NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: *Moody's: "Aaa" (MBIA Insured)*
S&P: "AAA" (MBIA Insured)
Fitch: "AAA" (MBIA Insured)
Moody's: "A2" (Underlying)
S&P: "A" (Underlying)
Fitch: "A" (Underlying)

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2006A Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2006A Bond during any period such Series 2006A Bond is held by a "substantial user" of the facilities financed with the proceeds of the Series 2006A Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended; however interest on the Series 2006A Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX TREATMENT" herein regarding certain other tax considerations. Bond Counsel is further of the opinion that the Series 2006A Bonds and the Series 2006B Bonds and the interest thereon are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes. Under existing law, interest on the Series 2006B Bonds will be treated as interest income for federal income tax purposes. No other opinion is rendered by Bond Counsel with respect to other federal income tax consequences of ownership, receipt or accrual of interest on, or disposition of the Series 2006B Bonds and each purchaser should consult his or her tax advisor to determine the federal tax consequences of ownership of the Series 2006B Bonds.

$69,080,000
PALM BEACH COUNTY, FLORIDA
Airport System Revenue Bonds, Series 2006A
and
$16,855,000
PALM BEACH COUNTY, FLORIDA
Airport System Taxable Revenue Refunding Bonds, Series 2006B

Dated: Date of Delivery **Due:** October 1, as shown on the inside cover

The Palm Beach County, Florida, $69,080,000 Airport System Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and the Palm Beach County, Florida $16,855,000 Airport System Taxable Revenue Refunding Bonds, Series 2006B (the "Series 2006B Bonds" and, together with the Series 2006A, the "Series 2006 Bonds") are being issued as fully registered bonds and will be initially issued to and registered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2006 Bonds. The Series 2006 Bonds will be available to purchasers in principal denominations of $5,000 and integral multiples thereof under the book-entry system maintained by DTC through brokers and dealers who are or act through, DTC Participants. Purchasers will not receive physical delivery of the Series 2006 Bonds. For so long as any purchaser is the Beneficial Owner (as defined herein) of a Series 2006 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of the principal of and interest on such Series 2006 Bond. See the caption "BOOK-ENTRY ONLY SYSTEM," herein.

Interest on the Series 2006 Bonds is payable October 1, 2006 and on each April 1 and October 1 thereafter until maturity. The Series 2006A Bonds are subject to redemption prior to their stated dates of maturity as described herein. The Series 2006B Bonds are not subject to optional redemption prior to their stated dates of maturity.

The Series 2006 Bonds are being issued by Palm Beach County, Florida (the "County") pursuant to Resolution No. R-84-427 adopted by the County on April 3, 1984, as amended in full by Resolution No. R-84-1659 adopted by the County on November 1, 1984, as amended and supplemented thereafter, including, particularly by the Thirteenth Supplemental Resolution No. R-2006-0727 adopted by the County on April 18, 2006 (collectively, the "Bond Resolution") for the purpose of providing the moneys which, together with other funds legally available therefore, as will be sufficient: (a) with respect to the Series 2006A Bonds (i) to pay the cost of the Series 2006 Project (described herein), (ii) to pay a portion of the premium for a municipal bond insurance policy allocable to the Series 2006A Bonds, and (iii) to pay the costs of issuance of the Series 2006A Bonds; and (b) with respect to the Series 2006B Bonds (i) to advance refund and defease a portion of the Series 2001 Bonds, as described herein and a portion of the Series 2002 Bonds, as described herein (collectively, the "Bonds to be Refunded"), (ii) to pay a portion of the premium for a municipal bond insurance policy allocable to the Series 2006B Bonds, and (iii) to pay the costs of issuance of the Series 2006B Bonds.

The principal of, and interest on the Series 2006 Bonds are payable from and secured by a pledge of all Net Revenues Available for Debt Service (as defined herein), and all Funds and Accounts established by the Bond Resolution. See "SECURITY FOR THE SERIES 2006 BONDS" herein.

THE FULL FAITH AND CREDIT OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE SERIES 2006 BONDS AND THE SERIES 2006 BONDS DO NOT CONSTITUTE INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR OTHER PROVISION OR LIMITATION; NO BONDHOLDER SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE COUNTY OR TAXATION IN ANY FORM OF ANY REAL PROPERTY THEREIN FOR THE PAYMENT OF THE PRINCIPAL OF, OR THE INTEREST ON THE SERIES 2006 BONDS OR THE MAKING OF ANY SINKING FUND OR RESERVE PAYMENTS PROVIDED FOR IN THE BOND RESOLUTION.

The scheduled payment of the principal of and interest on the Series 2006 Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2006 Bonds by MBIA Insurance Corporation ("MBIA"). See "MUNICIPAL BOND INSURANCE" herein.

MBIA

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2006 Bonds are offered when, as and if issued and received by the Underwriters subject to approval of legality by Ruden, McClosky, Smith, Schuster & Russell, P.A. , Fort Lauderdale, Florida, Bond Counsel. Certain other legal matters on behalf of the County will be passed upon by Paul F. King, Esq., Assistant County Attorney and on behalf of the Underwriters by Squire, Sanders & Dempsey L.L.P., West Palm Beach, Florida, Counsel to the Underwriters. The Series 2006 Bonds are expected to be delivered through the facilities of DTC on or about May 17, 2006.

