3,240,833.02	2,801,988.87	438,844.15
10/01/2017	38,889,996.26		38,889,996.26	33,484,888.70	5,405,107.56
10/01/2018	38,889,996.26		38,889,996.26	33,482,971.20	5,407,025.06
10/01/2019	38,889,996.26		38,889,996.26	33,482,728.76	5,407,267.50
10/01/2020	38,889,996.26		38,889,996.26	33,482,789.36	5,407,206.90
10/01/2021	66,429,996.26		66,429,996.26	61,025,330.10	5,404,666.16
10/01/2022	69,864,146.26		69,864,146.26	63,477,813.60	6,386,332.66
10/01/2023	83,461,571.26		83,461,571.26	77,082,955.10	6,378,616.16
10/01/2024	83,550,017.50		83,550,017.50	77,167,714.30	6,382,303.20
10/01/2025	78,287,605.00		78,287,605.00	71,910,933.50	6,376,671.50
10/01/2026	77,065,580.00		77,065,580.00	70,690,022.10	6,375,557.90
10/01/2027	62,771,817.50		62,771,817.50	56,406,112.50	6,365,705.00
10/01/2028	52,401,892.50		52,401,892.50	46,161,502.30	6,240,390.20
10/01/2029	38,281,262.50		38,281,262.50	32,041,752.30	6,239,510.20
10/01/2030	43,082,787.50		43,082,787.50	36,844,252.30	6,238,535.20
10/01/2031	37,206,637.50		37,206,637.50	30,779,752.30	6,426,885.20
10/01/2032	37,385,437.50		37,385,437.50	31,017,752.30	6,367,685.20
10/01/2033	55,949,337.50		55,949,337.50	49,586,183.70	6,363,153.80
10/01/2034	56,214,237.50		56,214,237.50	49,846,882.90	6,367,354.60
10/01/2035	57,542,100.00		57,542,100.00	50,889,884.90	6,652,215.10
10/01/2036	35,948,525.00		35,948,525.00	29,295,098.40	6,653,426.60
10/01/2037	13,805,100.00		13,805,100.00	9,416,213.60	4,388,886.40
10/01/2038	25,807,850.00		25,807,850.00	21,417,213.60	4,390,636.40
10/01/2039	20,941,525.00		20,941,525.00	14,291,713.60	6,649,811.40
10/01/2040	20,980,425.00		20,980,425.00	14,328,597.60	6,651,827.40
10/01/2041	177,378,850.00		177,378,850.00	170,729,341.60	6,649,508.40
	1,369,361,684.45	16,204,165.11	1,353,157,519.34	1,201,142,389.49	152,015,129.85

Savings Summary

Savings PV date	08/25/2016
Savings PV rate	3.293732%
PV of savings from cash flow	102,198,297.09
Less: Prior funds on hand	(4,558,452.16)
Net PV Savings	97,639,844.93

SUMMARY OF REFUNDING RESULTS

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
Aviation Revenue Refunding Bonds, Series 2016B (Taxable)
** Final Pricing Numbers **

	Series 2016A (Non-AMT)	Series 2016B (Taxable)	Total
Dated Date	08/25/2016	08/25/2016	08/25/2016
Delivery Date	08/25/2016	08/25/2016	08/25/2016
Arbitrage Yield	2.390948%	3.181265%	
Escrow Yield	0.741014%	0.618744%	
Value of Negative Arbitrage	15,005,878.19	16,594,007.54	31,599,885.73
Bond Par Amount	315,730,000.00	428,645,000.00	744,375,000.00
True Interest Cost	3.309232%	3.227024%	3.270882%
Net Interest Cost	3.771432%	3.279702%	3.534818%
All-In TIC	3.327479%	3.255133%	3.293732%
Average Coupon	5.000000%	3.243302%	4.154700%
Average Life	18.066	12.342	14.769
Par amount of refunded bonds	351,240,000.00	396,050,000.00	747,290,000.00
Average coupon of refunded bonds	5.104073%	5.306337%	5.196709%
Average life of refunded bonds	18.010	13.497	15.618
PV of prior debt	441,870,387.19	487,011,789.74	928,882,176.93
Net PV Savings	43,301,078.98	54,338,765.96	97,639,844.94
Percentage savings of refunded bonds	12.328060%	13.720178%	13.065857%

SOURCES AND USES OF FUNDS

Miami-Dade County, Florida
Aviation Revenue Refunding Bonds, Series 2016A (Non-AMT)
** Final Pricing Numbers **

Dated Date	08/25/2016
Delivery Date	08/25/2016

Sources:	
Bond Proceeds:	
Par Amount	315,730,000.00
Premium	71,664,460.25
	387,394,460.25
Other Sources of Funds:	
Debt Service Fund	7,465,704.17
Debt Service Reserve Fund	4,558,452.16
	12,024,156.33
	399,418,616.58

Uses:	
Refunding Escrow Deposits:	
SLGS Purchases	396,961,186.00
Delivery Date Expenses:	
Cost of Issuance	868,367.70
Underwriter's Discount	1,589,062.88
	2,457,430.58
	399,418,616.58

S&P Global
Ratings

RatingsDirect®

Miami-Dade County, Florida
Miami International Airport; Airport

Primary Credit Analyst:
Joseph J Pezzimenti, New York (1) 212-438-2038; joseph.pezzimenti@spglobal.com

Secondary Contact:
Peter V Murphy, New York (1) 212-438-2065; peter.murphy@spglobal.com

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Miami-Dade County, Florida
Miami International Airport; Airport

Credit Profile		
US$377.05 mil aviation rev rfdg bnds (Miami Intl Arpt) ser 2016B due 10/01/2041		
Long Term Rating	A/Stable	New
US$365.025 mil aviation rev rfdg bnds (Miami Intl Arpt) ser 2016A due 10/01/2041		
Long Term Rating	A/Stable	New

Rationale

S&P Global Ratings has assigned its 'A' long-term rating to Miami-Dade County, Fla.'s pro forma $365 million series 2016A (non-alternative minimum tax [AMT]) and pro forma $377 million series 2016B (taxable) aviation revenue refunding bonds issued for Miami International Airport (MIA). At the same time, S&P Global Ratings affirmed its 'A' rating on the county's aviation revenue bonds issued for MIA. The outlook is stable.

Depending on market conditions at the time of sale, the county intends to use the 2016 bond proceeds, together with other available funds of the aviation department, to refund some principal amounts and maturities of the series 2003E, 2007A, 2007B, 2007C, 2008A, 2008B, 2009A, 2009B, and 2010A bonds for debt service savings without extending maturities.

The rating reflects our assessment of a large connecting hub airport with a niche market dominance with additional debt needs that has produced steady financial results despite having a high debt load and high airline cost structure.

Key credit strengths, in our opinion, include:

- MIA's size and niche market dominance as a U.S. gateway airport to Latin America due to its favorable location;
- Historically good air travel demand that we expect to be near recent levels as a result of serving a strong service area economy and the airport's niche market dominance; and
- Historically steady financial performance (that we expect to continue) from MIA's largely residual use agreements, allowing the airport to consistently maintain coverage (S&P Global Ratings-calculated) near or above 1x.

We believe key, offsetting credit weaknesses include:

- A high debt load and high airline cost structure that we expect will increase from debt financing a portion of its $1.15 billion terminal optimization program (TOP);
- Relatively high air carrier concentration and moderately high exposure to connecting traffic; and
- Competition for domestic origin and destination (O&D) passengers from Fort Lauderdale and international passengers from other U.S. airports en route to Latin America.

Net airport revenues secure the bonds. MIA has what we consider a simple capital structure, consisting only of fixed rate bonds. It has no swaps, variable-rate debt, or direct-purchase bonds. As of Sept. 30, 2015, MIA had approximately $5.8 billion of debt outstanding ($274 on a per enplanement basis), consisting of $5.6 billion in debt that has a first claim on net airport revenues, $223.2 million of series 2010 double-barreled aviation bonds, and $19.4 million of a Florida Department of Transportation (FDOT) Infrastructure Bank Loan. The 2010 double-barreled aviation bonds funded or reimbursed the county for the cost of building the aviation department's MIA Mover and a portion of its North Terminal program. These bonds, which mature in fiscal 2041, are a general obligation of Miami-Dade, secured by its full faith, credit, and taxing power. They are payable from ad valorem taxes levied on all taxable property in the county if any unencumbered funds held in the airport's improvement fund after paying all airport obligations are insufficient to pay the $15.4 million annual debt service on the bonds. The rating on the bonds mirrors that on the county. In addition, MIA earmarks $5 million per year from its improvement fund to repay the FDOT infrastructure bank loan to reimburse the county through fiscal 2020. We include these subordinate obligations in our coverage calculations because MIA pays them from airport revenues. As well, on March 2, 2016, the county issued the initial tranche of its aviation commercial paper (CP) notes, series C for $5 million. No more than $200 million in CP notes may be outstanding. As of May 31, 2016, the balance of the CP notes is $5 million. Payment of all CP notes is secured by and payable under an irrevocable transferrable direct-pay letter of credit issued by Bank of America, N.A., which expires March 2, 2019. The county intends to use CP note proceeds to provide temporary funding for the cost of certain projects at the airport. We expect the airport will eventually takeout any outstanding CP with a long-term financing.

FDOT built MIA's rental car center (RCC), financing it with a $270 million Transportation Infrastructure Financing Innovation Act (TIFIA) loan. Customer facility charges (CFC) that car rental companies collect from customers at the airport and, if required, rent payments from the rental companies secure the loan. Because the RCC was not constructed with funds provided under the trust agreement, it is not part of port authority properties, nor are the CFCs collected included in aviation department revenues. As a result, we do not include these revenues and debt service expenses in our coverage calculations.

Outlook

The stable outlook reflects S&P Global Ratings' expectations that MIA's enplanements will remain near recent levels and that the airport's financial performance will remain steady, despite its additional debt needs.

Upside scenario

We do not expect to raise the ratings over the next two years, given MIA's high debt load, high airline cost structure, and additional debt plans.

Downside scenario

We could lower the ratings in the next two years if management is not able to consistently produce coverage (S&P Global Ratings-calculated) at or above 1x due to increasing leverage or a material decline in enplanements.

Good Demand Is A Key Credit Strength

We expect demand at MIA should remain favorable, with enplanements at or near recent levels because of serving a strong service area economy and MIA's niche market dominance as an international gateway airport to Latin America.

Approximately 61% of MIA's fiscal 2015 total enplanements is origin and destination, so the service area economy is an important factor in long-term traffic trends. The local air traffic area centers on Miami-Dade and Broward counties, the two largest metropolitan areas in Florida. We consider the economies of both counties strong, with participation in the broad and diverse Miami-Fort Lauderdale-West Palm Beach metropolitan statistical area. Miami-Dade, with a population of 2.6 million, is the largest county (by population) in the southeast. It is an important center for commerce, tourism, and health services. Declining unemployment rates, which county officials attribute to robust job creation, support our view that the local economy is rebounding. The county's average unemployment rate improved to 6.1% for 2015 and 5.5% as of May 2016, but is still higher than state (5.4% and 4.7%) and national (5.3% and 4.5%) averages. We consider Miami-Dade's income levels adequate but below average, with a 2015 per capita effective buying income approximately 81% of the national level. County officials reported that overnight visitors to the greater Miami and beaches area increased an estimated 6.4% to a record breaking 15.5 million visitors in 2015, because of 9.4% increase in domestic visitors and a 3.4% increase in international visitors. This marked the sixth consecutive year or record overnight visitors to the Miami area.

Broward County, with a 2015 population of 1.9 million, is on Florida's southeastern coast and bordered by Palm Beach County on the north and Miami-Dade on the south. We view Broward's economy as tourism-dependent, with good wealth levels that continue to recover from the recession and housing slump. The county's average unemployment rate improved to 5.0% in 2015 (4.4% as of May 2016), below the state's 5.4% (4.7%) and the nation's 5.3% (4.5%). Income levels are what we consider good, with the 2015 per capita effective buying income approximately 100% of the national level.

MIA has experienced what we view as generally good air travel demand in the past few years, which we expect to continue. From fiscal years 2007 to 2015, the airport's 23.0% growth in domestic enplaned passengers outpaced Fort Lauderdale International Airport's (FLL) 7.6%. MIA share of domestic enplanements between itself and FLL increased to 52% in 2015 from 48% in 2007. The airport ranks second in the U.S. for total international passengers, behind New York's JFK International Airport. International enplanements increased approximately 35.5% from 2007-2015. MIA share of international enplanements between itself and FLL declined to 79.0% in 2015 from 84.6% in 2007. The airport enplanements have increased year-over-year for six consecutive fiscal years. This yielded an average annual growth rate of 4% from fiscal years 2010-2015, after a slight 0.9% drop in fiscal 2009.

For fiscal 2015 (year ended Sept. 30), MIA almost reached 21.4 million total enplanements, up 5.7% from fiscal 2014 levels and up 28.6% from 2007 levels. This is due to it recovering from the recession, the recession's comparatively limited impact in Latin America, American Airlines Inc.'s increased hubbing operations at the airport, and the North Terminal's completion. For fiscal years 2010-2015, connecting enplanements (39% of fiscal 2015 enplanements) increased 3.5%, on average, per year, while O&D enplanements increased 4.4% on average. Domestic enplanements (52.4% of fiscal 2015 total enplanements) rose 8.3%, while international enplanements (47.6%) increased 3.0%. We expect American will remain very committed to serving Latin American markets from Miami. Recent demand trends remain positive. For the six months ended March 31, 2016, MIA total enplanements increased 7.2%, with domestic enplanements up 10.3% year-over-year, while total international enplanements up 3.8%. Management attributes the strong domestic growth to an improving U.S. economy and American responding to new service from Frontier Airlines, while the international demand is due to slower growth in Latin America.

Because of the airport's importance to American's business strategy, MIA has what we view as high air carrier concentration and moderately high exposure to connecting traffic. More specifically, the airline (including its regional affiliate) accounted for about 68.5% of the airport's fiscal 2015 total enplanements, including the majority of airport's connecting traffic. We believe American has a strong commitment to the airport, remaining as one of the airline's key international gateway airports. Within American's U.S. airport network, MIA ranks first in terms of departing seats on international flights, third in the airline's network in terms of total departing seats, and sixth in terms of departing seats on domestic flights. We expect American to remain very committed to its hubbing operations at the airport.

Steady Financial Results That We Expect To Continue

Although the rate covenant and the largely residual airline use agreements produce low annual cash flow coverage, MIA's financial performance has been steady, despite its high debt burden and high airline cost structure. We expect debt service coverage (DSC; S&P Global Ratings-calculated) to be near or at 1x. DSC pursuant to the indenture, however, was about 1.5x for fiscals 2014 and 2015. Our coverage calculations, unlike those of the indenture, exclude surplus revenues from the previous fiscal year and do not offset debt service with PFC revenue. Instead, we calculate coverage by dividing the sum of MIA's net operating revenue, interest income, and eligible PFC revenue by the debt service related to airport's revenue bonds, series 2010 double-barreled bonds, and FDOT loan. Coverage (S&P Global Ratings-calculated) for fiscal years 2014 and 2015 is about 1.16x and 1.12x, respectively, and about 1x based on budgeted fiscal 2016 figures. It is 1.26x calculated per the indenture, which we believe is achievable, given that year-to-date actual performance for the six months ended March 31, 2016, is tracking slightly better than budget on a net basis. We expect management will adjust rate and charges as needed such that coverage (S&P Global Ratings-calculated) is near or above 1.0x.

