S&P Global
Ratings

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Summary:

Miami-Dade County
Miami International Airport; Airport

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Miami Dade Cnty (Miami International Airport) aviation rev bnds		
Long Term Rating	A/Positive	Upgraded
Miami Dade Cnty (Miami International Airport) (AGM)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt)		
Long Term Rating	A/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) arpt		
Long Term Rating	A/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) arpt (AGM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) arpt (AGM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) arpt (AGM) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) aviation rev rfdg bnds (non-AMT) (Miami Intl Arpt) ser 2020A due 10/01/2041		
Long Term Rating	A/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) avn rev rfdg bnds (AMT)		
Long Term Rating	A/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) avn rev rfdg bnds (NON-AMT)		
Long Term Rating	A/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) avn rfdg bnds		
Long Term Rating	A/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) (taxable) arpt (AGM) (SECMKT)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) (AGM & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) (AGM & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded
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Unenhanced Rating	A(SPUR)/Positive	Upgraded
Miami Dade Cnty (Miami Intl Arpt) (AGM) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Positive	Upgraded

Credit Profile (cont.)

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings raised its long-term rating and underlying rating (SPUR) to 'A' from 'A-' on Miami-Dade County's aviation revenue bonds issued for Miami International Airport (MIA).
- The outlook remains positive.
- The positive outlook indicates a one-in-three chance we could raise the rating during the outlook period, which typically spans two years, if we believe the passenger recovery trend and traffic are sustainable--supporting an improvement in the market position assessment to extremely strong--and if financial metrics remain at least adequate and consistent with a fully residual airport.
- The rating action reflects our view of MIA's positive enplanement trends that surpass pre-pandemic activity at 110% of 2019 levels this calendar year through May, reflected in an improvement in the market position and overall enterprise risk profile to very strong.

Security

Net revenue of the county's port authority properties, which substantially consist of MIA, three general aviation airports, and one training airport, secures the bonds. MIA generates the majority of net revenue. At June 30, 2022, MIA had about $5.3 billion of debt outstanding, consisting of aviation revenue bonds, series 2020 double-barrel aviation bonds, and capital leases. The debt amount does not include a Transportation Infrastructure Financing Innovation Act loan used to finance a Florida Department of Transportation-built rental car center. The loan is payable from customer facility charges that car rental companies collect from customers at the airport and, if required, rent payments from the rental companies. The rental car center was not constructed with funds provided under the trust agreement, and the customer facility charges collected are not included in aviation department revenue.

Credit overview

MIA is emerging from the height of the pandemic in a position of strength relative to its large hub peers with enplanements that exceed 2019 activity. As a result, we revised the market position to very strong from strong, which returns the enterprise risk profile to the pre-pandemic assessment of very strong. Since the pandemic-induced passenger declines (with a drop to 15.1 million in fiscal 2021 from 22.7 million in fiscal 2019), the enplanement recovery at MIA in fiscal 2022 has exceeded national trends and surpassed S&P Global Ratings' updated activity estimates, with enplanements averaging 110% of pre-pandemic 2019 levels based on the calendar year through May 2022. Enplanements in April and May 2022 were nearly 119% of the same months in 2019, bolstered by domestic activity that has averaged more than 100% of the same months in 2019 since January (with more recent monthly domestic enplanements at more than 130% of the same month in 2019). Furthermore, management reports that Transportation Security Administration checkpoint activity over the July 4 weekend continued to outpace that of 2019 with 113% throughput at security. The positive outlook reflects our view that should MIA's demand continue to surpass pre-pandemic levels and our updated national levels (see "Updated U.S. Transportation Infrastructure Activity Estimates Show Air Travel Normalizing And It's A Long Road Back For Transit Operators," published July 27, 2022, on

RatingsDirect), we could improve our view of the airport's market position to extremely strong, resulting in an extremely strong enterprise risk profile.