UBS INVESTMENT BANK

JANNEY MONTGOMERY SCOTT LLC **JACKSON SECURITIES**
LOOP CAPITAL MARKETS, LLC **MERRILL LYNCH & CO.**

MATURITY SCHEDULE

PALM BEACH COUNTY, FLORIDA
Airport System Revenue Bonds, Series 2006A

Serial Bonds

Maturity October 1	Amount	Interest Rate	Price	CUSIP No.
2021	$2,920,000	5.00%	102.352%*	696499CC4
2022	3,065,000	5.00	102.187*	696499CD2
2023	3,220,000	5.00	102.105*	696499CE0

$10,660,000 5.00% Term Bonds due October 1, 2026 – Price 101.859%*, CUSIP No. 696499CF7
$37,375,000 5.00% Term Bonds due October 1, 2034 – Price 101.124%*, CUSIP No. 696499CG5
$11,840,000 4.70% Term Bonds due October 1, 2036 – Price 96.851%, CUSIP No. 696499CH3

*priced to first call date of October 1, 2016 at par.

PALM BEACH COUNTY, FLORIDA
Airport System Taxable Revenue Refunding Bonds, Series 2006B

$16,855,000 5.905% Term Bonds due October 1, 2020 – Price 100%, CUSIP No. 696499CJ9

The County is not responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the reader of this Official Statement.

PALM BEACH COUNTY, FLORIDA
301 N. Olive Avenue
West Palm Beach, FL 33401
(561) 355-2040

BOARD OF COUNTY COMMISSIONERS

TONY MASILOTTI	Chairman
ADDIE L. GREENE	Vice Chairperson
BURT AARONSON	Commissioner
JEFF KOONS	Commissioner
KAREN T. MARCUS	Commissioner
MARY McCARTY	Commissioner
WARREN H. NEWELL	Commissioner

OFFICIALS

County Administrator

ROBERT WEISMAN

County Attorney

DENISE NEIMAN, ESQ.

Clerk and Comptroller

SHARON R. BOCK

Debt Manager

JOHN LONG

Department of Airports Director

BRUCE PELLY

Bond Counsel
Ruden, McClosky, Smith, Schuster & Russell, P.A.
Fort Lauderdale, Florida

Financial Advisor
Spectrum Municipal Services, Inc.
West Palm Beach, Florida

Airport Consultant
Ricondo & Associates, Inc.
Cincinnati, Ohio

No dealer, broker, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the County or the Underwriters (as herein defined). This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2006 Bonds, nor shall there be any sale of the Series 2006 Bonds by any persons in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County, Spectrum Municipal Services, Inc. (the "Financial Advisor"), the Bond Insurer, public documents, records and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, by and is not to be construed as a representation of (i) the County with respect to the information herein under the caption "Municipal Bond Insurance" which was provided by the Bond Insurer or (ii) the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2006 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT MAY STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2006 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2006 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, NOR HAS THE BOND RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR

WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. ASIDE FROM ITS CUSTOMARY FINANCIAL REPORTING ACTIVITIES, THE COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

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OFFICIAL STATEMENT

$69,080,000
PALM BEACH COUNTY, FLORIDA
Airport System Revenue Bonds, Series 2006A

and

$16,855,000
PALM BEACH COUNTY, FLORIDA
Airport System Taxable Revenue Refunding Bonds, Series 2006B

INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and Appendices, is to set forth certain information relating to Palm Beach County, Florida (the "County" or the "Issuer") and the issuance by the County of its $69,080,000 Airport System Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and its $16,855,000 Airport System Taxable Revenue Refunding Bonds, Series 2006B (the "Series 2006B Bonds" and, together with the Series 2006A, the "Series 2006 Bonds"). The Series 2006 Bonds are being issued pursuant to the Constitution of the State of Florida, and other applicable provisions of law (collectively the "Act"), and pursuant to Resolution No. R-84-427 adopted by the County on April 3, 1984, as amended in full by Resolution No. R-84-1659 adopted on November 1, 1984, as amended and supplemented thereafter (the "Original Bond Resolution"), including particularly by, the Thirteenth Supplemental Resolution No. R-2006-0727 adopted on April 18, 2006 (the "Thirteenth Supplemental Resolution" and, collectively with the Original Bond Resolution, the "Bond Resolution"). The Series 2006 Bonds are payable from and secured by a pledge of all Net Revenues Available for Debt Service (as defined in the Bond Resolution) on a parity with the County's $83,965,000 original aggregate principal amount of Airport System Revenue Refunding Bonds, Series 2001, of which $51,080,000 is currently outstanding (the "Series 2001 Bonds"), $60,150,000 original aggregate principal amount of Airport System Revenue Refunding Bonds, Series 2002, all of which is currently outstanding (the "Series 2002 Bonds" and, together with the Series 2001 Bonds, the "Outstanding Parity Bonds"). The Series 2006 Bonds, together with the Outstanding Parity Bonds remaining outstanding after the issuance of the Series 2006B Bonds and any Additional Bonds and Refunding Bonds that may be issued under the Bond Resolution are referred to herein as the "Bonds".