MIA has what we consider an adequate unrestricted cash position for the rating that we expect to continue. The airport's year-end audited unrestricted cash balances improved to $307 million (263 days' cash on hand) in fiscal 2015 from $192 million (187 days) in fiscal 2010. As of May 31, 2016, management reported an unaudited unrestricted cash balance of approximately $300.7 million, which equaled 231 days' worth of budgeted fiscal 2016 current expenses.

High Debt Load And Additional Borrowing Plans Remain A Credit Risk

We consider MIA's high debt load and increasing leverage from additional borrowing plans as major limiting rating factors, which could cause downward rating pressure if we believe management is unable to produce adequate coverage (S&P Global Ratings-calculated).

Due to predominantly debt-financing its $6.5 billion CIP and additional new money borrowing plans for its TOP capital program, we expect MIA's debt load and airline cost structure to remain high. The airport's airline cost structure was $19.93 per enplaned passenger for fiscal 2015 and $20.13 based on fiscal 2016 budgeted figures. We expect it will likely increase to over $23 because of MIA's high debt load and additional debt needs. We also consider the airport to be highly leveraged, with debt per enplaned passenger of about $274 based on $5.8 billion of debt outstanding and the roughly 21.4 million total enplanements for fiscal 2015. We believe the high debt load and airline cost structure could stress airlines that operate there, especially if the airport experiences a period of flat or declining demand. We also believe both could be higher than forecast if grant money, PFC revenues, and cash reserves are insufficient for the $128.9 million in final CIP close-out work and the $651 million budget for TOP phase I project costs or if the TOP budget experiences cost increases. In addition, financial forecasts to date do not include the funding for the budgeted $498 million TOP phase II project costs, given that management has yet to identify funding sources for those costs.

As part of its ongoing review of the airport's master plan, the aviation department is defining a path to optimize and expand the functionality of existing terminal building assets. Most of the terminal building (the north and south terminals) was renovated and expanded as part of a $6.5 billion capital improvement program (CIP) that began in 1994 and substantially complete by the end of 2014. As of March 31, 2016, MIA had approximately $128.9 million in final CIP close-out work, which we expect to be mostly complete by the end of fiscal 2018. It will fund these projects with airport improvement program grants, FDOT grants, and the proceeds from previous bond issues. The airport's central terminal, however, was largely untouched by the CIP, so the aviation department has created the TOP to modernize these older terminal facilities over the next 5-10 years so that the airport can use the facilities during the next 20-30.

The total estimated cost of the TOP is approximately $1.15 billion, which will happen in two phases. The aviation department intends to issue revenue bonds to finance the program. There have been no updates to the financial forecast done in connection with airport's last bond issue in 2015. This forecast includes future bonds required for TOP phase 1, which has been approved; but does not include the funding for phase 2, which has not yet been approved. Major TOP subprograms include the $212.4 million MIA Central Base Apron and Utilities projects, $410.9 million Concourse E projects, $313.4 million South Terminal projects, and $139.3 million of miscellaneous projects. Phase I covers fiscal years 2015 to 2018, costing $651 million, while phase II covers fiscal years 2019 to 2025, costing $498 million. Management has identified funding sources only for phase I, which includes aviation revenue bonds proceeds ($289.1 million, including proceeds from bonds issued in fiscal 2015 and proceeds from an estimated $233 million bond issue in fiscal 2018), PFC revenues ($105 million), Transportation Security Administration grants ($101.2 million), improvement fund money ($56.0 million), FDOT grants ($51.9 million), and reserve maintenance fund reserve money ($47.3 million). Approximately 5.5% of the $651 million phase I cost and 7.4% of the $498 million phase II cost is padded with contingency.

The aviation department forecasts that the $313.7 million TOP phase I budget for the Concourse E Projects will increase by $10.1 million because of unforeseen conditions related to apron and fuel work for MIA E Satellite Pavement Rehabilitation project, which we expect by TOP phase I contingency funds will cover. Officials expect the $80.7 million phase I budget for the miscellaneous projects to increase by $6 million, which we also expect TOP phase I contingency funds to cover. Officials expect the $179.5 million phase I budget for the south terminal projects to increase by $69.4 million related to the cost of the south terminal outbound baggage handling system project. In addition, officials expect to extend the construction schedule for this project approximately 15 months to reflect the current status of construction contract procurement and changes in the project's design. The aviation department has not yet identified a funding source to pay this projected increase. Finally, the $40.7 million TOP phase I budget for the MIA Central Base Apron projects has no forecasted changes as of March 2016.

Bond Provisions Are Credit Neutral

We consider bond provisions credit neutral because the aviation department has consistently operated MIA such that recurring revenue sources have sufficiently covered airport's various obligations, despite a 1.20x rate covenant that allows PFC revenues to directly offset debt service and the use of unlimited carryover coverage. The 1.20x requirement is lower than the 1.25x we typically see in the sector.

Related Criteria And Research

Related Criteria

- Criteria: Airport Revenue Bonds In The U.S. And Canada, Nov. 15, 2013
- USPF Criteria: Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Ratings Detail (As Of July 22, 2016)		
Miami Dade Cnty, Florida		
Miami Intl Arpt, Florida		
Miami Dade Cnty (Miami International Airport) aviation rev bnds		
Long Term Rating	A/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (wrap if insured) (Syncora, MBIA, National) (AGM) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (wrap of insured) (MBIA & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (wrap of insured) (MBIA) (National) (AGM) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (wrap of insured) (MBIA, National & ASSURED GTY) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (wrap of insured) (Syncora, ASSURED GTY) (BHAC-SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (wrap of insured) (SYNCORA GTY) (ASSURED GTY - SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (wrap of insured) (SYNCORA GTY) (MBIA - SEC MKT) (National)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (ASSURED GTY)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami Intl Arpt) aviation rev rfdg bnds		
Long Term Rating	A/Stable	Affirmed
Miami Dade Cnty (Miami Intl Arpt) avn rev rfdg bnds (AMT)		
Long Term Rating	A/Stable	Affirmed
Miami Dade Cnty (Miami Intl Arpt) avn rev rfdg bnds (NON-AMT)		
Long Term Rating	A/Stable	Affirmed

Ratings Detail (As Of July 22, 2016) (cont.)		
Miami Dade Cnty (Miami International Airport)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Miami Dade Cnty (Miami International Airport) (CIFG)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Miami-Dade County, Florida

Miami International Airport
New Issue

Ratings

New Issues

$740,000,000 Aviation Revenue Refunding Bonds, Series 2016A&B	A

Outstanding Debt

$5,520,000,000 Aviation Revenue Bonds	A

Peer Group

Chicago O'Hare Airport	A/Stable
Dallas-Ft. Worth Airport	A/Stable

Rating Outlook
Stable

Related Criteria
Rating Criteria for Infrastructure and Project Finance (July 2016)

Rating Criteria for Airports (February 2016)

Related Research
Fitch Rates Miami-Dade County, FL's 2016 Aviation Revenue Refunding Bonds at 'A'; Outlook Stable (June 2016)

Peer Review of U.S. Airports (Attribute, Assessments, Metrics and Ratings) (December 2015)

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Key Rating Drivers

Summary: The rating reflects the airport's strong position in the south Florida market for both domestic and international air service. Miami stands out as one of nation's strongest international gateway airports with a dominant position for Latin American and Caribbean air services. The airport's capital program is essentially complete while the financial metrics have exhibited stability in recent years. The rating also incorporates leverage at the upper end for U.S. airports which is expected to remain elevated for the foreseeable future.

Leading International Gateway Airport *(Revenue Risk — Volume: Midrange)*: Miami International Airport (MIA) is a well-positioned, leading international gateway airport to serve the building Latin American market. Overall traffic activity remains robust, with approximately 21.4 million enplanements, despite shifting trends in the aviation industry and competition from nearby Fort Lauderdale Airport. The passenger base is well-balanced for both origination/destination (O&D) and connecting passengers, as well as international and domestic operations. The airport serves as a hub for American Airlines, which serves 68% of total passengers.

Residual Rate Setting *(Revenue Risk — Price: Stronger)*: All of the airport's costs are adequately covered by the use agreement rate-setting mechanisms. The current agreement expires in 2017. Although airline costs have been relatively high, with the cost per enplanement (CPE) at approximately $20, Fitch Ratings expects stability at current traffic levels based on the combination of improving non-airline revenue trends as well as lower post-construction operating costs.

Capital Program Completion *(Infrastructure Development and Renewal: Stronger)*: Substantially all of the previous $6.5 billion capital program has been expended aside from a small amount of carryover projects and the overall budget has remained intact over the past several years. Miami-Dade Aviation Department (MDAD) is now starting a more modest, multi-phase and demand driven terminal optimization program, with the first phase through 2018 sized at approximately $650 million. Only modest additional borrowings are foreseen over the near term.

Conservative Debt Structure *(Debt Structure: Stronger)*: All of the airport's debt is fixed rate and fully amortizing. Debt service is mostly level in the range of $380 million–$400 million through final maturity in 2045. Nearly all of the debt service reserves are funded with cash and investments.

High Leverage and Modest Coverage: Airport debt levels of approximately $275 per enplanement and 12x net debt/cash flow available for debt service (CFADS) in conjunction with past financings for a terminal driven capital program are very high. Leverage should slowly moderate over the next five years but still remain elevated at 11x–12x. Debt service coverage ratios (DSCR) on a historical basis are stable at close to 1.54x but are supported by fund balance transfers and debt service offsets from passenger facility charge deposits.

Peer Group

Peers to MIA would include other major hubs and international gateway airports, such as Dallas-Ft. Worth (DFW, A/Stable), Texas and Chicago O'Hare (O'Hare, A/Stable), Illinois. Each of these airports has sizable traffic bases, significant hubbing operations and large debt burdens to support capital programs. Both DFW and O'Hare airports currently have similar leverage in the 12x range but lower CPE levels (DFW at near $10 and O'Hare at about $15).

Rating Sensitivities

Negative — Traffic Volatility: Material losses or increased volatility in aviation activity, considering the particular exposures to Latin American economies and the operations of American Airlines.

Negative — Costs: Operating costs that trend materially above current forecast parameters also leading to upward revisions to airline costs.

Negative — Capital Needs: Development of a new capital program that results in raising leverage metrics.

Positive — Enplanement Expansion: Expansion of the traffic base of carrier mix diversification that leads to improved financial and cost flexibility may lead to a positive rating development.

Project Summary

Enterprise Summary Data		Financial Summary Data	
Project Type	Airport	Rated Debt Terms	Fixed-rate debt: $740 million Series 2016A (Non-AMT) and 2016B (Taxable) aviation revenue refunding bonds (20xx maturity)
Project Location	Miami-Dade County, Florida	Amortization Profile	Fully amortizing
Revenue Basis	Actual Volume	Reserves	**Debt Service Reserve Fund (DSRF):** A reserve will be maintained in an amount equal to the least 50% maximum annual debt service). Existing DSRF balance is $172.2 million (cash and investments) and $30.8 million reserve sureties.
Operator	Miami-Dade County, Department of Aviation	Transaction Triggers	**Rate Covenant:** The county will establish rates to produce 120% annual debt service from net revenues after current expenses for the aviation revenue bonds. Balances in the improvement fund may be used for the coverage calculation. PFCs may be applied to offset gross debt service.
PFC – Passenger Facility Charge	—	—	**Additional Bonds Test:** Additional parity bonds may be issued subject to meeting either a historical (any 12 consecutive months of the past 18 months) or projected (up to fifth fiscal year after issuance or fifth fiscal year after which no interest is paid from bond proceeds) using same coverage methodology as the rate covenant.

Source: Palm Beach International Airport. MDAD, Fitch Ratings

Overview

Transaction Summary

MDAD expects to issue approximately $740 million in senior lien aviation revenue refunding bonds, series 2016A&B, to current refund all or a portion of the airport's series 2003E, 2007ABC, 2008AB and 2010A bonds. The refunding bonds will be on parity with existing senior bonds and are expected to be all fixed rate. The bonds are secured by a pledge of net revenues generated from the operations of the airport. Passenger facility charge (PFC) revenues are not pledged to the bonds, although they can be used as offsets toward debt service. The refunding is estimated to provide $76 million in net present value savings (or more than 11% of refunded principal) and will amortize through 2041, without extending the maturity of the refunded bonds.

Airport Profile

MIA is owned by Miami-Dade County and is operated and maintained by MDAD. MDAD is a self-supporting, proprietary department of the county. In addition to MIA, MDAD also maintains several other general aviation and training airport properties, including Opa-locka Executive Airport, Miami Executive Airport, Homestead General Aviation Airport, Dade-Collier Training and Transition Airport and Opa-locka West Airport.

MDAD is governed by a 13-member board that is also the elected legislative and governing body of the county. Executive management is viewed to be highly experienced in aviation, and the management team enjoys a solid base of continuity. This has been supportive to credit given the scope and execution risks of the most recent capital program, as well as deeper expansion of services into international markets.

Fitch believes MIA, located in the heart of the Miami metropolitan area, is well positioned to serve the south Florida area, with much of the primary air trade service area located in Dade and Broward Counties. MIA is one of the largest U.S. airports in terms of property and facilities, encompassing nearly 3,230 acres located seven miles west of downtown Miami and nine miles west of Miami Beach. Landside facilities include six individual concourses across three terminals (8.6 million square feet) connected by a horseshoe-shaped roadway. MIA has 127 contact gate positions (maximum for narrow-body configuration, 116 for wide-body) plus remote gate positions. Importantly, given MIA's role as a major international gateway, facilities are well aligned with operations, with more than 70 gates able to accommodate both domestic and international arrivals.

The largest terminal is the North Terminal, consisting of Concourse D, which is used primarily by American Airlines. The North Terminal recently completed a $6.5 billion capital program and is essentially in full operation. MIA has three parallel runways, ranging in length from 8,600 feet to 13,016 feet. The airport also has a fourth diagonal runway of 9,355 feet. All four appear to have adequate capacity from an operational standpoint to meet current and future demands, and are capable of accommodating fully loaded wide-body aircraft, such as the Boeing 747 and 787-8, and the Airbus A340 and A380.

Parking operations are significant, with over 8,200 total spaces in on-airport parking garages and lots. Significant investments over the past decade have been made to improve roadway and transit access. Some of the key facilities include the recently completed $2.1 billion ground transportation hub, Miami Intermodal Center, and the adjacent rental car center. Rental car operations are also sizable, with more than 10 operators serving Miami, one of the largest rental car markets in the country. Lastly, cargo operations are among the largest in the U.S., ranking second among international air cargo hubs with 1.7 million cargo tons. MIA's cargo facilities are spread over three areas of nearly 800 acres and 8.9 million square feet.

