Memorandum

MIAMI-DADE COUNTY

Date: June 3, 2013

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: Commissioner Juan C. Zapata Inquiry at the May 14, 2013 Finance Committee Meeting Relating to Item 5B on the June 4, 2013 Board Agenda

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This memorandum responds to Commissioner Juan C. Zapata's inquiry at the May 14, 2013 meeting of the Finance Committee as to how much business Miami International Airport (MIA) would have to lose before jeopardizing bond repayment.

The legal covenants supporting MIA's Aviation Revenue Bonds require that certain rates and charges be set to recover 120% of annual general aviation revenue bonds debt service. These rates are computed using, among other data, the traffic forecast of Aviation's Traffic Engineer, an independent professional firm. The forecast has historically been quite conservative, and actual traffic generally exceeds it. Thus, if traffic meets or exceeds the annual forecast, the Aviation Department collects 20% more than it needs to service its debt.

The debt service on the Double-Barreled Bonds, used to construct the MIA Mover to the Rental Car Center, has been advance funded for one year, and the Department is considering advance funding a portion of the second year. It continues to pay debt service on these bonds, so the advance funding also provides another type of reserve for emergencies (a debt service reserve account already exists for this bond issue).

Through an agreement with its airlines, MIA is a residual airport. Rates and charges are set annually to recover both operating expenses and debt service. Further, rates and charges can be adjusted mid-year should extraordinary conditions bring about a revenue shortfall. However, historically in emergencies the Department has reduced operating expenses drastically and avoided rate increases. The most notable example occurred after September 11, 2001, when traffic fell precipitously, but debt service was paid as scheduled by decreasing operating expenses.

In addition to the Department's ability to increase the airline rates if necessary, the Department also has the ability to use its debt service reserve funds for the Aviation Revenue Bonds, which is equal to half of the maximum annual debt service for the Aviation Revenue Bonds. The flexibility and conservatism of the Aviation Department's financial structure therefore greatly reduces the risk of any jeopardy to timely bond repayment.

Please do not hesitate to contact me or Emilio Gonzalez, Aviation Director, should you have any further questions or concerns.

c: Edward Marquez, Deputy Mayor/Finance Director
Jack Osterholt, Deputy Mayor/Director, Department of Regulatory and Economic Resources
Emilio T. Gonzalez, Aviation Director