Capitalized terms not otherwise defined in this Official Statement shall have the same meanings assigned to such terms in the Bond Resolution. See "Appendix A - SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Selected Definitions". This Official Statement also includes information about the County and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive. Each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

PURPOSE

Plan of Finance

The Series 2006A Bonds are being issued by the County for the purpose of providing funds, together with other available moneys, to (i) finance the design, acquisition, construction, installation and/or equipping of certain facilities and improvements relating to the Airport System and the reimbursement to the County of certain costs relating to such facilities previously incurred (as described below) (the "Series 2006 Project") at the Palm Beach International Airport ("PBIA") (ii) pay a portion of the premium for a municipal bond insurance policy allocable to the Series 2006A Bonds, and (iii) pay the costs of issuance of the Series 2006A Bonds.

The Series 2006B Bonds are being issued by the County for the purpose of providing funds, together with other available moneys, to (i) advance refund and defease a portion of the Series 2001 Bonds and a portion of the Series 2002 Bonds, (collectively, the "Bonds to be Refunded") as described below, (ii) pay a portion of the premium for a municipal bond insurance policy allocable to the Series 2006B Bonds, and (iii) pay the costs of issuance of the Series 2006B Bonds.

Series 2006 Project

The Series 2006 Project shall consist of the design, acquisition, construction, installation and/or equipping of certain facilities and improvements relating to the Airport System and the reimbursement to the County of certain costs related to such facilities previously incurred, consisting of the following, all of which are located at the PBIA in the City of West Palm Beach, Florida (a) a new long-term parking garage with approximately 3,466 parking spaces in approximately 1,368,950 square feet; (b) bridges connecting the existing long-term parking garage with the new garage; (c) an enclosed, air-conditioned pedestrian bridge connecting the new garage to the adjacent terminal; (d) three new lanes at the existing cashier plaza and two new exit lanes at the exit of the existing premium parking lot; and (e) the replacement of all existing cashier booths.

The Series 2006 Project is subject to modification on the terms and conditions set forth in the Thirteenth Supplemental Resolution.

Plan of Refunding

The net proceeds of the Series 2006B Bonds will be applied, together with certain other available funds, to advance refund and defease the Bonds to be Refunded. Such funds will be applied to the purchase of direct obligations of the United States of America (the "Government Obligations"), the maturing principal of and interest on which when due will be sufficient to pay the principal of, and the interest on the Bonds to be Refunded when due and upon maturity as described below.

The County will enter into an irrevocable escrow deposit agreement (the "Escrow Agreement") with U.S. Bank National Association, as escrow agent (the "Escrow Agent") relating to the refunding of the Bonds to be Refunded. The Bonds to be Refunded consist of a portion of each of the maturities of the Series 2001 Bonds maturing on October 1, 2006 through and including October 1, 2010 and a portion of each of the maturities of the Series 2002 Bonds maturing on October 1, 2011 through and including October 1, 2014. Pursuant to the terms of the Escrow Agreement, the County will deposit with the Escrow Agent a portion of the proceeds of the Series 2006B Bonds, together with certain other available funds. Such funds, other than the uninvested moneys, will be applied to purchase Government Obligations. The Government Obligations and uninvested moneys will be deposited in the escrow fund (the "Escrow Account") created under the Escrow Agreement. The Bonds to be Refunded will be paid at their respective dates of maturity, together with interest when due, on which dates the proceeds of the Government Obligations and the uninvested moneys held under the Escrow Agreement will be applied to pay the principal of and interest due on the Bonds to be Refunded.

In the opinion of Bond Counsel, based upon the verification report provided by Causey Demgen & Moore, Inc., described under "VERIFICATION OF MATHEMATICAL COMPUTATIONS," herein, and assuming compliance with all the covenants, agreements and other obligations of the County contained in the Bond Resolution and the Escrow Deposit Agreement, the obligations under the Bond Resolution with respect to the Bonds to be Refunded will be defeased, the Bonds to be Refunded will no longer be deemed Outstanding and the obligations of the County under the Bond Resolution with respect to the Bonds to be Refunded shall cease and become void, upon the issuance of the Series 2006B Bonds by the County and the deposit and purchase of Government Obligations under the Escrow Agreement for the payment of all of the principal of, and interest on the Bonds to be Refunded, when due and at maturity.

ESTIMATED SOURCES AND USES

Series 2006A Bonds

Sources of Funds:	
Par Amount of Series 2006A Bonds	$69,080,000.00
Net original issue Premium	448,913.75
Total Sources	$69,528,913.75
Use of Funds:	
Deposit to the Construction Fund	$68,269,656.34
Underwriters' Discount	441,489.93
Cost of Issuance[(1)]	817,767.48
Total Uses	$69,528,913.75

(1) Includes fees and expenses of the financial advisor and bond counsel, a portion of the premiums for a municipal bond insurance policy and a debt service reserve surety.

Series 2006B Bonds

Sources of Funds:

Par Amount of Series 2006B Bonds	$16,855,000.00
Other Available Moneys(1)	14,065,972.91
Total Sources	$30,920,972.91

Use of Funds:

Deposit to Escrow Account	$30,497,673.41
Underwriters' Discount	107,720.22
Cost of Issuance(2)	315,579.28
Total Uses	$30,920,972.91

(1) Money from the Bond Fund allocable to the Bonds to be Refunded, and release of moneys in the Debt Service Reserve Fund.

(2) Includes fees and expenses of the financial advisor and bond counsel, a portion of the premiums for a municipal bond insurance policy and a debt service reserve surety.