Project Analysis

Revenue Risk — Volume

Service Area

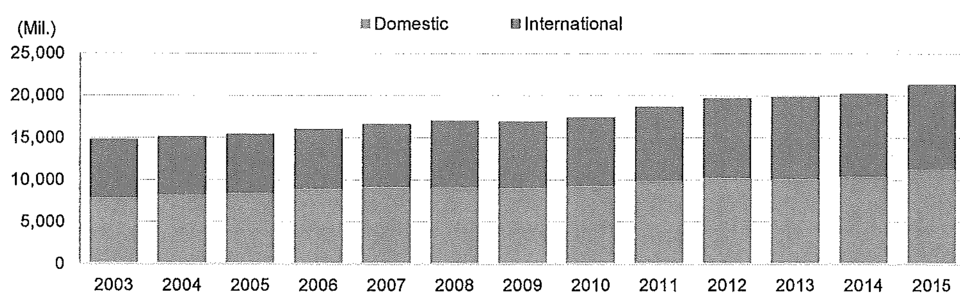
Fitch believes Miami-Dade's economic fundamentals remain an important credit strength. The county population alone represents 13.4% of the state's population. However, passengers are also drawn in from neighboring counties, thus expanding the catchment area. Fitch observes the rate of population growth has slowed since 2000. Total non-farm employment in the Miami-Fort Lauderdale-Miami Beach metropolitan statistical area is significant at 2.5 million (as compared with 1.1 million in Dade County alone) and well represented across employment sectors. Good job growth has reduced the county's unemployment rate to 6.2% in early 2016, down from more than 12% at the peak of the recession.

Most local governments in Florida are vulnerable to a dependence on housing and tourism. Home prices continue to rebound strongly, and the attractiveness of the Miami market is reflected in a full market value per capita exceeding $100,000. Miami-Dade County is a major tourist destination and drives a considerable amount of the air travel demand. Visitors to Miami-Dade County reached 14.5 million in 2014, split evenly between domestic and international visitors, with Latin American markets representing the largest segment.

Enplanement Trends and Airline Activity

In Fitch's view, MIA's franchise strength and its long-term air passenger activities are key underlying credit strengths. Enplanement activity continues to demonstrate growth, with an increase of 5.7% in fiscal 2015 to 21.4 million enplanements. For the first eight months of fiscal 2016, updated airport data indicates additional positive growth of 5.7%. The overall passenger traffic growth rates are influenced by both domestic expansion as well as the overall traffic resiliency reflects the relative strength of international traffic, particularly to Latin American markets that have close economic and cultural ties to the Miami metropolitan area. Expanded services from American Airlines are also a result of increased gate availability at the airport's North Terminal facility.

Historical Domestic and International Revenue Enplanements — MIA

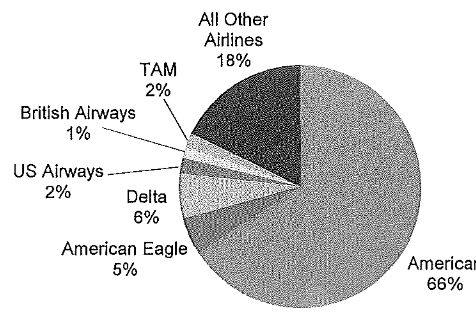


Source: Los Angeles World Airports.

The airport is served by a diverse mix of airlines, including nine scheduled domestic carriers, 45 scheduled foreign flag airlines and 29 all-cargo carriers. Miami's leading role in international operations is not only relevant for passenger operations but also for air cargo. Miami currently ranks among the top two U.S. airports in terms of nonstop international destinations and international air cargo tonnage. Still, Fitch views future traffic stability to remain an ongoing risk consideration given the high concentration of traffic from American Airlines' operations and some exposure to Latin American economies. American and its affiliate American Eagle collectively represent 68% of MIA's total passenger traffic (based on year-to-date fiscal 2016 data) and support a key part of the airport's domestic and international traffic operations. American Airlines' market share of total passenger traffic has remained mostly stable over the past several years, and Fitch does not expect the recent American Airlines merger with US Airways to have material changes to the operational activities.

In addition to general economic conditions, both domestically as well as across Latin America, Fitch believes MIA's base of service also faces ongoing competitive threats for its domestic O&D traffic from nearby Fort Lauderdale-Hollywood International Airport (FLL). FLL currently has a much lower cost profile and is served by a broader mix of domestic legacy and low-cost carriers. FLL has been undergoing a substantial expansion and redevelopment of both its airfield and terminal facilities, and could create a more challenging environment for MIA with regard to sustaining the traffic growth off its existing passenger traffic base. FLL's recent growth has been in certain Caribbean and Latin American markets, which may make the competitive landscape more intense than in the past.

Carrier Market Share — MIA



Source: Miami-Dade County Aviation Department.

Revenue Risk — Price

Airline Agreements

In Fitch's view, the two operating agreements for MDAD's signatory carriers — the airline use agreement and the terminal building lease agreement — provide a sound structure for cost recovery regardless of traffic performance. Airline costs are largely offset by non-aviation revenue generation, allowing the airport to pass through less of its operating expense and debt costs to the airlines.

MIA's use agreement, executed in 2002 with a term of 15 years, establishes landing fees based on a residual, cost-recovery basis. After all other revenues are collected for the county's Port Authority Properties (PAP) the airport adjusts the landing fees for all airlines to meet the 1.20x rate covenant. Nonsignatory airlines pay a surcharge. The terminal building lease agreement has a term of five years, but the leases are subject to cancellation by either party on at least 30 days' notice. This provision provides airport management with strong control over its facilities, allowing for the allocation of gates based on market demand, the relocation of tenant airlines to accommodate new entrants and quick response to operational decisions or the bankruptcy of a carrier.

Majority-in-interest decisions require the agreement of 51% or more of the signatory airlines whose total landed weight for which they paid landing fees in the previous fiscal year equaled at least 25% of total landing fees collected. As long as MIA's projected CPE remains less than $30, expressed in 1998 dollars, the airport retains control of its capital spending.

Over the last five years, the airport's CPE has climbed to $19.93 in 2015 from $17.61 in 2010. Much of the growth was due to the increases in debt costs on the airport's budget associated with the North Terminal development project. Importantly, CPE is well below earlier estimates and is reflective of robust passenger growth and management's successes in controlling operating costs. Looking ahead, Fitch sees CPE remaining relatively level. While CPE above the $20 level is well above the national median, this rate is reasonable when compared with major international gateway airports. Strong airline yields in the Miami market, particularly with premium seating for international flights, should provide an economic advantage. However, on domestic flights, MIA's CPE is considerably higher than those in Fort Lauderdale and may make it difficult to attract low-cost domestic carriers.

Infrastructure Development and Renewal

In Fitch's view, MIA's capital program is going through a significant transition phase. For the past decade, infrastructure needs were significant in size even for a large-hub airport. The most critical element was the $6.5 billion North Terminal redevelopment program. Other than minor carryover projects, estimated to be $129 million and funded with existing resources, the North Terminal project is essentially complete. The initial timetable and costs for the North Terminal project had setbacks but airport management has been successful with project delivery in recent years, while controlling costs at revised budgeted levels.

The airport has identified a terminal optimization program to be implemented over two phases over the next decade. The airport's Concourse E and South Terminal are the main components for the plan. While the combined costs of the two-phase plan are estimated to be $1.15 billion, there is greater flexibility for implementation based on demand trends. In Fitch's view, funding appears to be well balanced between future aviation revenue bonds ($289 million, 44% of costs), supplemented by MDAD funds (16%), grants (23%) and PFC pay-as-you-go receipts (16%). To the extent this plan remains in place, in terms of size and funding sources, Fitch does not expect a material change to airport leverage and the overall financial profile.

Financial Analysis

Debt Structure

In Fitch's view, the airport has a conservative debt structure and currently has slightly more than $5.5 billion of outstanding senior-lien aviation revenue bonds. The aviation revenue bonds are secured by net revenues of PAP, which consists of most of the assets at MIA and, to a lesser extent, cargo and aviation facilities at the county's smaller airports for general aviation and flight-training operations. From a bonding authorization standpoint, MIA's board has authorized the issuance of $6.2 billion in aviation revenue bonds, of which $5.84 billion has been utilized. The additional borrowing requirements under the latest capital program should be able to manage within this authorization.

In addition to the aviation revenue bonds, the airport is responsible for a $50 million Florida Department of Transportation state infrastructure bank loan that financed construction of a viaduct to provide improved access to the airport's cargo facilities, payable from airport revenues on a subordinate basis to the outstanding revenue bonds. Also, MIA, through Miami-Dade County, has $227.6 million of double-barrel aviation debt outstanding, which is payable from ad valorem taxes in the county as well as unencumbered funds of the airport held in the improvement fund. Issued in 2010 to support the costs of the MIA Mover project, the airport has been covering the timely payments on the double-barrel obligations.

Revenues and Costs

In Fitch's view, airport pledged revenues of $892.8 million are well balanced between airline payments (51.5% in fiscal 2015), concession revenues (31%), and other operating and non-operating revenues (17.5%). Separately, MIA collects over $82 million in PFC revenues, of which $55 million was applied against debt service payments in the past year. Over the past five years, aviation revenues grew at a 6.7% CAGR, reflecting the rising debt-related and operating costs, coupled with airport traffic growth. Given the expected moderation in rising costs associated with airline cost centers in conjunction with the updated capital program, airline fees are forecast to climb by a more moderate annual rate of about 3.5% through 2022. Airport CPE has been rising, but at modest levels, to approximately $20 rate in 2015. CPE is likely to remain in the $20–$23 range over the next five to seven years, even under conditions of traffic growth. While MIA's CPE will be the highest among airports in the region, the current rate will still be competitive when compared with the expectation of rates and charges at other international gateway airports.

Concession revenues have also risen at a healthy 8.6% average rate since 2010. Auto parking and rental car combined comprises just over one-third of the receipts in this non-aeronautical category. However, terminal concessions and passenger services are also major contributors and have been growing at accelerated levels in recent years. These revenues are instrumental to the airport's stable debt service coverage levels and unrestricted fund balances. Airport operating expenses appeared to be well controlled, with average growth of just 1.6% per annum since 2010, despite the healthy growth in traffic and significant investments at the terminals.

Key Financial Metrics

In Fitch's view, MIA's recent financial performance has been largely stable, with coverage of debt service in the range of 1.40x–1.55x over the past five years (1.54x in fiscal 2015), based on indenture-derived results. Fitch's calculation of coverage, treating PFC receipts as revenue rather than debt service offsets and excluding fund balances, generated an adequate but tighter 1.29x. The residual rate-setting methodology as well as passenger growth have allowed for financial performance to remain at steady levels over the last several years, even with the growing debt burden to support the capital plans underway. MDAD leverage metrics (approximately 12x in fiscal 2015) have been somewhat elevated for the 'A' category on a historical basis. However, the net debt/CFADS should evolve to a comparable 9x–10x level over the next three to five years, despite the plans for more borrowings. In Fitch's view, a combination of the rate-setting methodology, healthy cash balances and growth in airport traffic should collectively help stabilize the airport's fiscal and leverage position.

Fitch Base and Rating Cases: Assumptions and Results — Miami-Dade County Aviation Department (MIA)

	Forecast						
($ 000, FYE Sept. 30)	2016	2017	2018	2019	2020	2021	2022
Fitch Base Case							
Enplanements	22,230	22,563	22,902	23,245	23,594	23,948	24,307
Revenues	916,749	918,435	945,241	972,629	1,000,114	1,049,544	1,081,122
Expenses	474,068	501,949	527,046	553,398	581,068	610,122	640,628
Senior DS with Improvement Fund (Indenture Approach)	1.29	1.26	1.26	1.27	1.27	1.26	1.27
Senior DS with Improvement Fund (PFCs as Revenues)	1.25	1.21	1.21	1.21	1.21	1.21	1.21
Cost per Enplanement	$19.45	$20.21	$20.58	$20.99	$21.38	$22.57	$22.93
Net Debt/CFADS	13.32	12.07	11.55	11.12	10.70	9.82	9.51
Fitch Rating Case							
Enplanements	22,230	20,109	20,363	20,621	20,885	21,154	21,428
Revenues	916,749	902,017	924,051	949,588	975,174	1,022,774	1,052,357
Expenses	474,068	474,068	497,771	522,660	548,793	576,233	605,044
Senior DS with Improvement Fund (Indenture Approach)	1.29	1.30	1.29	1.29	1.29	1.29	1.29
Senior DS with Improvement Fund (PFCs as Revenues)	1.23	1.24	1.23	1.23	1.23	1.23	1.23
Cost per Enplanement	19.45	22.67	23.15	23.66	24.15	25.55	26.01
Net Debt/CFADS	13.31	11.78	11.37	10.95	10.55	9.71	9.40

DS – Debt service. PFC – Passenger facility charge. CFADS – Cash flow available for debt service.
Source: Miami-Dade County Aviation Department, Fitch Ratings.

Fitch evaluates MIA's financial performance using a base case and rating case set of assumptions. Fitch's base case assumes a 1.5% average growth in traffic coupled with operating revenue increases averaging 2.5%. Coverage levels should remain the same, at about 1.30x, while average CPE peaks at about the $23 level by 2022. Over all, the loss in traffic will have the greatest impact on CPE, while other financial metrics remain mostly unchanged.

Fitch's rating case assumes a flat traffic growth profile, taking into account a nearly 10% loss in 2017 followed by annual recovery of 1.3% in subsequent years. Given the residual rate-setting approach, the coverage ratios are largely the same as the base case. However, CPE goes slightly higher in each year to maintain the same net cash flow. In both cases, leverage evolves to about 10x by 2020, which is consistent for the 'A' rating level.

Historical Financials — Miami-Dade County (MIA)

	Actual					
($ 000, FYE Sept. 30)	2010	2011	2012	2013	2014	2015
Operating Revenues						
Aviation Fees	274,611	316,570	344,243	356,697	372,076	382,496
Commercial Revenues	183,821	227,181	251,566	273,137	274,474	277,407
Other Operating Revenues	122,692	127,150	147,854	149,781	151,051	155,607
Improvement Fund Transfers	57,222	69,098	81,224	89,185	95,974	77,336
Total Gross Revenues	638,346	739,999	824,887	868,800	892,409	892,409
Operating and Maintenance Expenses	361,633	373,538	370,290	384,004	385,969	385,969
Net Revenues	276,713	366,461	454,597	484,796	508,111	490,015
Reserve Maintenance Deposits	19,250	25,000	12,000	17,000	15,000	15,000
Net Debt Service Requirements	184,044	229,035	285,208	311,157	307,028	324,027
Gross Senior DS	284,044	329,035	370,208	372,209	374,302	374,303
PFC Offsets to Senior DS	100,000	100,000	85,000	50,000	54,500	54,501
PFC Offset as % of Gross DS (snr. + Sub)	35.2	30.4	23.0	13.4	14.6	114.6
Coverage Ratios (Indenture Approach)						
Senior DS with Improvement Fund	1.40	1.49	1.55	1.48	1.58	1.54
Senior DS without Improvement Fund	1.09	1.19	1.27	1.20	1.28	1.29
Coverage Ratios (PFCs as Revenues)						
Senior DS with Improvement Fund	1.26	1.34	1.43	1.17	1.50	1.46
Senior DS without Improvement Fund	1.06	1.13	1.21	1.15	1.24	1.24
Enplanements (000)	17,405	18,701	19,684	19,878	20,220	21,375
Pct. Change (%)	3.1	7.4	5.3	1.0	1.7	5.7
Cost per Enplanement	17.61	18.51	19.72	20.39	20.56	19.93
Debt per Total Enplanement	367.26	338.15	317.82	306.22	295.66	274.11
Debt/O&D enplanement	684.11	626.67	583.58	537.25	507.62	451.89
Net Debt/CFADS	19.86	15.73	13.04	13.11	12.25	12.00
Days Cash on Hand	198	236	257	282	258	249

DS – Debt service. PFC – Passenger facility charge. CFADS – Cash flow available for debt service.
Source: Miami-Dade County Aviation Department.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Miami-Dade County, Florida

Aviation Revenue Refunding Bonds Series 2016A (Non-AMT)

Aviation Revenue Refunding Bonds Series 2016B (Taxable)

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KBRA KROLL BOND RATING AGENCY

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Executive Summary

Kroll Bond Rating Agency (KBRA) has assigned a long-term rating of AA- with a stable outlook to the approximate $369 million Miami-Dade County Aviation Revenue Refunding Bonds Series 2016A (Non-AMT) and $372 million Aviation Revenue Refunding Bonds Series 2016B (Taxable). In addition, KBRA affirms the AA- rating and stable outlook on the County's outstanding Aviation Revenue Bonds that are not supported by an external third-party credit agreement and are not double-barreled Aviation Revenue and General Obligation Bonds. Following the current refunding the County will have approximately $5.5 billion in outstanding Aviation Revenue Bonds.