MIA remains an essential, large hub for American Airlines and serves the Miami-Dade metropolitan statistical area as well as Central and South America given the demographic composition of south Florida and its cultural ties to this region. We believe the economic growth in the county will help the airport achieve its revised forecast of more than 24.7 million enplanements in fiscal 2022 (9% higher than in fiscal 2019). In addition, although MIA's international activity in the most recent months has recaptured 100% of pre-pandemic levels, we believe the removal of federal COVID-19 testing requirements for inbound passengers will underpin an acceleration in international enplanements through the end of the fiscal and calendar years.

Key credit strengths, in our opinion, include MIA's:

- Role as one of the largest airports in the U.S. for international passenger traffic, serving as a dominant provider of origin-and-destination (O&D) air service, as well as its role as a strategic hub for American Airlines Inc.;
- Large and economically healthy O&D market supported by the Miami-Dade County metropolitan service area, which has strong economic activity as measured by GDP per capita and ample employment opportunities;
- Very strong management and governance, as is evident in an experienced, proactive, and effective management team; and
- Adequate liquidity position, totaling more than $300 million (231 days' cash on hand) as of Sept. 30, 2021.

Partly offsetting the above strengths, in our view, are MIA's:

- Relatively high debt load with a very large capital plan and significant additional borrowing needs and high airline cost structure with some competition primarily for domestic O&D passengers from Ft. Lauderdale International Airport; and
- Airline concentration, with American Airlines (B-/Stable), its largest carrier, accounting for approximately 60% of total enplanements (excluding American Eagle/Envoy) in fiscal 2021.

Environmental, social, and governance

Our rating reflects the abatement of health and safety social risks posed by the COVID-19 pandemic, as is evident in an uptick in enplanements and recovery at MIA as well as the federal government's decision to lift testing requirements for inbound international tourists in June. However, we are monitoring how hybrid and virtual working conditions may alter business travel and weigh on passenger activity in the longer term. Furthermore, we believe the environmental risks for MIA are elevated based on its coastal location in southern Florida exposing its service area to disruptions from severe weather-related events. However, the airport and county government have incorporated these risks into the capital programs, including terminal and airfield improvements to mitigate the long-term risks of sea level rise. In addition, the county maintains an Office of Resilience to upgrade infrastructure to protect and support communities against sea level rise and climate change. Finally, we believe MIA's governance risks are neutral within our credit rating analysis. For more information on ESG risks and opportunities for entities in Florida, see "ESG U.S. Public Finance Report Card: Florida Governments and Not-for-Profit Enterprises," published Sept. 9, 2021.

Outlook

The positive outlook reflects our view of MIA's robust activity and relatively quick pace of recovery compared with that of large hub peers. Should the enplanement growth continue and exceed the airport's pre-pandemic demand, there is a one-in-three chance we could raise the rating during the outlook period.

Downside scenario

We could revise the outlook to stable if enplanement trends slow as passengers substitute MIA for international or other destinations that would return activity to a level approximating that of 2019 (around 23 million enplanements), or if financial metrics are sustained at weaker levels inconsistent with a higher rating.

Upside scenario

We could raise the rating if MIA sustains enplanement growth, supporting an improved market position assessment and extremely strong overall enterprise risk profile. When making this assessment, we will also evaluate whether MIA's financial metrics are achievable, sustainable, and consistent with its adequate financial risk profile.

Credit Opinion

The passenger traffic recovery at MIA has been strong, with management estimating that fiscal 2022 total enplanements will exceed those of 2019 at more than 24.7 million (63.4% higher than in fiscal 2021). Enplanement activity during the calendar year through May 2022 showed domestic and international activity at nearly 128% and 90%, respectively, of 2019 enplanements over the same timeframe. These trends follow MIA's exceeding its fiscal 2021 enplanement forecast of 13.3 million with more than 15.1 million (13.5% above forecast and 19.7% higher than in fiscal 2020). The airport recently updated its enplanement forecast, with fiscal 2023 showing an increase of 7.8% over fiscal year-end 2022 estimates to nearly 26.7 million. This forecast could be reasonable, as we anticipate that international enplanement activity will continue improving and enhance robust domestic growth. That said, headwinds could dampen activity, with ongoing health and safety concerns such as more deadly coronavirus variants or monkeypox, and weakening economic conditions and high inflation that could diminish discretionary spending. However, we believe the recent passenger recovery at MIA will facilitate financial planning and rate-setting by management that will help the airport maintain balanced financial operations from reoccurring operating revenue and a business-as-usual rate-making environment.