DESCRIPTION OF THE SERIES 2006 BONDS

General Description

The Series 2006 Bonds will be issued as fully registered bonds and will be initially registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2006 Bonds. Individual purchases of the Series 2006 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2006 Bonds or any certificate representing their beneficial ownership interest in the Series 2006 Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. U.S. Bank National Association is Trustee, Bond Registrar and Paying Agent for the Series 2006 Bonds.

The Series 2006 Bonds shall be dated their date of delivery, and shall bear interest from that date at the rates (calculated based upon a year of 360 days consisting of twelve (12) thirty (30) day months) and shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2006 Bonds are current interest bonds and will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2006 Bonds will be payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 2006.

Principal of the Series 2006 Bonds shall be payable to the Owners of the Series 2006 Bonds upon presentation and surrender of the Series 2006 Bonds as they become due at the designated principal corporate trust office of the Paying Agent. Except as otherwise described under the heading " - Book-Entry Only System" and as otherwise set forth in the Bond Resolution with respect to defaulted interest, interest on the Series 2006 Bonds shall be payable (i) by check drawn upon the Paying Agent and mailed on the Interest Payment Date to the owners of the Series 2006 Bonds as of the close of business on the Record Date next preceding each Interest Payment Date at the registered addresses of such owners as they shall appear on the registration books as of such Record Date, notwithstanding the cancellation of any Series 2006 Bond upon any exchange or transfer thereof subsequent to the Record Date and prior to such Interest Payment Date, (ii) upon the request of a registered Bondholder of at least $1,000,000 in principal amount of Series 2006 Bonds, all payment of interest on its Series 2006 Bonds shall be paid by wire transfer in immediately available funds to an account of a financial institution within the United States designated by such registered Bondholder and on file with the Paying Agent as of the applicable Record Date, and (iii) in the case of interest payable upon redemptions or at final maturity, upon presentation of the Series 2006 Bonds at the designated principal corporate trust office of the Paying Agent.

Redemption Provisions

Series 2006A Bonds – Optional Redemption. The Series 2006A Bonds maturing on or before October 1, 2016 are not subject to optional redemption prior to maturity. The Series 2006A Bonds maturing after October 1, 2016, are subject to optional redemption, as a whole or in part at any time, and if in part in such order of maturities and in such amounts within a maturity as may be directed by the County, on or after October 1, 2016, at the redemption price of one hundred percent (100%) of the principal amount thereof called for redemption, without premium, together with accrued interest to the redemption date.

Series 2006A Bonds – Mandatory Redemption. The Series 2006A Bonds maturing on October 1, 2026, October 1, 2034 and October 1, 2036 are subject to redemption from the application of Sinking Fund Installments in the amounts on October 1, in such years as follows:

2026 Term Bond		2034 Term Bond		2036 Term Bond	
Year (October 1)	Amount	Year (October 1)	Amount	Year (October 1)	Amount
2024	$3,380,000	2027	$3,915,000	2035	$5,785,000
2025	3,550,000	2028	4,110,000	2036*	6,055,000
2026*	3,730,000	2029	4,315,000		
		2030	4,530,000		
		2031	4,760,000		
		2032	4,995,000		
		2033	5,245,000		
		2034*	5,505,000		

*Maturity

Upon any redemption of Series 2006A Bonds other than pursuant to redemption from application of Sinking Fund Installments, there shall be credited toward the Sinking Fund Installments, if any, for the applicable Series 2006A Bonds, the principal amount of the Series 2006A Bonds so redeemed. Such credit shall be applied to such Sinking Fund Installments in the order becoming due, or otherwise as the County may direct by written notice to the Trustee given prior to the date of redemption of such Series 2006A Bonds.

Series 2006B Bonds-Optional Redemption. The Series 2006B Bonds are not subject to optional redemption prior to maturity.

Series 2006B Bonds - Mandatory Redemption. The Series 2006B Bonds maturing on October 1, 2020 are subject to redemption from the application of Sinking Fund Installments in the amounts on October 1, in such years as follows:

2020 Term Bond

Year (October 1)	Amount
2015	$2,425,000
2016	2,565,000
2017	2,715,000
2018	2,880,000
2019	3,045,000
2020*	3,225,000

*Maturity

Selection of Series 2006 Bonds to be Redeemed. Redemption of the Series 2006 Bonds shall be a redemption of the whole or of any part of such Series from any funds available for that purpose in accordance with the provisions of the Bond Resolution; provided there shall be no partial redemption of less than $5,000 principal amount of such Series 2006 Bonds. If less than all of a Series of the Series 2006 Bonds of a like maturity shall be called for redemption, the particular Series 2006 Bonds of such maturity or portion thereof to be redeemed shall be selected by the Bond Registrar, in such manner as the Bond Registrar in its discretion may deem fair and appropriate, provided, however, with respect to the Series 2006B Bonds, such maturity or portion thereof to be redeemed shall be selected on a pro rata basis, in the principal amount designated to the Bond Registrar by the County or otherwise as required by the Bond Resolution; provided, further that the portion of any Series 2006 Bonds to be redeemed in part shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting the Series 2006 Bonds for redemption, the Bond Registrar shall treat each such Series 2006 Bonds, as the case may be, as representing that number of the Bonds of such Series which is obtained by dividing the principal amount of the such Series 2006 Bond by $5,000 (such amount being hereinafter referred to as the "unit of principal amount"). If it is determined that one or more, but not all, of the units of principal amount represented by any such Series 2006 Bond is to be called for redemption, then, upon notice of intention to redeem such one or more units, the registered owner of such Series 2006 Bond, upon surrender of such Series 2006 Bond to the Paying Agent for payment to such registered owner of the Redemption Price of the unit or units of principal amount called for redemption, shall be entitled to receive a new Series 2006 Bond or Bonds in the aggregate principal amount of such Series 2006 Bonds. New Series 2006 Bonds, representing the unredeemed balance of the principal amount of such Series 2006 Bond shall be issued to the registered owner thereof without charge therefor. If the registered owner of any such Series 2006 Bond of a denomination greater that the unit or units of principal amount called for redemption shall fail to present such Series 2006 Bond to the Paying Agent for payment and exchange as aforesaid, such Series 2006 Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption (and to that extent only).