The rating is based on KBRA's U.S. General Airport Revenue Bond Rating Methodology. In the process of assigning the rating, KBRA reviewed multiple sources of information and spoke with Aviation Department management.

Security

The Airport Revenue and Revenue Refunding Bonds are special limited obligations of the County, payable solely from a pledge of the net revenues derived from the Port Authority Properties (PAP), including the operation of the Miami International Airport (MIA), three general aviation airports, one flight training airport, and one decommissioned airport. The major components of PAP are the terminals, grounds, runways, and taxiways of MIA. The security for Aviation Revenue Bonds does not include any mortgage or lien or any security interest in any of the PAP.

Use of Proceeds

Bond proceeds, together with any other legally available funds of the Aviation Department, are to be used to refund portions of several Aviation Revenue Bond Series. The refunding is anticipated to result in a net present value savings of approximately $76 million, equivalent to 10.2% of refunded principal.

Key Rating Strengths

- Management has effectively steered MIA through its massive capital program.
- Southeastern U.S. location in relative close proximity to key destinations in Latin America and the Caribbean.
- Sizable foreign-born service area population that fosters international business and supports travel by family and friends.
- High yield routes temper concerns regarding high airline costs.
- Sound financial operations, characterized by ample coverage and comfortable liquidity.

Key Rating Concerns

- Airline cost per enplaned passenger (CPE) will remain high despite more modest borrowing on the horizon.
- Proximity of competing Fort Lauderdale-Hollywood (FLL) International Airport, which is served by several low cost carriers.

Rating Summary

KBRA believes that MIA exhibits many favorable credit features that collectively provide a high level of bondholder security despite a substantial amount of outstanding debt. These include a very capable management team with varied experience that has overseen a 20-year capital program with a $6.5 billion re-investment in MIA. Management has also effectively integrated County policies and procedures that support well-maintained operations. The service area for MIA encompasses more than 3,100 square miles with a population of approximately 4.5 million. The region's population is demographically diverse, with almost 45.0% of the service area population consisting of foreign born residents, primarily from Latin America and the Caribbean. The service area, which includes the City of Miami, continues to grow and is nicknamed the "capital of Latin America", an important international trading center known for finance, commerce, culture, fashion, and education. The region has substantial numbers of secondary residences, both vacation properties and investment real estate, which affect travel demand. Tourism and cruise activity are important economic components, which also affect air travel demand. A mix of airlines serves MIA, but American Airlines clearly holds a dominant position. American has established a fortress hub at MIA, assuming and expanding the Latin American and Caribbean routes established by Braniff International Airways and Eastern Air Lines. MIA has more seats to this region than any other airport, and the second most seats internationally of any U.S. gateway. While KBRA believes that there is always the risk an airline will reduce operations or shutdown a hub, we are confident that American, and if not American, some other airline will maintain MIA as a gateway. MIA's strategic position and large foreign-born population supports KBRA's belief. Debt levels are high, reflecting a large capital program that was completed in late 2014. Consequently, airline costs are also high, approaching $20.00 per enplaned passenger. KBRA concerns are tempered by the lucrative nature of MIA's international routes as underscored by high yields.

In KBRA's opinion the economic base of the MIA service area continues to recover from the Great Recession. The recessionary impact on the region was more severe due to significant declines in home values. While home values have risen post-recession, they remain below pre-recession levels. Service area personal income has also rebounded but at a slower pace than the nation as a whole. However, enplanement activity and the number of available seats at MIA have increased at a much greater rate than the U.S. average. KBRA believes that demand for international travel is rather inelastic. KBRA acknowledges that foreign economic cycles and exchange rate fluctuations impact travel, but, KBRA believes that ongoing travel by friends and relatives forms a strong basis for aviation activity. In addition, MIA ranks as the second largest air cargo hub in the U.S., after Anchorage, AK.

FLL is a competing airport for origin-destination (O&D) domestic travel and, to a much more limited degree, international travel. FLL has substantially more low cost carrier service than MIA, and domestic fares tend to be 20.0% to 30.0% lower. The differential reflects premium-fare passengers at MIA, including business flyers, and those connecting to international flights, while FLL attracts more leisure travelers. The gap may close somewhat as Frontier, a low cost carrier, began service at MIA in December 2014. Despite the cost advantage of FLL, MIA's enplanement growth has been stronger in the post-recession period.

MIA enplanement trends since 2000 have been steady, with the exception of declines in the aftermath of the terrorist attacks of September 11th, 2001, and a small fiscal crisis related decline in 2009. The compound average rate of growth of 1.3% over the 2000 through 2012 period contrasts with a 0.7% growth rate for the U.S. Available seat trends have also been strong, with MIA outpacing U.S. averages for a comparable period.

The County issued approximately $6.5 billion of debt for MIA over the 20-year period between 1994 and 2014. Most of the terminal building (North and South Terminals) was renovated. The Central Terminal was not included. Capital projects included the expansion, renovation, and reconfiguration of what is now Concourse D, the rehabilitation of Concourse H, and the addition of Concourse J. Additional projects included a new baggage handling system in the North Terminal for American Airlines, a new federal inspection services (FIS) area, and cosmetic improvements to the front of the North and South terminals. Other improvements include the addition of a fourth runway, a new 1,540 space parking garage, an extension of the upper and lower terminal vehicular circulation system, and six new cargo buildings. Following delivery of the current offering, there will be approximately $5.5 billion in Aviation Revenue Bonds outstanding which mature in 2045. Annual debt service ranges from $384 million in 2017 to a maximum of $407 million in 2041. The impact of such a large annual requirement is lessened by the Aviation Department's use of passenger facility charge (PFC) revenue to offset a portion of debt service. This has been a past practice and is expected to continue with between $55 million and $82 million applied through fiscal year 2022. Additional measures to moderate airline costs include the use of prior year surplus funds in the Improvement Fund as revenues which is allowed by the Airline Use Agreement. These deposits have been as much as $95 million in 2014, and are included in forecasted revenues but at a lesser amount.

MIA is far along in its capital cycle. Besides a modest level of remaining carryover projects (projects that were carved out of CIP due to timing) that are completely funded, the Aviation Department has embarked on its Terminal Optimization Program (TOP), which addresses near to mid-term needs over the 2015 to 2025 period. Older terminal facilities (Central Terminal-Concourse E) will be addressed by TOP, as will airfield projects including the need for additional hardstand positions, apron and utility improvements, and replacement of the Central and South Terminals outbound baggage handling systems. TOP is divided into two phases, with Phase I (2015-2018) approved for implementation. The total estimated cost is $651 million, with bonded debt accounting for $298 million, including the new money portion of the Series 2015 offering ($75 million), with other sources including TSA grants, FDOT grants, PFC revenues, and money set aside in the Improvement Fund for miscellaneous projects. Phase II covers fiscal years 2019-2025, and continues projects begun under Phase I. Beyond 2025, the Aviation Department may fund extension of Concourse D, replacement of the MIA Terminal Hotel, and redevelopment of the Central Terminal. Costs for these projects have not been quantified.

The Aviation Department has maintained a trend of favorable financial operations. Debt service coverage has been in excess of the 1.20 times Trust Agreement rate covenant requirement, averaging approximately 1.51 times over the past five years. The Aviation Department's Airline Use Agreement (AUA) contains a provision requiring use of surplus Improvement Fund monies (at bottom of the flow of funds) as subsequent year operating revenue. This acts to moderate airline costs, as does the use of PFC revenues as an offset to annual debt service requirements, although airline costs on a per enplanement basis are high. The 15-year agreement expires on April 30, 2017. The general framework employs a residual rate-making methodology, such that revenues from signatory airline landing fees together with revenues from other sources are sufficient to meet the requirements of the rate covenant, and indebtedness paid from the Improvement Fund. The AUA uses a cost-based, equalized rate setting methodology for calculating rents and user fees for the use of facilities, equipment and services at MIA's terminal building. Signatory airlines pay landing fees and other charges at levels required under the Agreement for so long as the signatory airline operates at the Airport. Furthermore, since Terminal Building Lease Agreements (TBLA) are subject to cancellation by either party on 30-days' notice, an airline may discontinue operations at the Airport without substantial penalty. KBRA believes that associated risks are largely offset by the economic value of servicing MIA.

Based on review of the six Rating Determinants included in the KBRA Methodology for rating U.S. General Airport Revenue Bonds, KBRA has assigned a rating to each Determinant, which is summarized as follows:

- Management: Favorable
- Economics/Demographics of the Service Area: A+
- Airport Utilization: AA+
- Airport Debt/Capital Needs: A
- Airport Finances: AA-
- Legal Mechanics and Security Provisions: A+

Outlook: Stable

The stable outlook reflects KBRA's expectation that passenger traffic will remain stable to slightly increasing, borrowing levels will approximate what is currently anticipated, debt service coverage levels will remain robust, and non-airline revenues will continue to temper the need for significant increases in airline payments.

In KBRA's view, the following factors may contribute to a rating upgrade:

- An accelerated passenger traffic growth trend with accompanying strong performance of non-aeronautical revenues lowering airline CPE.

In KBRA's view, the following factors may contribute to a downgrade of the rating:

- Significant enplanement erosion in American's Latin America/Caribbean hub.
- Unanticipated large capital costs that significantly increase debt levels well beyond what is now expected.

Bankruptcy Assessment

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues. The Port Authority Properties that are the source of revenue to pay the Bonds are owned and operated by Miami-Dade County, under its Department of Aviation. Neither the Department of Aviation nor any of the Port Authority Properties are separate, stand-alone municipal bodies and thus cannot themselves file for bankruptcy protection. Further, because none of the Department of Aviation or the Port Authority Properties are separate entities from the County, they would be implicated in a bankruptcy proceeding of the County.

To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), an entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a municipal bankruptcy petition by the State in which it is located. The County meets the definition of municipality, as it is a political subdivision of the State of Florida. As to authorization, Florida law generally permits municipal entities to seek Federal bankruptcy relief, but this authority is limited by a separate statute, prohibiting certain local governmental entities (defined to include counties) from seeking such relief except with the prior approval of the governor. Accordingly, KBRA believes it likely that a bankruptcy court reviewing any Chapter 9 filing by Miami-Dade County would require, as a condition to eligibility, that the County has received prior permission from Florida's governor.

Because the pledged Net Revenues are generated by the Port Authority Properties, as part of the aviation transportation projects and systems owned by the County, KBRA understands that the Net Revenues will qualify as "special revenues" as that term is defined in the Bankruptcy Code. Thus, to KBRA's understanding, even if the County were to file for protection under Chapter 9, such filing should have little to no effect on the payment of the Bonds during a bankruptcy case, since the Bonds are secured by a pledge of special revenues. That stated, there are several additional issues that arise. In determining necessary operating expenses for the Port Authority Properties, in a Chapter 9 case the bankruptcy court may not be limited by the provisions governing the flow of funds or that define Current Expenses, in the Trust Agreement or other bond issuance documents. In addition, while there is no case law from which to make a definitive judgment, it is possible that, in the context of confirming a plan of adjustment in a Chapter 9 case where the plan has not received the requisite consent the holders of the Bonds, a bankruptcy court may confirm a plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds, provided that (i) the bondholders retain their lien on the special revenues and (ii) the payment stream has a present value equal to the value of the special revenues subject to the lien.

Given that a material portion of the Net Revenues are derived from rentals, fees and charges imposed upon the Signatory Airlines pursuant to the Airline Use Agreement, the bankruptcy of a Signatory Airline, particularly a second bankruptcy of American Airlines (however unlikely that might be), could have an effect on the ability of the County to make debt service. Ordinarily, where a bankruptcy case is filed with respect to an airline, the airline's powers of assumption and rejection of contracts are implicated, with the potential for delay while the airline considers whether to reduce its presence at relevant airports, and the potential for lost airport revenue from unpaid lease rental claims as well as unused terminal space and/or gates that must be re-leased by the airports.

In the case of MIA, these risks are materially mitigated by the structure of the relevant agreements, and the legal powers of the County. As a result of this contractual and legal framework, it appears that an airline in bankruptcy that intends to continue operating at MIA would not have the customary burdens or other economic incentives to jettison ("reject" under the Bankruptcy Code) its terminal building leases ("TBLAs"), the Airline Use Agreement or the Restated Airline Use Agreement (the latter collectively the "Airline Use Agreements") – because there is apparently no economic advantage or incentive to do so. While an airline in bankruptcy proceedings frequently will reject executory leases and contracts to avoid long-term commitments in the documents, unusual contract terms, or high fixed fees, KBRA is informed that at MIA all TBLAs are on a month-to-month basis, with standard terms and fees applicable to all airlines. Further, KBRA is informed, the Airline Use Agreements are standardized for all airlines, have a credit program that permits payment of landing and other fees on a monthly basis rather than on a daily basis each time an aircraft lands at the airport, and impose a 50% administrative charge on landing and aviation fees for airlines not participating in the credit program.

For all these reasons, an airline in bankruptcy that plans to continue operations at the Airport at the same level of activity would have little economic incentive to reject its agreements. In addition, KBRA understands that the County has the statutory and regulatory power to impose such fees on the airline regardless of any contractual arrangement with the airline, so the airline must always pay the rental, landing and aviation fees for actual use of the Airport regardless of whether or not it has rejected its TBLAs or Airline Use Agreements. Further, if an airline were to end operations at MIA, the fact that all TBLAs are on a monthly basis should mean that unused facilities could be re-leased relatively quickly (assuming market demand at the time), which should also reduce the County's risk of airline bankruptcy-related losses.