Our opinion of MIA's overall financial risk profile is unchanged at adequate, reflecting our view of its status as a fully residual airport. Our recent review incorporates audited fiscal 2021 results, the airport's updated financial forecast for fiscal 2022, and the fiscal 2023 proposed budget. Overall, financial performance remains steady despite debt service coverage, per our calculations, falling to less than 1x in fiscal years 2020 and 2021 (1.46x and 1.99x, respectively, per the indenture). Our debt service coverage calculation excludes the application of federal stimulus aid to offset revenue losses, because of their nonrecurring nature.

We consider MIA's $6.3 billion capital improvement plan that covers fiscal years 2023 to 2035 substantial; it will result in keeping debt per enplanement high at around $360. It will also result in additional debt over the time horizon, with an issuance planned for October 2023 (fiscal 2024) potentially sized at around $500 million (which includes taking out commercial paper notes). The airport has a couple of smaller capital projects underway that are pay-as-you-go and that about $41 million in passenger facility charges will partly cover. MIA has modestly revised its approach to capital project planning, requiring approval from signatory airlines for the design and subsequent construction. We do not anticipate that MIA will draw on unrestricted cash to support the capital plan, which in fiscal 2021 increased to about $304 million (from $300 million), or 231 days' cash on hand. Management reports that fiscal 2022 liquidity is poised to improve given that operating revenue is 35% over budget and given the expected maintenance of liquidity at around 250 days' cash on hand.

As with most U.S. airports, MIA applied federal stimulus funds in fiscal years 2020 and 2021 to bridge the revenue shortfall. As of June 30, 2022, MIA has $134.8 million remaining in combined federal stimulus funds, after applying $30.0 million to debt service costs in fiscal 2022. The fiscal 2022 budget also contemplates using $21.5 million for operations. Management reports that should the amount not be used in fiscal 2022, it could be rolled over to fiscal 2023 to supplement the $64 million programmed in the proposed budget, which allocates $40 million to debt service and $24 million to operations. Any federal stimulus funds that remain unused at Sept. 30, 2023, would be available for fiscal 2024. MIA was also allotted $43 million from the Bi-Partisan Infrastructure Bill that the airport is considering how to utilize, given the bidding and usage restrictions on the funding.

S&P Global Ratings believes that economic momentum will likely protect the U.S. economy from recession in 2022. But with supply chain disruptions worsening as the weight of extremely high prices damages purchasing power and aggressive Federal Reserve policy increases borrowing costs, economic effects are likely in 2023. Our U.S. GDP growth forecast is 2.4% for 2022 and 1.6% for 2023 (compared with 2.4% and 2.0%, respectively, in May 2022), and though our baseline signals a low-growth recession we believe the likelihood of a contraction or technical recession is rising to 40% to 50%. The wider band reflects increased uncertainty over the Russia-Ukraine conflict. Supply chain disruptions, worsened by that conflict and the China slowdown, remain the largest stumbling block for the U.S. economy. As inflation expectations become more entrenched, extreme price pressures will likely last well into 2023. We expect the unemployment rate, at 3.5% in July and slightly higher than the pre-pandemic level, will remain near that rate until early 2023 before topping 4.3% by the end of 2023 and 5.0% by the end of 2025 as the economy slows. The Federal Reserve is now likely to push rates from zero at the beginning of the year to 300 basis points by year-end and 3.50% to 3.75% by mid-2023. It will keep monetary policy tight until inflation decelerates and nears its target in second-quarter 2024. We expect the Fed will start to cut rates in third-quarter 2024. Our lower GDP and inflation forecasts for 2023 and 2024 reflect this more aggressive policy stance. (See "Economic Outlook U.S. Q3 2022: The Summer Of Our Discontent," June 27, 2022.)

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022 further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.