Procedure for Redemption of Series 2006 Bonds. The County shall give written notice to the Trustee and Bond Registrar of its election or direction to redeem Series 2006 Bonds not less than thirty-five (35) days prior to the date fixed for redemption, as provided in Section 502 of the Bond Resolution.

In the event any of the Series 2006 Bonds of a Series or portion thereof are called for redemption, the Bond Registrar shall give notice, in the name of the County, of the redemption of such Series or portion thereof, which notice shall (i) specify the title of the Bonds of such Series and their date of issue and the principal amounts, CUSIP numbers, maturity dates and interest rates of the Bonds of such Series to be redeemed, the date of publication, if any, of the redemption notice, the date fixed for redemption, the redemption price, and the name and address of the principal corporate trust office of the Paying Agent at which the amounts due upon redemption will be payable, and, unless all of the Series 2006 Bonds of a Series are to be redeemed as a whole, the Bond number and any other letters, numbers or distinguishing marks and the amount of principal of each Bond of the Series 2006 Bonds to be redeemed, (ii) state any condition to such redemption, and (iii) state that on the date fixed for redemption, and upon the satisfaction of any such condition, the Series 2006 Bonds of a Series or portions thereof to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption.

Notice of redemption of any Series 2006 Bonds of a Series or portions thereof shall be mailed, postage prepaid, by the Bond Registrar not less than thirty (30) days before the date fixed for redemption to the registered owners of the Bonds of such Series or portion thereof which are to be redeemed, at their last addresses, if any, as they appear on registration books kept by the Bond Registrar. Failure of the registered owners of any Series 2006 Bonds of a Series which are to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds, or the validity of the redemption of any Bonds for which proper notice has been given.

Any Series 2006 Bonds of a Series and portions thereof which have been duly selected for redemption and which are deemed to be paid in accordance with Section 1201 of the Bond Resolution shall cease to bear interest on the date fixed for redemption, and on such date shall cease to be entitled to any lien, benefit or security under the Bond Resolution and shall cease to be considered as Bonds under the Bond Resolution or as Outstanding for any purpose.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2006 Bonds. The Series 2006 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2006 Bond certificate will be issued for each maturity of each Series of the Series 2006 Bonds as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of Series 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2006 Bonds, except in the event that use of the book-entry system for the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2006 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2006 Bonds may wish to ascertain that the nominee holding the Series 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2006 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2006 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and interest payments on the Series 2006 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Bond Registrar, Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and interest, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County and/or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County and the Underwriter believe to be reliable, but the County and the Underwriter take no responsibility for the accuracy thereof.

DTC may discontinue providing its services as depository with respect to the Series 2006 Bonds at any time by giving reasonable notice to the County or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE BOND REGISTRAR OR PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2006 BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT, THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2006 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF SERIES 2006 BONDS UNDER THE BOND RESOLUTION, THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2006 BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2006 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE HOLDERS OF SERIES 2006 BONDS OR REGISTERED OWNERS OF THE SERIES 2006 BONDS SHALL MEAN CEDE & CO., AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2006 BONDS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES 2006 BONDS, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE SERIES 2006 BONDS (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2006 BONDS.

For every transfer of ownership interests in the Series 2006 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

PROPOSED AMENDMENT TO BOND RESOLUTION

The County desires to amend the definition of Debt Service Reserve Requirement in the Bond Resolution. The proposed amendment is set forth in the Thirteenth Supplemental Resolution and provides that the definition of "Debt Service Reserve Requirement" shall mean, as of any date of calculation, an amount of money, securities and/or Debt Service Reserve Account Insurance Policy or Debt Service Reserve Account Insurance Policies equal to the maximum annual Debt Service for all Outstanding Bonds; provided that, for purposes of the foregoing, the interest rate on each Series of Variable Interest Rate Bonds shall be deemed to be a rate equal to The Bond Buyer "Revenue Bond Index" as of the date of issuance of such Series. By purchasing the Series 2006 Bonds, the Underwriters, as the original Holders of the Series 2006 Bonds and the Holders of at least fifty-one percent (51%) in principal amount of all Bonds Outstanding at the time of issuance of the Series 2006 Bonds will be deemed to have consented to the proposed amendment and, accordingly, such amendment will become effective upon issuance of the Series 2006 Bonds and compliance with the other requirements of the Bond

Resolution. In addition, as a condition to the effectiveness of the proposed amendment, the County has obtained the written consent to the proposed amendment of MBIA Insurance Corporation, as insurer of the Series 2001 Bonds and Series 2002 Bonds, respectively.