Key Rating Determinants

Rating Determinant 1: Management

MIA and its system airports are operated by the Miami-Dade Aviation Department ("MDAD"), a department of Miami-Dade County. MDAD operates as an enterprise fund of the County. It was established in February 1973 as the successor organization to the Dade County Port Authority. MIA has operated at its current site since 1928, initially as a privately owned facility. The County's Port Authority acquired the facility in 1946, thus the reference to Port Authority Properties in the Trust Agreement remains in effect.

MDAD's mission is: "To provide a modern, safe and efficient world-class international gateway that delivers best-in-class customer service, significant economic benefits to our community and rewarding professional development opportunities to our employees". MDAD's vision statement is "To grow MIA from a recognized hemispheric hub to a global airport of choice that offers customers a world-class experience and an expanded route network with direct passenger and cargo access to all world regions." The County adopted a Result-Oriented Government Framework in 2003, the goal of which is to have organizations working toward the same results, and knowing what actions to take to achieve them. The County's strategic planning initiative consists of a Plan, Measure, and Monitor process. It provides a framework of where the Aviation Department wants to go, how to achieve success, and how progress is measured along the way. The County's Strategic Plan, last updated in 2012, identifies governmental aspirations that guide departmental activities and resource allocation decisions over a five-year period. It sets goals, along with specific performance objectives, and outlines strategies to achieve these goals.

MDAD has adopted an array of initiatives supported by strategies and measurable objectives designed to support its mission and vision statements. Initiatives are designed to increase travel and tourism, improve financial performance, provide for safety and security, enhance customer service, and strengthen regional economic impact. These initiatives are integrated into the Budget, which also incorporates other financially-oriented objectives, including bond refinancing when anticipated savings exceed 5.0%, controlling the growth in operating expenses, bringing airport charges to a more affordable level, maintaining the current staffing levels, and enhancing non-airline revenues.

KBRA's believes that County policies and practices provide a foundation for effective airport management. The leadership team has significant airport and related experience, whose effectiveness is underscored by the recent successful completion of a massive $6.5 billion capital program that is among the largest ever undertaken for a U.S. airport.

Governance

MDAD is a department of Miami-Dade County government. In January 2007, the Miami-Dade County Charter was amended to create a strong mayor form of government. The Mayor is elected county-wide to serve a four-year term and is limited to two terms in office. The Mayor, who is not a member of the Board of County Commissioners (BCC), serves as the head of County government. The Mayor is responsible for the management of all administrative departments and for carrying out policies adopted by the Commission. The Mayor appoints all department heads, including the Aviation Director. The Mayor has veto power over certain decisions made by the Commission subject to a Commission override by a two-thirds vote. The BCC is the legislative body, consisting of 13 members elected from single-member districts to serve consecutive four-year terms, with elections staggered. Over 35,000 people are employed at MIA and the other system airports, including approximately 1,130 County employees.

Management Experience

Emilio T. Gonzalez, Ph.D., is the Director of the Aviation Department, assuming his position in March 2013. In addition to MIA, he directs the operations of five general aviation airports in the Airport System. Prior to joining Miami-Dade County, he was President and CEO of NPI Advisors, an international and government affairs consulting firm. Previously, he served as President and CEO of Indra USA, the US subsidiary of Spain's Indra Sistemas, S.A., a European-based company specializing in IT solutions.

Kenneth A. Pyatt, the Department's Deputy Aviation Director assumed his position in July 2010, following a 36-year career with American Airlines. During his tenure with American, he served as managing Director of Passenger Services and Ramp operations at MIA, where he was responsible for customer service, security, baggage, international and ramp operations, on-time performance, contract management and vendor oversight. He was corporate liaison with the Transportation Security Administration.

Sandra Bridgeman is Chief Financial Officer of the Aviation Department. She is responsible for overall financial management of the Aviation Department, financial reporting and transparency, and multiple corporate functions including Controller, Treasury, Grants Management, Performance Analysis and Strategic Planning. She has held several positions with Miami-Dade County since 1988, including Controller of the Aviation Department.

Oscar Aguirre is the Capital Finance Manager for the Aviation Department. Mr. Aguirre is responsible for the management and administration of debt issuance for the Aviation Department. Mr. Aguirre also ensures that cash needs are met in order to maintain the capital program schedule and debt service is managed in order to minimize the Aviation Department's cost per enplaned passenger. Mr. Aguirre has served in many different roles since joining the Aviation Department in 1988.

Key Policies and Procedures

As a department of County government, the Aviation Department operates under County adopted policies. The County has enacted various policies to ensure that operations are maintained and potential risks are accounted for. A variety of risk assessments are undertaken. These include enterprise risk management, and business succession plans for all critical businesses. Despite the absence of certain formalized policies, (enterprise risk management, succession) KBRA believes that management has the necessary measures in place to assure effective operation of Aviation Department facilities. KBRA views management as very capable, but could benefit from a more robust set of documents outlining management procedures.

Debt Policy

The debt policy requires the BCC-created Manager's Finance Committee (MFC) to review all debt and make recommendations to the Mayor on the merits of debt issuance. The MFC also assigns underwriting firms from the County's underwriting pool to each negotiated transaction. Fixed rate debt shall be issued unless the MFC and assigned financial advisor recommend that variable rate debt be employed. Within the Aviation Department, variable rate debt cannot be greater than 25.0% of aviation revenue bond debt. Long-term debt is required to be structured with level debt service payments, either on a series or aggregate basis, unless recommended otherwise by the financial advisor. County debt must mature no later than the limitation under Florida law (currently 40 years) or the useful life of the projects being financed. Debt refunding shall only be undertaken when the present value savings is 5.0% or more and the final maturity of the maturity of the proposed refunding bonds is no longer than the debt to be refunded.

Enterprise Risk Management

MDAD does not have a comprehensive enterprise risk management plan. Instead, it has a series of discrete risk mitigation procedures, which include: (1) Strategic planning – the Aviation Department has a five-year Strategic Master Plan (approved by the Federal Aviation Administration (FAA) and the Board of County Commissioners) which governs land use, growth and planned development; (2) Compliance & Ethics – the Aviation Department has a Professional Compliance Division that is responsible for ensuring compliance with standards and County Ethics Commission Directives; (3) Insurance – Contractors and developers are required to provide payment and performance bonds for the full amount of the contract including any increases in the contract value of the work. The construction contract requires builders risk, broad form general liability, windstorm, automobile, completed operations for the full contract value, and workers' compensation insurances with the Aviation Department named as additional insured. Aviation leases in the terminal buildings, management, concession agreements, and other aviation facilities require broad form general liability that includes replacement cost coverage, and when specified, business interruption insurance. Other aviation facility leases also require windstorm coverage; (4) Treasury – the Treasury function is handled at the County level; (5) Internal audit – Aviation Department utilizes services of the County's Audit & Management Services Department (AMS), the internal audit function established by County charter. AMS has an audit unit permanently stationed at the Aviation Department, and conducts its audits without Department intervention.

Succession Planning

The County does not have a formal succession plan. County departments are required to identify critical positions within the department, and establish a plan, where applicable, to develop a pool of qualified employees, who have the potential to succeed in future vacant positions. KBRA believes that the Aviation Department could benefit from a comprehensive succession plan.

Budgetary Process

MDAD's fiscal year begins on October 1, but budget development is a year round process that begins nearly one year earlier. Between mid-November and early February all divisions submit their operating resource allocation requests. These requests are linked to the priorities in the Department Business Plan. Preliminary rates, fees and charges are calculated. Consultation with the Miami Airport Affairs Committee (MAAC) takes place, and the preliminary proposed budget is submitted as part of the County budget. In the period between mid-February and June, the Aviation Department is involved in numerous internal and external meetings. Internally, senior management reviews are held to review line-item budgets. External meetings are held with the Office of Management and Budget (OMB), the County Chief Financial Officer and Deputy Mayor, as well as meeting with MAAC to discuss any changes in rates, fees, and charges. In the subsequent stage (July-September), the final budget is presented to MAAC, and final review is made in consideration of airline comments. The Financial Planning & Performance Analysis Division monitors expenditures during the course of the year. Each Department must operate within its budgeted line item. If the line item is exceeded, budget transfers are required to ensure adequate funding. Budget transfer requests are evaluated by the Analysis Division and approved by the Chief Financial Officer. The Department has to submit a budget amendment to the BCC if it needs to increase appropriated amounts at any point during the fiscal year.

Marketing Efforts

Marketing is conducted on two levels: air service marketing, and concessions marketing to increase non-aviation revenue. Air service marketing plans are multi-year in nature, and target specific economic objectives. The Aviation Department has developed several Air Service Incentive Programs to establish scheduled domestic and international passenger flights, and certain seasonal passenger flights, and freight flights from targeted international markets, by offering credits on landing fees for a maximum period of 12 months.

The Beacon Council, the County's official economic development not-for-profit public-private partnership, is focused on assisting business as a means of building, supporting and sustaining the Miami-Dade economy. Its mission is both the creation and retention of jobs, and expansion of businesses in Miami-Dade County. As such, it provides assistance to companies looking to expand or relocate to the County. The Council also markets the County locally, nationally, and globally; hosts receptions, seminars and networking events for international leaders, assesses the needs of local businesses and supports creation of new jobs in the community, and promotes the County through national/international economic development missions, and participation in industry trade shows and conferences. Its Research Department creates customized reports to assist companies in making business decisions. Since its establishment in 1985, the Council has completed more than 1,000 new location and expansion projects.

Based upon KBRA's review of the County's governmental structure, policies and procedures, and management background and experience, KBRA has assigned a "Favorable" assessment to the Management Rating Determinant. KBRA believes that Aviation Department officials have demonstrated a keen ability to plan, undertake and complete a massive and complex capital improvement program (CIP).

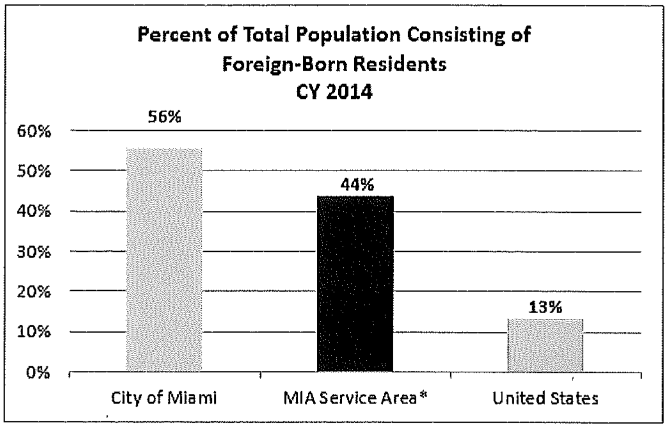
Rating Determinant 2: Economics/Demographics of the Service Area

MIA's primary service area is Miami-Dade County and Broward County, along with a portion of Palm Beach County. MIA is located within the Miami-Fort Lauderdale-West Palm Beach Metropolitan Statistical Area (MSA); Fort Lauderdale-Hollywood International Airport (FLL) is also within the MSA. For statistical purposes, KBRA presents figures associated with Miami-Dade County and Broward County when referring to MIA's primary service area.

Favorable Demographics Offset by Lagging Economic Recovery

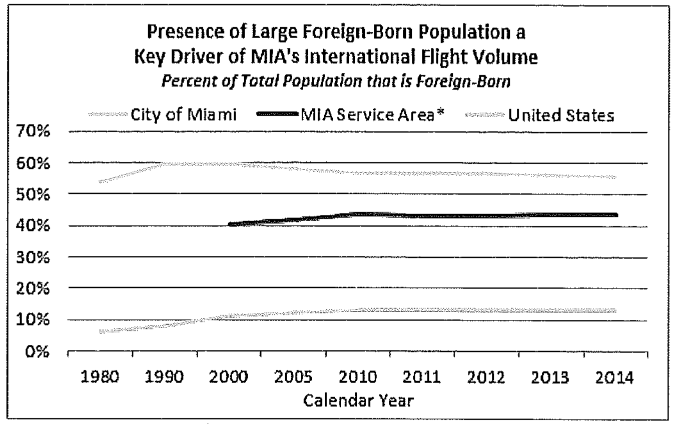
MIA's service area encompasses approximately 3,107 square miles. The estimated population of the area in 2014 was 4.5 million, up from 4.3 million in 2010. The service area's population represents nearly 23.0% of the state's population. Between 2000 and 2014, the service area and the City of Miami's population grew at a comprehensive annual growth rate higher than the national rate.

In addition, the City of Miami and the surrounding region is demographically diverse, with 55.7% of the City's population consisting of foreign born residents, primarily from Latin America and the Caribbean. In comparison, the percentage of foreign born residents relative to the population in the state of Florida and the United States is 20.0% and 13.3% respectively. This unique concentration of foreign born residents coupled with its relative proximity to Latin America and the Caribbean makes MIA a natural gateway to the aforementioned region, as reflected in the high levels of O&D traffic to Latin America and the Caribbean.



Souce: US Census Bureau - American Community Survey

** Service area includes Miami-Dade County and Broward County*

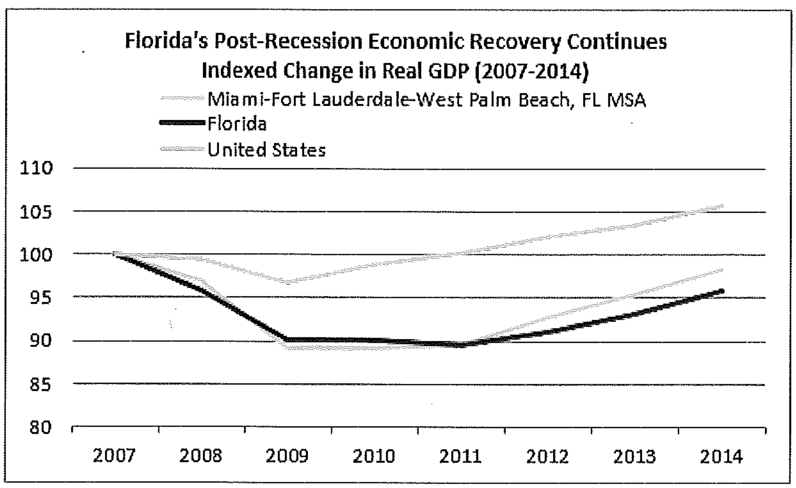


Souce: US Census Bureau - American Community Survey

** Service area includes Miami-Dade County and Broward County*

** Pre-2000 Foreign-Born Population Data not available for MIA Service Area*

The economic base of MIA's service area, however, continues to recover from the recession stemming from the global financial crisis of the past decade. A sharp decline in the region's home values was a significant contributing factor to its lagging recovery. The service area's per capita personal income, according to the Bureau of Economic Analysis, has steadily increased since 2000 to $42,460 in 2014. This rate of increase, while positive, lags the growth in personal income nationwide. In 2014, the United States per capita personal income was $46,049.



Source - Bureau of Economic Analysis (BEA)

In addition, the region's GDP has yet to surpass pre-recession levels on an inflation-adjusted basis. The regional real GDP for the Miami-Fort Lauderdale-West Palm Beach MSA, in 2009 constant dollars, declined 11.1% from a high of $277.9 billion in 2007 to $247.9 billion in 2010. As of 2014, the MSA's real GDP has increased 10.3% from its low in 2010 to $273.4 billion. Although this rate of increase is on pace with the overall growth in real GDP nationwide over the same time period, the MSA has failed to surpass pre-recession levels unlike the United States as a whole.