SECURITY FOR THE SERIES 2006 BONDS

Special Obligations

THE FULL FAITH AND CREDIT OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE SERIES 2006 BONDS AND THE SERIES 2006 BONDS DO NOT CONSTITUTE INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR OTHER PROVISION OR LIMITATION; NO BONDHOLDER SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE COUNTY OR TAXATION IN ANY FORM OF ANY REAL PROPERTY THEREIN FOR THE PAYMENT OF THE PRINCIPAL OF, OR THE INTEREST ON THE SERIES 2006 BONDS OR THE MAKING OF ANY SINKING FUND OR RESERVE PAYMENTS PROVIDED FOR IN THE BOND RESOLUTION.

Source of Payment

Pursuant to the Bond Resolution, the County irrevocably pledges to the payment of the principal of and interest on the Series 2006 Bonds, all Net Revenues Available for Debt Service, and all Funds and Accounts established by the Bond Resolution. The facilities comprising the Airport System have not been pledged to secure payment of the Series 2006 Bonds. Net Revenues Available for Debt Service for any Fiscal Year or period of 12 calendar months means all Revenues during such Fiscal Year or period remaining after payment of Operation and Maintenance Expenses for such period.

The Series 2006 Bonds and any Bonds heretofore and hereafter issued on a parity therewith (including the Outstanding Parity Bonds that remain Outstanding after the issuance of the Series 2006B Bonds) will be revenue obligations of the County payable solely from the Net Revenues Available for Debt Service and the Funds and Accounts established and pledged therefor as provided in the Bond Resolution, and do not constitute an indebtedness of the County within the meaning of any state constitutional or statutory limitation or a general obligation of the County or any other charge against the County's general credit or taxing power. The ad valorem taxing power of the County is not legally authorized to pay the principal of, or interest on the Series 2006 Bonds and the Series 2006 Bonds shall not constitute a lien upon the Airport System, other than such Funds and Accounts, or any other property of the County whatsoever.

The County may, at any time before or after the date of issuance of the Series 2006 Bonds, issue Additional Bonds and Refunding Bonds on a parity with the Outstanding Series 2006 Bonds, upon compliance with the terms of the Bond Resolution. See "Additional Bonds" below.

Debt Service Reserve Account

The Bond Resolution creates a Debt Service Reserve Account for the security of the Series 2006 Bonds and other Outstanding Bonds. During the period when any Bonds are Outstanding, the Debt Service Reserve Account must be maintained at the Debt Service Reserve Requirement, which is defined to mean, as of any date of calculation, an amount of money, securities and/or Debt Service Reserve Account Insurance Policy or Debt Service Reserve Account Insurance Policies equal to the maximum annual Debt Service for all Outstanding Bonds; provided that, for purposes of the foregoing, the interest rate on each Series of Variable Interest Rate Bonds shall be deemed to be a rate equal to The Bond Buyer "Revenue Bond Index" as of the date of issuance of such Series. The Debt Service Reserve Account is currently and will be upon issuance of the Series 2006 Bonds funded at the applicable Debt Service Reserve Requirement. See "PROPOSED AMENDMENT TO BOND RESOLUTION."

Debt Service Reserve Account Insurance Policy

Application has been made to the MBIA Insurance Corporation ("Insurer" or "MBIA") for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Paying Agent to the Insurer to the effect that insufficient amounts are on deposit in the Debt Service Reserve Account to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2006 Bonds the Insurer will promptly deposit with the Paying Agent an amount sufficient to pay the principal of and interest on the Series 2006 Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Paying Agent; or (ii) the payment date of the Series 2006 Bonds as specified in the Demand for Payment (as defined in the Debt Service Reserve Fund Surety Bond) presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage (as defined in the Debt Service Reserve Fund Surety Bond).

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Paying Agent which have not been reimbursed by the County. The County and the Insurer will enter into a Financial Guaranty Agreement prior to the issuance of the Series 2006 Bonds (the "Guaranty Agreement"). Pursuant to the Guaranty Agreement, the County is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Paying Agent under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits for Operation and Maintenance Expenses, including required reserves and to the Debt Service Account have been made as required by the Bond Resolution.

Under the terms of the Guaranty Agreement, the Paying Agent is required to reimburse the Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated. No optional redemption of Series 2006 Bonds may be made until the Insurer's Debt

Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Paying Agent in the Debt Service Reserve Account and is provided as an alternative to the County depositing funds equal to the Debt Service Reserve Requirement for the outstanding Series 2006 Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to maximum annual Debt Service for the Outstanding Bonds and the premium therefor will be fully paid by the County at the time of delivery of the Series 2006 Bonds.

Rate Maintenance Covenant

Pursuant to the Bond Resolution, the County covenants that it will fix, charge and collect rates, fees, rentals, and charges for the use of the Airport System, and shall revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of (x) Operation and Maintenance Expenses, including reserves therefor provided for in the Annual Budget, plus (y) the greater of (A) an amount equal to the sum of 1.25 times the Aggregate Debt Service for such Fiscal Year, or (B) the sum of (i) the amount to be paid during such Fiscal Year into the Debt Service Account, plus (ii) the amount, if any, to be paid during such Fiscal Year into the Debt Service Reserve Account (including amounts payable to the issuer of any Debt Service Reserve Account Insurance Policy and excluding amounts required to be paid into such account out of the proceeds of Bonds), plus (iii) the amount, if any, to be paid into the Renewal and Replacement Fund as provided in the Annual Budget; plus (iv) all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, plus (v) to the extent not otherwise provided for, all amounts payable on Subordinated Indebtedness.

If, in any such Fiscal Year, Revenues are less than amount specified above, the County shall take action to revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such period.

If the audit report required under the Bond Resolution for any Fiscal Year should indicate that the County has not satisfied its obligations under the rate maintenance covenant described in the second preceding paragraph, then within 15 days of the receipt of the audit report for such Fiscal Year, the Airport Consultant shall review and analyze the financial status and the administration and operations of the Airport System, shall inspect the properties constituting the Airport System, and shall submit to the Board and the County Clerk, within 60 days thereafter, a written report on the same, including the action taken by the County with respect to the revisions of its rates, fees, rentals and charges, which report may contain recommendations of further revisions of the rates, fees, rentals, charges, and methods of operation of the Airport System that will result in producing the amount so required in the following twelve-month period commencing October 1 and ending on the next succeeding September 30. Promptly upon its receipt of such recommendations the County shall transmit copies thereof to each Bondholder who shall have requested the same and shall take such further action to revise its rates, fees, rentals and charges, or alter its method of operation or take other action in such manner as is calculated to produce the amount so required in such period.

In the event the County shall fail to take action specified above, the Holders of not less than 25% in principal amount of all Bonds Outstanding may institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the County to comply with such requirements.

Budget Procedures

The Bond Resolution requires the County to prepare for each Fiscal Year an Annual Budget with respect to the Airport System for the ensuing Fiscal Year. Such Annual Budget shall set forth in reasonable detail: the estimated Revenues and Operation and Maintenance Expenses for the Airport System for such Fiscal Year; the estimated amounts to be deposited during such Fiscal Year in each of the Funds and Accounts established under the Bond Resolution and the estimated expenditures for the replacement of capital assets or any unusual or extraordinary maintenance or repairs, for the building and constructing of permanent improvements, alterations, buildings and other structures, including runways, taxi strips and aprons of the Airport System. The County may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

Application and Use of Revenues

The Bond Resolution creates six funds designated the Construction Fund, the Revenue Fund, the Debt Service Fund (consisting of a Debt Service Account and the Debt Service Reserve Account), the Renewal and Replacement Fund, the Subordinated Bond Fund and the Improvement and Development Fund. The Trustee holds the Debt Service Fund, the Construction Fund and the Subordinated Bond Fund. The County holds all of the other Funds.

All Revenues of the Airport System are to be promptly deposited as received in the Revenue Fund and applied in the following manner:

(a) To the payment of Operation and Maintenance Expenses.

(b) To the maintenance of an operation and maintenance reserve in an amount that is equal to 1/6th (unless reduced by Supplemental Resolution, provided that the operation and maintenance reserve shall never be less than 1/20th of the amount appropriated in the Annual Budget for the Operation and Maintenance Expenses for the then current Fiscal Year) of the amount appropriated in the Annual Budget for Operation and Maintenance Expenses for the then current Fiscal Year. Amounts in such reserve that the County determines to be in excess of the requirements of such reserve are to be used to make up deficiencies in the Debt Service Account, the Debt Service Reserve Account, the Renewal and Replacement Fund and the Subordinated Bond Fund. Any balance of such excess not so used is to be deposited in the Improvement and Development Fund.

(c) Monthly, to the Debt Service Fund: (i) for credit to the Debt Service Account, the amount, if any, required so that the balance in said Account shall be equal to the Accrued Aggregate Debt Service as of the last day of the then current calendar month or, if interest and/or principal are required to be paid to holders of Bonds during the next succeeding calendar month or a day other than the first day of such calendar month, Accrued Aggregate Debt Service as of the day through and including which such interest and/or principal is required to be paid;

provided that, for the purposes of computing the amount to be deposited in said Account, there shall be excluded from the calculation of the balance in said Account the amount, if any, set aside in the Debt Service Account from the proceeds of Bonds for the payment of interest on Bonds, less the amount of such proceeds to be applied in accordance with the Bond Resolution to the payment of interest accrued and unpaid and to accrue on Bonds through the last day of the then current calendar month or, if interest is required to be paid to holders of Bonds during the next succeeding calendar month on the day other than the first day of such calendar month less that amount of such proceeds to be applied in accordance with the Bond Resolution of the payment of interest accrued and unpaid and to accrue on such Bonds to the day through and including which such interest is required to be paid and (ii) if the Debt Service Reserve Account has not been funded in an amount equal to the Debt Service Reserve Requirement upon the issuance of a Series of Bonds by the deposit into such Account of either moneys and/or a Debt Service Reserve Account Insurance Policy, for credit to the Debt Service Reserve Account an amount not less than 1/60th of the difference between the amount in such Account (including the amount of any Debt Service Reserve Account Insurance Policy) on the date of issuance of such Series of Bonds and the Debt Service Reserve Requirement, until the amount in the Debt Service Reserve Account (including the amount of any Debt Service Reserve Account Insurance Policy is equal to the amount of the Debt Service Reserve Requirement), provided, however, no such deposits need to be made to the Debt Service Reserve Account to the extent earnings thereon equal at least the amount to be so deposited, and (iii) if the amount in the Debt Service Reserve Account (including the amount of any Debt Service Reserve Account Insurance Policy) is reduced below the amount of the Debt Service Reserve Requirement as a result of any transfer from such Account to the Debt Service Account, an amount not less than 1/60th of the amount of such transfer until the amount on deposit in the Debt Service Reserve Account (including the amount of any Debt Service Reserve Account Insurance Policy) is again equal to the Debt Service Reserve Requirement. Moneys deposited in the Debt Service Fund are to be applied to the payment of principal of and interest on the Bonds.