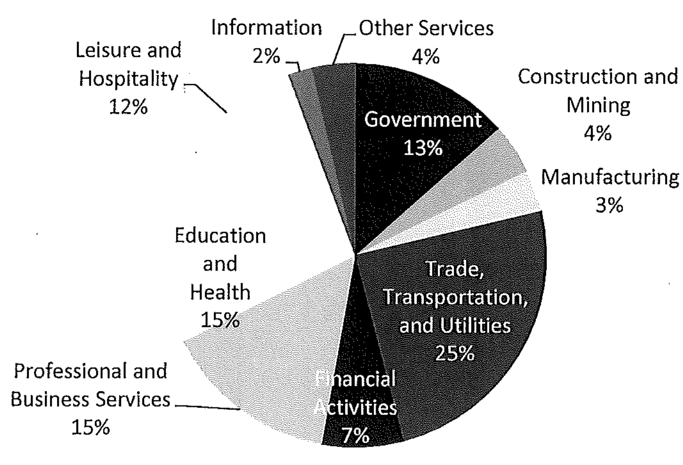
The housing market in MIA's service area largely reflects nationwide trends of a lagging real estate market. As of March 2016, the Miami metro area's home prices had recovered to 74.4% of its pre-recession peak, according to the S&P/Case-Shiller, 20 City Home Price Index. Nationwide, the recovery was 90.7% over the same period of time. This lagging recovery is largely attributable to the fact that housing prices were affected to a much greater degree in the Miami metro area in comparison to the United States overall. In the Miami metro area, housing prices declined 51.0% from its peak in December 2006 to its lowest point in April 2011 compared to a 38.0% decline nationwide over the same period of time. However, housing prices have increased 40.9% since January 2010, which far exceeds the nationwide growth rate of 26.4%. This relatively strong rebound contributes to increased wealth levels in the MIA service area which may translate into increased discretionary expenditures for air travel.

Diversified Business Environment Supports Strong O&D Traffic

The City of Miami, located within Miami-Dade County, is the center of economic activity within MIA's service area. Major industries in the City and surrounding service area include tourism, trade, professional and business services, education and health services, as well as leisure and hospitality. The service area is home to nearly 40 public and private colleges and universities including the University of Miami, Nova Southeastern University, Florida International University, and Florida Atlantic University. In addition, the service area is home to major convention centers and five professional sports teams which have a strong regional draw.

PortMiami, located within Miami-Dade County, plays a vital role in the economic health of the service area, serving as a primary hub for trade activity between the United States and the Caribbean and Latin America. The port also manages the nation's highest volume of leisure cruise passengers and is home to 28 cruise ships that operate year-round. The Port completed a deepening of its channel from 42 to 52 feet. This allows the Port to accommodate "mega" cargo vessel traffic, which is expected to significantly increase with the recent completion of the Panama Canal Expansion Project. The Port also offers on-dock intermodal rail service in partnership with Florida East Coast Railway (FECR) which links PortMiami to approximately 70% of the U.S. population in four days or less. Increased port traffic will only further improve employment and economic trends of the service area. KBRA believes the business environment within MIA's service area fosters air travel, as reflected by the presence of diversified industries, Fortune 500 companies, and infrastructure to support tourism and travel.

Diversity of Employment – MIA Primary Service Area*



Source - US Bureau of Labor Statistics

**MIA Service Area includes Miami-Dade County and Broward County*

The service area's non-agricultural employment is a key driver of MIA's O&D traffic. Reflecting the state of Florida as a whole, wholesale and retail trade is the largest source of employment followed by professional and business services and education and health services. The City of Miami is a center for tourism and attracts a large number of domestic and international visitors. According to the Greater Miami Convention and Visitor's Bureau, total domestic and international visitors increased at an annualized rate of 6.4% between 2014 and 2015. International visitors, primarily from Latin America and the Caribbean, increased from 5.7 million in 2009 to 7.5 million in 2015.

In addition, a large number of businesses in MIA's primary service area have a focus on Latin America. These include, among others, Acer Latin America, Adobe Latin America, Audi Latin America, Carnival Corporation, Canon Latin America, Cisco Systems Latin America, Citigroup, Oracle Latin America, Panasonic Latin America, Univision, UPS Latin America & Caribbean, Visa International – Latin America & Caribbean Region, and Xerox Business Services Latin America.

The top ten major private employers in MIA's service area, as of calendar year 2014, are as follows:

Employer	County	Number of employees
University of Miami	Miami-Dade	12,818
Baptist Health South Florida	Miami-Dade	11,353
American Airlines	Miami-Dade	11,031
Autonation	Broward	3,971
Nova Southeastern University	Broward	3,783
Carnival Cruise Lines	Miami-Dade	3,500
Miami Children's Hospital	Miami-Dade	3,500
Mount Sinai Medical Center	Miami-Dade	3,321
American Express	Broward	3,200
Florida Power & Light Company	Miami-Dade	3,011

Source: Miami-Dade County, The Beacon Council, and Broward Alliance

MIA's primary service area has seen favorable trends in overall employment in recent years, increasing by an estimated 1.5% between 2014 and 2015 alone. The area's total employed population has increased by 14.3% from a low of 1.93 million in 2010 to an estimated 2.20 million in May 2016, reflecting broader growth trends across all major employment sectors in the region. The area's growth in employment exceeds nationwide trends, as total employment in the United States increased 10.4% in the same period of time.

Non-Agricultural Employment (Not Seasonally Adjusted)

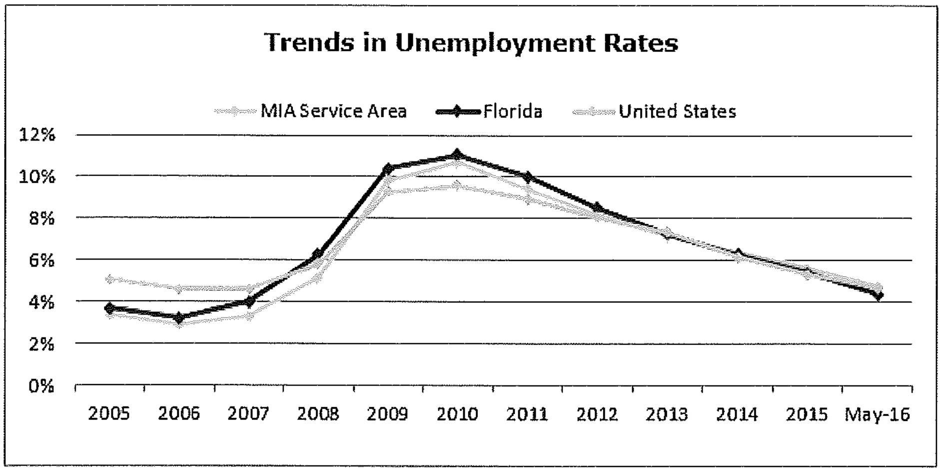
	MIA Service Area		Florida		U.S.	
in thousands	Employment	% Chg	Employment	% Chg	Employment	% Chg
2007	2,152.6	1.9%	8,789.8	0.9%	137,999.0	1.1%
2008	2,120.1	-1.5%	8,637.2	-1.7%	137,242.0	-0.5%
2009	1,974.8	-6.9%	8,148.1	-5.7%	131,313.0	-4.3%
2010	1,930.7	-2.2%	8,193.7	0.6%	130,361.0	-0.7%
2011	1,998.7	3.5%	8,371.6	2.2%	131,932.0	1.2%
2012	2,066.0	3.4%	8,592.4	2.6%	134,175.0	1.7%
2013	2,104.4	1.9%	8,771.2	2.1%	136,381.0	1.6%
2014	2,162.9	2.8%	8,999.4	2.6%	138,958.0	1.9%
2015	2,194.8	1.5%	9,153.3	1.7%	141,865.0	2.1%
May 2016*	2,206.7	0.5%	9,322.6	1.9%	143,941.0	1.5%

Source: U.S. Bureau of Labor Statistics

MIA Service Area: Miami-Dade County & Broward County

* *Preliminary figures*

The service area's average annual unemployment rate peaked at 10.7% in 2010. As of May 2016, the service area's unemployment rate was 4.8%, which is slightly higher than the statewide and nationwide rates of 4.4% and 4.7%, respectively.

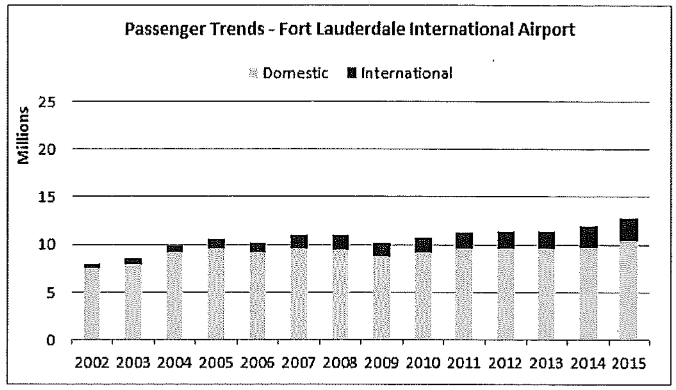


Source: U.S. Bureau of Labor Statistics

MIA Service Area: Miami-Dade County & Broward County

Geographically Competing Facilities

FLL is a major commercial service airport located approximately 27 miles north of MIA. FLL offers domestic and international flight service to major destinations, which provides consumers with the option of selecting between two airports based on price, frequency, schedules, and reliability. Across its four terminals, FLL operates 56 gates and has over 12 million enplanements annually. The airport's airline market share primarily consists of low cost carriers such as JetBlue Airlines, Spirit Airlines, and Southwest Airlines. According to the US Federal Aviation Administration, MIA and FLL's domestic passenger origination to the top 15 destinations in the United States, based on enplanements, were 35.7% and 37.1% of the South Florida region respectively. MIA, however, has a significantly larger share of international O&D traffic, especially to Latin America and the Caribbean. In 2015, MIA had 19.6 million passengers, compared to 12.8 million at FLL. Of its total passengers, MIA's international passenger traffic comprised 46.6% compared to 18.3% at FLL. In addition, MIA's domestic enplanements increased at a more accelerated rate since the end of the Great Recession. MIA is also a major airport for international cargo to and from the Latin America and Caribbean region. KBRA believes that despite the geographic proximity of FLL, MIA's role as the preeminent gateway to Latin America and the Caribbean is likely to continue.



Source: United States Federal Aviation Administration (FAA)

Based on the foregoing, KBRA views the economics/demographics of MIA's service area as consistent with an A+ rating determinant rating. The service area's vibrant, diverse, and growing business environment and favorable demographic trends are offset by a lagging economic recovery relative to the United States, as evidenced by lower, albeit growing, home prices and real GDP. Despite ongoing competition with FLL, KBRA believes that MIA's unique gateway role insulates it from major erosion in passenger and cargo activity.

Rating Determinant 3: Airport Utilization

MIA Features

The Airport System consists of MIA, four active airports, and one decommissioned airport. MIA is the only commercial-service airport in the Airport System, and accounted for about 99.0% of system revenues in fiscal year 2015. MIA is a large-sized hub, ranking 11th in enplanements in calendar year 2015, among U.S. airports, and second in enplaned international passengers to New York-Kennedy. KBRA believes MIA's strategic location in the southeast U.S., and its large foreign-born population, contribute to its status as a fortress hub for air travel to Latin America and the Caribbean. The Airport occupies a 3,230-acre footprint in unincorporated Miami-Dade County, approximately seven miles west of downtown Miami. The airport has four air carrier aircraft runways, consisting of three parallel east-west runways, and a cross-wind northwest-southeast runway. The terminal complex consists of a single horseshoe shaped passenger terminal with six concourses and 127 contact gates in a maximum narrow-body aircraft configuration. All terminal gates are common use. MIA does not have a separate international terminal. The terminal building's third level is capable of moving international passengers to one of two Federal Inspection Service (FIS) areas located in the terminal building. Most gates have international and domestic capability. In addition, the terminal complex includes a 259-room hotel, owned by the County, and operated under a management agreement.

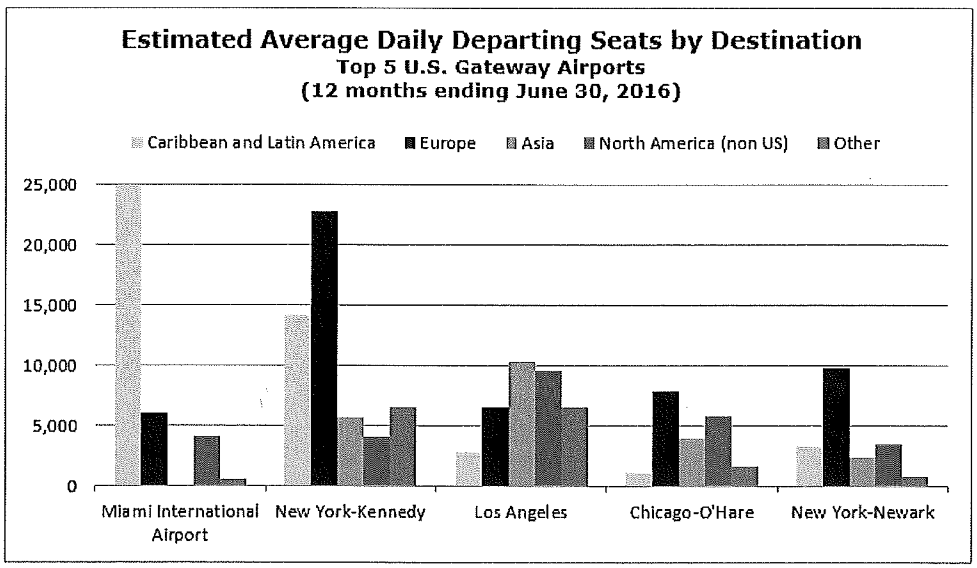
Fifteen rental car companies operate at MIA's Rental Car Center (RCC), which is located east of the Airport. The RCC represents the first phase of the Miami Intermodal Center (MIC). The RCC is connected to the airport via the MIA Mover, an elevated automated transit system. Both the RCC and the Airport are connected to downtown Miami through the County's Metrorail System.

MIA Service and Destinations

The Airport is served by 39 domestic and 63 foreign flag carriers, including 83 airlines which provide scheduled passenger and/or cargo service. Since June 2015, MIA added 9 new scheduled carriers and 33 new and planned direct flights. Notable new carriers include KLM, Turkish Airlines, and Austrian Airlines. Carriers provide non-stop flights to 150 cities, including 96 international destinations. Service is provided to essentially all capital and secondary city/business center in the Latin American region, and many business centers in Europe. The overall ratio of origin/destination to connecting enplanements is 64.0% to 36.0% for the year ending September 30, 2015. It is a large O&D market that supports U.S. – Latin America/Caribbean connecting passengers. KBRA believes that as in-migration to the region continues, the basis for international travel strengthens. For the 12-month period ending June 30, 2016, 30.1% of average daily departing seats to the Caribbean and Latin American from the United States originated from MIA. The airport with the second largest concentration of average daily departing seats to the region was John F. Kennedy International Airport (JFK) at 17.2%.

Following the lifting of trade restrictions between the United States and Cuba, airport management believes that MIA will be a principal hub for U.S. travelers to and from Cuba. According to the U.S. Department of Transportation, in FY 2015, 90.0% of reported US-Cuba commercial charter passenger traffic flowed through MIA. Given MIA's geographic proximity to Cuba, significant market share of Caribbean/Latin American passenger service, and large ex-patriot Cuban population living in the MIA service area, KBRA would expect the Airport to become the primary U.S. hub for air travel and cargo imports to Cuba.

In additional to the multitude of Latin America/Caribbean destinations, MIA serves 20 destinations in Western Europe, Moscow, Helsinki, Istanbul, and Doha, Qatar. International activity represented 44.6% of passengers in calendar year 2015. In comparison, international passengers represented 15.0% of total passengers across all U.S. large hub airports.



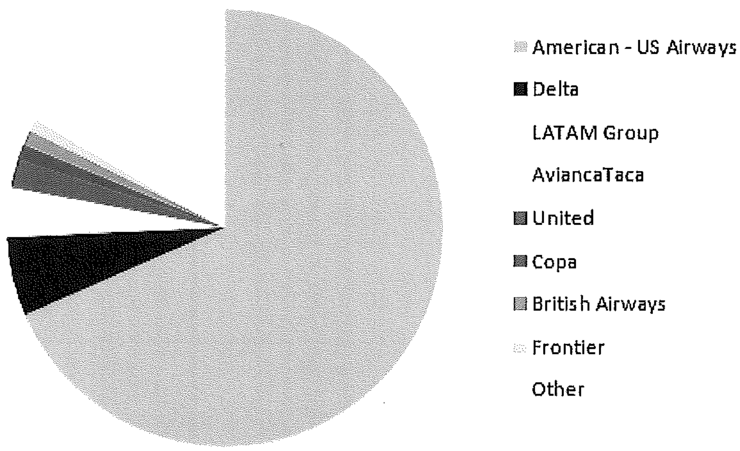
Source: OAG Aviation Worldwide Ltd.

American Airlines Concentration

American Airlines is the primary carrier at MIA. Combined with its affiliate Envoy Air (formerly American Eagle) and US Airways, these airlines accounted for almost 68.5% of total enplanements in FY 2015. Delta was next at about 5.8%, followed by TAM Linhas Aereas (Brazil-based) and United Airlines, both at 2.1%. KBRA is comfortable with this level of concentration, given MIA's gateway status, and the belief that another carrier would step-up operations if American enacted reductions. Year-to-year enplanement growth has been steady with limited exceptions. Fiscal year 2015 enplanements are more than 20.0% greater than the level in fiscal 2000, the last completed year before the September 11th attacks. Following declines in fiscal years 2001 and 2002, growth has been recorded in every year with the exception of fiscal year 2009. In that year, a modest decline of 0.6% was recorded, in contrast to much more significant losses recorded by other airports during the Great Recession. Over the 10-year period between 2005 and 2015, domestic enplanements have increased at a compound annual growth rate of 2.4%, while international enplanements have risen at a more accelerated annual rate of 3.5%. Since FY 2014 alone, domestic and international enplanements grew 8.3% and 3.0%, respectively.

In KBRA's opinion, American emerged from its November 2011 bankruptcy in December 2013 as a stronger airline, with synergies, mainly in the form of increased revenues due to a more extensive network, and a more diverse fleet, allowing capacity to be better matched on a route basis, and decreased expenses. American is now the largest airline in the world. MIA has served for many years as the busiest Caribbean and Latin American hub in American's route system, and we understand that it will continue in this role post-merger.

Share of Total Enplaned Passengers by Airline
Fiscal Year 2015



Source: U.S. Department of Transportation

While the merger with US Airways has created multiple hubs for the consolidated airline, and KBRA believes that several of these hubs may be vulnerable to service reductions, our expectation is that MIA will not be adversely affected since it plays a unique role in American's route system, just as Dallas-Fort Worth International Airport does for domestic travel. It is a fortress hub, and prior history indicates that with respect to the Delta and United bankruptcies, airlines "hunker down" at their fortress hubs. American Airlines has actually added domestic seats at MIA at a faster compound rate than any of its own and US Airways legacy hubs. In recent years, airlines have switched from a market share strategy to an emphasis on profitability. In this environment, load factors and yield has taken on greater importance. American's load factors and yields at MIA are well above its system-wide averages, based on data obtained from InterVISTAS Consulting LLC.

Cargo Activity

MIA has significant cargo activity, particularly to and from international destinations. There are 28 scheduled all-cargo carriers, and 55 scheduled passenger/cargo combination carriers. Facilities include 18 buildings with over 3.4 million square feet of warehouse, office and support space. As of September 30, 2014 there are 71 cargo loading positions, 44 of which are common-use. The remaining 27 position are on airline leasehold property. MIA was ranked second in the US in 2015 in total international air cargo and fifth in the US in total air cargo. MIA has maintained its status as an international air cargo gateway despite economic downturns and airline bankruptcies. International cargo accounts for over 88.0% of MIA's total cargo. As a consequence of geographic location, Latin American and Caribbean (LAC) countries have economic links with the US. Nearly 40.0% of LAC exports are to the U.S., but China has been the fastest growing trading partner with LAC. Much of the air trade between the LAC region and Europe and Asia is shipped through MIA. Given its strategic location and the logistics of cargo shipment, KBRA believes that MIA will maintain its preeminent cargo status.

Based on KBRA's review of MIA's facilities, level of service, enplanement and available seat trends, role as an international passenger and cargo gateway, and the value of MIA routes to carriers, a AA+ rating determinant rating has been assigned.

Rating Determinant 4: Airport Debt/Capital Needs

Debt Issuance Approach

KBRA believes that Aviation Department officials have demonstrated a keen ability to plan, undertake and complete a massive and complex capital improvement program (CIP). Most of the terminal building (North and South Terminal) was renovated and expanded as part of a CIP that began in 1994 and was largely completed in 2014. The County issued in excess of $6.5 billion in aviation revenue bonds for this purpose, of which approximately $5.5 billion, maturing in 2045, will be outstanding upon bond delivery. The County's debt issuance adheres to a written debt management policy. All debt is in the form of fixed rate obligations, and for the most part structured with 30-year maturities. There are no swaps currently in effect. The debt service reserve is approximately 85.0% cash funded; the balance is met from Assured Guaranty surety policies. There are no subordinate aviation revenue bonds outstanding.

Other Obligations

The County issued Double-Barreled Aviation Bonds in March 2010 in the amount of $239.8 million. Proceeds were applied to the construction of the MIA Mover (elevated train to Rental Car Center), and North Terminal improvements. This issue constitutes a general obligation of the County, but this pledge is considered secondary, since payment is made from the Department's Improvement Fund, after all obligations under the Trust Agreement have been met. The County has also obtained a $50 million loan from the Florida Department of Transportation (FDOT) State Infrastructure Bank in February 2007 to construct an elevated roadway for improved truck access to the Airport. The loan is secured by a County covenant to annually budget and appropriate from legally available non-ad valorem funds sufficient to pay debt service costs. The debt service costs are reimbursed to the County by the Aviation Department from the Aviation Capital Account. This payment is subordinate to all other Aviation Department funding requirements, including obligations paid from the Improvement Fund. In 2005 and 2007, FDOT in cooperation with the County, closed on $270 million from the U.S. Department of Transportation's Transportation Infrastructure Financing Innovation Act (TIFIA) loan program. The loan proceeds were used for the construction of the Rental Car Center, which commenced operation in July 2010. Revenues pledged to loan repayment include customer facility charges (CFC), and if required rent payments from the rental car companies. In March 2016, the County issued $5 million of Commercial Paper ("CP") Notes, which is the amount currently outstanding. No more than $200 million in CP Notes may be outstanding at any time. Capital projects may be financed in the short-term with CP, and then retired with Aviation Revenue Bonds. CP interest has a first claim on deposits into the Improvement Fund.

Given the significant amount of debt outstanding, there are opportunities for savings through refunding, and KBRA expects the market will see refinancing on a regular basis.

Completed Capital Program

MDAD has essentially completed the $6.5 billion capital program that was contained in the 1994 Master Plan recommendations, with the exception of approximately $129 million of projects remaining to be completed. The CIP addressed improvements to the airside and landside areas, as well as terminal and non-terminal improvements (i.e. cargo and aircraft maintenance). Most of the improvements were in the terminal, and the North and South Terminal additions added more than 4.1 million square feet to the existing 3.5 million square feet. A new baggage handling system was installed in the North Terminal for American Airlines, as well as a new FIS facility, along with cosmetic improvements to the North and South Terminals. Non-terminal major improvements included the construction of a fourth runway, the addition of a 1,540 space parking garage, the extension of the Upper and Lower Terminal vehicular drives, and the addition of six new cargo facilities.

Terminal Optimization Program (TOP)

The completed CIP did not address a major portion of the Central Terminal. TOP is designed to completely renovate Concourse E in the Central Terminal to accommodate American Airline's future passenger growth at MIA. TOP also includes some airfield projects including additional hardstand parking positions, baggage handling system replacement in the Central and South Terminals, and expansion of employee parking and some miscellaneous projects. TOP costs are undergoing airline review under the Majority-In-Interest (MII) process as required under the Airlines Use Agreement. Funding sources include Transportation Security Administration (TSA) grants, FDOT grants, passenger facility charge (PFC) revenues, Improvement Fund revenues, and Aviation Revenue Bonds. Phase I of TOP has a three-year time frame with an estimated cost of $651 million. Approximately 44% of Phase I costs will be funded with bond proceeds. Approximately $75 million of Series 2015 bond proceeds are included in this total, with approximately $214 million expected over the next two years. TSA grants (15.6%), FDOT grants (8.0%), PFC revenues (16.1%), and internal funds – Reserve Maintenance (7.3%), and Improvement Fund (8.6%) reflect the balance of funding. All grant funding sources for Phase I are in place. Phase II of TOP is pegged at $498 million; with a continuation of projects planned for Phase I. Phase II has a 2019-2025 horizon, with the funding sources still to be determined.

Majority-In-Interest (MII) Provisions

Procedures established under the Airline Use Agreement provide limited airline review of MIA capital projects. The Miami Airport Affairs Committee (MAAC) represents the airline interests on voting matters at MIA. While the MAAC has approval rights for the CIP, certain other projects are in review-exempt categories, and others in non-exempt categories are subject to disapproval only in instances where cost per enplanement is far in excess of current and forecast levels. This confers significant flexibility on the Aviation Department.

Debt Ratios Reflect Scope of Recently Completed Program

MIA's high debt levels reflect the breadth of projects undertaken in the last 20 years. In KBRA's opinion, MIA is now entering a period where issuance will be nominal in comparison. MDAD has demonstrated an ability to navigate successfully through a complex capital program. Capacity is adequate for the near- to mid-term, especially with the additional hardstand positions being developed in TOP Phase I. Although debt service is slightly ascending ($384 million in FY 2017 - $407.0 million in FY 2041), MDAD has used PFC revenues ranging between $50 million to $100 million to moderate debt service requirements. The Aviation Department has demonstrated an ability to operate effectively despite high fixed costs. Aviation Revenue

Bond (ARB) debt per enplanement at $255 is very high for large sized hubs.[1] Maximum annual debt service per enplanement at $18.77 is also extremely high based on KBRA's Airport Methodology. While these metrics are very high, KBRA's concerns are somewhat tempered by MIA's recently completed capital expansion program, and its position far along in the capital cycle.

Based on the foregoing discussion of debt/capital planning metrics, KBRA has assigned an A rating determinant rating.

Rating Determinant 5: Airport Finances

Basis of Financial Operations

MDAD financial operations are governed in large part by the Amended and Restated Trust Agreement dated December 15, 2002, which establishes the various funds, the flow of funds, and the rate covenant, among its provisions. The Trust Agreement provides the financial structure for the Aviation Department, which requires MDAD to account for its financial position on a cash basis, and on an accrual basis for financial reporting purposes. Operations are also a function of the Airline Use Agreement (AUA), a fifteen-year agreement, which lays out the financial obligations of both the airport and airlines, and determines the airport's rate setting and cost recovery mechanism. The Airline Use Agreement employs a residual methodology to calculate the landing fee, and a cost-based, equalized rate setting methodology for calculating rents and user fees for the use of facilities, equipment and services at MIA's terminal building. Airlines requiring exclusive use space have entered into Terminal Building Lease Agreements (TBLA), which provide for the occupancy of terminal premises for a five-year term.

Airline Use Agreement

The present AUA expires on April 30, 2017, but one of its articles provides that even upon expiration of the Agreement, signatory airlines will pay landing fees and other charges at levels required under the Agreement for so long as the signatory airline operates at the Airport. Furthermore, since TBLAs are subject to cancellation by either party on 30-days' notice, an airline may discontinue operations at the Airport without substantial penalty. While this provision entails some risk, KBRA believes the high yield generated by MIA routes are a counterbalancing factor. In a sense, the AUA protects the Airport in that required fees and charges are collected even in the absence of an AUA. An airline in bankruptcy that plans to continue operating at MIA will not typically reject its TBLA or AUA because there is no economic advantage in doing so, since there is no need to avoid a long-term commitment. The ability to cancel the TBLA by either party precludes drawn out resolution of the disposition of terminal gates in the event of an airline bankruptcy, and confers flexibility by permitting MIA to relocate the airline to a different terminal location if the Airport's needs require it.

In 2012 the Aviation Department and the airlines through MAAC negotiated a Restated Airline Use Agreement that updates and amends AUA to reflect current conditions. The changes are not substantive, and do not impact the security for the Bonds. As of April 30, 2016, a majority of the operating signatory airlines have signed the Restated AUA, which has the same expiration date as the previous AUA. Upon expiration, the County expects to have negotiated a new airline use agreement with terms and conditions similar to the Restated AUA.

The landing fee rate is reviewed annually based on the approved Aviation Department budget, and is effective on October 1 based on the estimated total landed weight for the year. The rate may also be adjusted on April 1 or at any other time to meet emergencies. The landing fee is calculated such that net

[1] Based on KBRA's U.S. Airport Methodology Key Data/Capital Planning Metrics and Ratios.

revenues, after deducting deposits to the Reserve Maintenance Fund must equal at least 1.20x debt service requirements for that year. Under the landing fee methodology, incorporated into the AUA, funds remaining in the Aviation Department's Improvement Fund are to be transferred to the Revenue Fund in the succeeding fiscal year, except for funds in the Improvement Fund that are required to pay debt, and funds retained by MDAD in the subaccounts of the Aviation Capital Account. The transferred Improvement Fund resources are considered revenues for purposes of meeting the rate covenant, and may affect the charges collected under the AUA. Under the AUA, the MDAD has the authority to fund a discretionary capital account up to a maximum of $15 million, with annual adjustments for inflation.

Under the AUA, the Miami Airport Affairs Committee (MAAC) serves as the liaison between all MIA airlines and the County. MAAC has majority-in-interest (MII) authority for certain capital projects. The MAAC consists of at least 11 signatory airlines from the 25 highest ranking airlines in landed weight. Any airline on MDAD's top ten airlines for landed weight is entitled to membership, if requested. MAAC membership must include American/US Airways, Air Canada, Delta, and United. Membership must also include one European passenger airline, one Caribbean/Latin American passenger airline, one cargo airline, and one regional airline.

Historic Financial Performance

The debt service coverage ratio has historically been well in excess of the rate covenant of 1.20x. Coverage computed as per Indenture requirements has ranged from 1.45x to 1.54x over the past five years. The favorable operating results come despite a residual-based cost recovery mechanism, where KBRA would expect to see narrow debt service coverage. The use of PFC revenues to offset total debt service requirements has moderated the impact on aviation fees, as has surplus Improvement Fund monies from the previous fiscal year. Gross revenues have grown at an average annual rate of 7.9% since 2010, assisted by increases in aviation revenues, and accompanying growth in concession revenues. In KBRA's opinion, passenger activity is likely to remain positive, as MIA performed well in the aftermath of the September 11th attacks and the Great Recession, while seats have been added and load factors remain high[2]. Airline payments relative to total operating revenues are moderately high due to the high level of outstanding debt. Operating margins remain wide in recognition of the substantial level of annual debt service payments.

On the operating side, expenses have increased at a compound annual growth rate of 2.3% between 2010 and 2015, as the Department has endeavored to contain expense growth in view of significant increases in debt service. Expenses per enplaned passenger are relatively high at $18.85 per enplaned passenger, reflecting MIA's role as gateway hub, including two FIS facilities. The Aviation Department implemented a personnel reduction plan that resulted in a decrease in budgeted positions from a high of 1,868 in fiscal year 2006 to 1,206 in fiscal year 2012. A portion of the decrease in positions is due to removing police and fire personnel from the Aviation Department's payroll and paying the County's Fire Rescue and Police Departments directly for these services. Excluding the fire and police related changes, personnel went from a high of 1,583 in fiscal year 2006 to 1,206 in fiscal year 2012, a 23.8% decrease. Airport security programs have also been affected by a requirement for the Airport to control access at the TSA passenger screening checkpoint exit lanes during TSA non-operational hours, and on a non-stop basis for exit lanes that are not co-located at the passenger screening points.

[2] ARN 2013 Factbook based on 12 months ending 9/30/2013

Miami-Dade County Aviation Department Financial Operations and Debt Service Coverage Fiscal Years Ending September 30					
($ in thousands)	**2011**	**2012**	**2013**	**2014**	**2015**
Deposits from Improvement Fund	**$69,098**	**$81,224**	**$89,185**	**$94,808**	**$77,336**
Airline Costs					
Landing Fees	$55,235	$62,788	$60,288	$60,980	$66,830
Concourse Use Fees	$194,466	$209,732	$222,968	$239,680	$243,959
Equipment and Aircraft Parking Fees	$66,869	$71,723	$73,441	$71,417	$71,708
Airline Terminal Rentals	$29,584	$43,966	$48,536	$43,236	$56,794
Total Airline Costs	**$346,154**	**$388,209**	**$405,233**	**$415,313**	**$439,291**
Commercial Revenues					
Duty Free	$23,499	$27,582	$33,337	$31,697	$31,500
Food and Beverage	$20,097	$23,020	$23,892	$22,758	$28,182
Public Parking	$37,728	$43,996	$45,114	$47,173	$47,263
Rental Car	$37,759	$43,236	$47,272	$51,575	$49,978
Other Commercial Revenues	$108,097	$113,732	$123,523	$121,271	$120,482
Total Commercial Revenues	**$227,179**	**$251,566**	**$273,137**	**$274,475**	**$277,406**
Total Rental Revenues	**$73,363**	**$80,890**	**$75,282**	**$78,304**	**$80,816**
Other Revenues	$24,203	$22,998	$25,963	$29,510	$17,997
Gross Revenues	**$739,999**	**$824,886**	**$868,802**	**$892,408**	**$892,846**
Total Current Expenses	**$373,538**	**$370,290**	**$384,004**	**$385,969**	**$402,831**
Net Revenues	**$366,461**	**$454,597**	**$484,798**	**$506,438**	**$490,014**
Less Deposit to Reserve Maintenance Fund	-$25,000	-$12,000	-$17,000	-$15,000	-$17,000
Net Revenues Available for Debt Service	**$341,461**	**$442,597**	**$467,798**	**$491,438**	**$473,014**
Gross Debt Service	$329,035	$370,208	$366,825	$365,397	$362,028
Less PFC Deposits	-$100,000	-$85,000	-$50,000	-$54,500	-$55,000
Net Debt Service Requirements	**$229,035**	**$285,208**	**$316,825**	**$310,897**	**$307,028**
Debt Service Coverage	**1.49**	**1.55**	**1.48**	**1.58**	**1.54**
Enplaned Passengers ('000)	**18,701**	**19,684**	**19,876**	**20,220**	**21,375**
Cost per Enplanement	**$18.51**	**$19.72**	**$20.39**	**$20.54**	**$20.55**

Sources: Miami-Dade Aviation Department CAFR, Preliminary Official Statement, Airport Consultant's Report - May 2015

Passenger Airline Cost Per Enplanement (CPE)

Airline costs at MIA have been high reflecting a significant level of debt issuance associated with the recently completed 20-year program. Airline costs per enplaned passenger (CPE) have risen from $17.61 to $19.93 between fiscal year 2010 and fiscal year 2015. The most recent Report of the Traffic Engineers, issued in conjunction with the Series 2015 refunding and new money issues, forecasted a gradual ramping up of cost per enplaned passenger to $23.82. However, past forecasts have tended to be conservative with actual results below projections. In any event, KBRA would expect moderation in CPE as the Airport is in a less capital intensive phase, and enplanement growth is expected to continue. KBRA's concerns regarding the high level of this metric are tempered by the high yields generated by MIA routes, along with high load factors.

Stress Case

In conjunction with KBRA's rating of the Series 2015 Bonds, a stress case was undertaken to determine the impact on CPE based on event-related reductions in passenger activity similar to what has been experienced since the events of 9/11. It was assumed that enplanements declined by 11.2% in 2015, which is equivalent to the decline recorded in 2002. This was followed by a 1.0% recovery annually through 2020. Non-airline revenues follow the same pattern under this scenario. Operating expenses continue to increase at a 2.0% annual rate. KBRA assumed $600 million of additional debt, which represents a large proportion of the total estimated cost of Phase I of TOP, even though only about $298 million of borrowing is anticipated. KBRA also assumed a 30-year amortization structure and a 4.48% interest rate. Under this scenario, the cost per enplanement rose to $26.06 in 2020. While this does not represent an insubstantial increase, relative to the already current high cost per enplanement, KBRA believes it would be manageable. In addition, MIA's realized CPE generally comes in lower than what has been forecast. Furthermore, enplanements increased by 5.7% in FY 2015, and an additional increase is forecast based on mid-year data.

Retirement Benefits

The Miami-Dade County Aviation Department participates in the Florida Retirement System (FRS), a cost-sharing multiple employer defined benefit pension plan that covers certain full-time and part-time employees. Employees that participate in the plan are required to make a 3.0% pretax contribution. Effective July 1, 2011, participating employers are also required to make a contribution that ranges between 7.37% and 21.14% of gross salaries. For the fiscal years ending September 30, 2012, 2013, and 2014, Miami-Dade County has contributed 100.0% of the annual required contribution (ARC). The Aviation Department's share of this contribution amounted to $3.9 million, $4.4 million, and $5.8 million for the fiscal years ending September 30, 2012, 2013, and 2014 respectively. In FY 2015, the Aviation Department's allocable share of the plan's net pension liability, at a plan discount rate of 7.65%, was approximately $27.7 million.

System Liquidity

The Authority has historically maintained substantial levels of unrestricted cash for a residual-based ratemaking methodology. The discretionary cash position has been increasing over the past few years due to increases in the operating reserve. The operating reserve requirement, as established by the Trust Agreement is set at a level not to exceed 20.0% of current expenses, and is funded prior to the payment of current expenses. The reserve is budgeted at the 16% level in FY 2016. As of June 30, 2016, available funds were sufficient to cover 245 days of operating expenses. Although debt levels are high, the ratio of debt to available resources is 7.7x, which KBRA considers moderate.

Cash Balances

Miami-Dade County Aviation Department Cash Balances at Fiscal Year End			
($ in thousands)	**September 2013**	**September 2014**	**September 2015**
Unrestricted Cash			
Revenue Fund	$100,162	$95,692	$90,435
Reserve Maintenance Fund	$48,348	$42,011	$42,361
Improvement Fund	$148,504	$135,451	$142,407
Total Unrestricted Cash	**$297,014**	**$273,154**	**$275,202**
Restricted Cash			
Passenger Facility Charge (PFCs)	$134,148	$152,276	$175,888
Construction Bond Funds	$142,672	$98,622	$152,916
AA Escrow	$438	$7,939	$7,943
Improvement Fund - Airline Approved Capital Projects	$0	$50,000	$53,125
Environmental Funds	$51,233	$51,177	$51,115
Total Restricted Cash	**$328,491**	**$360,014**	**$440,988**
Restricted Cash - Debt Service Related			
GARB Debt Service Account	$226,831	$228,420	$228,737
Double Barreled Debt Service Account	$20,982	$21,200	$21,188
GARB Reserve Account	$172,223	$172,179	$174,626
Double Barreled Reserve Account	$15,684	$15,548	$15,707
Redemption Account	$52	$52	$53
Total Restricted Cash	**$435,772**	**$437,399**	**$440,312**
Total Restricted Funds	**$764,263**	**$797,413**	**$881,300**
Total Funds	**$1,061,277**	**$1,070,567**	**$1,156,502**

Source: Miami-Dade County

Based on KBRA's review of documents governing Aviation Department financial operations and financial performance, KBRA has assigned a rating determinant rating of AA- to Airport Finances.

Rating Determinant 6: Legal Mechanics and Security Provisions

Bond Security

Under the Trust Agreement, the Aviation Revenue Bonds are special limited obligations of the County, payable solely from a pledge of the net revenues derived from the Port Authority Properties (MIA and five general aviation or flight training facilities). The Bonds are not a full faith and credit obligation of Miami-Dade County. PFCs do not constitute revenues and are not currently pledged to the payment of any Bonds, but the County has and may continue to use PFCs to pay debt service. Amounts held under the Trust Agreement in the Construction Fund, the Revenue Fund, the Sinking Fund, the Reserve Maintenance Fund, and the Improvement Fund are pledged to the Bonds, subject to certain limitations.

Rate Covenant

Net revenues, net of deposits to the credit of the Reserve Maintenance Fund of the amounts recommended by the Consulting Engineers, must equal at least: (a) 120.0% of ARB debt service requirements, excluding any deposit into the Reserve Account; and (b) any required deposit into the Reserve Account and payments required to be paid during such fiscal year to providers Reserve Facilities in connection with draws on those facilities.

If the rate covenant is not met in any fiscal year, the County covenants before November 15th of the following fiscal year to request a Traffic Engineer recommendation as to a revision in rates and charges. If the County complies with the Traffic Engineer recommendation in respect of rates and charges, it will not constitute an event of default if the rate covenant is not met. At that point, holders of a majority of outstanding Bonds may institute court action to compel the County to revise rates and charges. The County covenants that it must adopt rates and charges in compliance with any court judgment.

Additional Bonds Test

Net revenues for any period of 12 consecutive calendar months selected by the County out of the preceding 18 calendar months equals at least 120.0% of maximum principal and interest requirements for any fiscal year, including the Bonds now being offered. Net revenues are subject to adjustment for any adopted revision in rates and charges prior to issuance certification, **or**

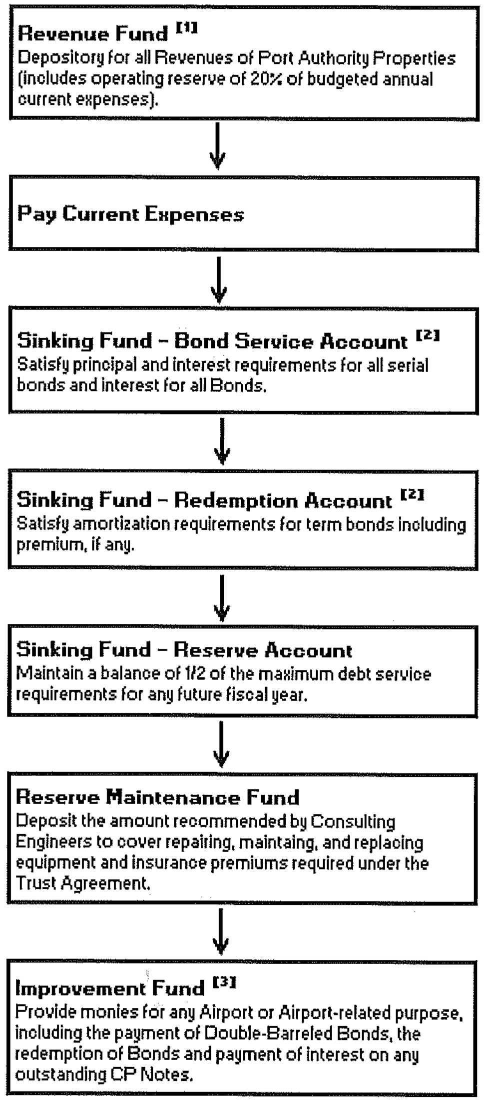
The amount of annual net revenues in each of the succeeding five fiscal years, based on and following the signed statement of estimates by the Traffic Engineers, equals at least 120.0% of the principal and interest requirements for the corresponding years. If debt service requirements are to be paid from capitalized interest, then the five-year period begins following the last date on which debt service is paid from capitalized interest and the amount to the credit of the Sinking Fund is not less than the required amount.

Debt Service Reserve Fund (DSRF) Requirement

The DSRF requirement is one-half of maximum annual principal and interest requirements on all Bonds then outstanding. Approximately 85.0% of the reserve requirement is met from cash, with the balance derived from reserve account surety policies.

Flow of Funds

The chart below summarizes the application of Revenues under the Trust Agreement:



[1] The Trust Agreement authorizes the Board to designate a lesser percentage by resolution. Currently, the Board budgets 16.0% of the budgeted current expenses as an operating reserve.

[2] Requirements payable from Revenues may be reduced to the extent such requirements are satisfied from other sources outside the Trust Agreement set aside and deposited into the Bond Service Account or Redemption Account for such purpose.

[3] Certain monies are transferred annually from the Improvement Fund to the Revenue Fund pursuant to the terms of the Airline Use Agreement. Such transferred deposits to the Revenue Fund are treated as Revenues under the Trust Agreement.

Source: Miami-Dade County Trust Agreement

Based on KBRA's assessment of Legal Mechanics and Security Provisions, an A+ rating has been assigned to this rating determinant.

Conclusion

KBRA has assigned a long-term rating of AA- with a stable outlook to the approximate $369 million Miami-Dade County Aviation Revenue Refunding Bonds Series 2016A (Non-AMT) and $372 million Aviation Revenue Refunding Bonds Series 2016B (Taxable). In addition, KBRA affirms the AA- rating and stable outlook on the County's outstanding Aviation Revenue and Revenue Refunding Bonds that are not supported by an external third-party credit agreement and are not double-barreled Aviation Revenue and General Obligation Bonds.