If after making any required transfers under the Bond Resolution, the amount on deposit in the Debt Service Reserve Account exceeds the Debt Service Reserve Requirement, such excess shall be reduced in either of the following manners at the option of the County: (a) if there is on deposit in the Debt Service Reserve Account a Debt Service Reserve Account Insurance Policy, the principal amount thereof may be reduced by the amount of such excess, or (b) if there is on deposit in the Debt Service Reserve Account money or securities, an mount equal to such excess may be withdrawn from the Debt Service Reserve Account and deposited in the Revenue Fund or in any combination of (a) and (b) above; provided, however, that any amount withdrawn from the Debt Service Reserve Account pursuant to clause (b) above shall not be used for any purpose or in any manner that would adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Bonds or Subordinate Indebtedness (other than Taxable Obligations).

(d) Monthly, to the Renewal and Replacement Fund, the amount budgeted for deposit to the Renewal and Replacement Fund in the current Annual Budget. Amounts in the Renewal and Replacement Fund shall be applied to the payment of the costs of equipment, major repairs and capital renewals, replacements, additions, betterments, improvements and disposals with respect to the Airport System necessary, after consultation with the Consulting Engineers, to keep the same in good operating condition or to prevent a loss of Revenues therefrom. Amounts in the Renewal and Replacement Fund shall also be applied to the payment of Operation and Maintenance Expenses to the extent that amounts on deposit in the Revenue Fund are insufficient, and to the payment of extraordinary operation and maintenance expenses, and contingencies, including the prevention or correction of any unusual loss or damage, in connection with the Airport System, all to the extent not provided for in the then current Annual Budget or by moneys on deposit in the Revenue Fund as an operation and maintenance reserve. On the last day of any month, if the amount in the Debt Service Account or the Debt Service Reserve Account in the Debt Service Fund shall be less than the requirement of the Debt Service Account or the Debt Service Reserve Account, respectively, and there shall not be on deposit in the Subordinated Bond Fund or the Improvement and Development Fund moneys sufficient and available for transfer to the deficient Account in the Debt Service Account to cure such deficiency, then the County shall transfer from the Renewal and Replacement Fund for deposit in the Debt Service Fund or the Debt Service Reserve Account in the Debt Service Fund, as the case may be, the amount necessary to make up such deficiency. On the last day of any month, the County may also transfer from the Renewal and Replacement Fund to the Improvement and Development Fund such amounts as are determined by the County to be in excess of the amount necessary to be on deposit in the Renewal and Replacement Fund.

(e) Monthly, to the Subordinated Bond Fund, such amounts, if any, as shall be required to pay principal or sinking fund installments of and interest on each issue of Subordinated Indebtedness and reserves therefore, as required by the Bond Resolution, including the Supplemental Resolution authorizing such issue of Subordinated Indebtedness. Such amounts shall be used to pay debt service and fund required reserves for Subordinated Indebtedness. If at any time the amount in the Debt Service Account or the Debt Service Reserve Account in the Debt Service Fund shall be less than the requirements of such Accounts, respectively, and there shall not be on deposit in the Improvement and Development Fund available moneys sufficient to cure such efficiency, then the Trustee shall withdraw from the Subordinated Bond Fund and deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, the amount necessary (or all the moneys in the Subordinated Bond Fund, if less than the amount necessary) to make up such deficiency.

(f) Monthly, to the Improvement and Development Fund, to the extent moneys are available therefor in the Revenue Fund after making the above transfers and deposits. The County shall withdraw from the Improvement and Development Fund and apply moneys in the following amounts and in the following order of priority: (i) for deposit in the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund the amount necessary (or all the moneys in the Improvement and Development Fund if less than the amount necessary) to make up any deficiency in payments to the Debt Service Account and the Debt Service Reserve Account and (ii) for deposit in the Renewal and Replacement Fund, the amount necessary (or all the moneys in the Improvement and Development fund if less than the amount necessary) to make up any deficiency in the Renewal and Replacement Fund, after making the deposits required by the Bond Resolution. Amounts in the Improvement and Development Fund not required to meet a deficiency or for transfer as required in the next preceding sentence shall be deposited by the County in the Debt Service Account -- SI and the Debt Service Reserve Account -- SI (each created under the Supplemental Resolution providing for the issuance of Subordinated Indebtedness and as defined therein) to the extent necessary to make up any deficiencies in payments to the Debt Service Account -- SI and the Debt Service Reserve

Account -- SI. Amounts in the Improvement and Development Fund not so required shall, upon determination of the County, be applied to or set aside for any lawful purpose of the County related to the Airport System.

Additional Bonds

Additional Projects. The County may issue Additional Bonds for the purpose of paying the costs of any Additional Project upon the delivery of, among other things, certificates of the County stating that (i) for any 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of such Additional Bonds or the last completed Fiscal Year for which audited financial statements are available, the Net Revenues Available for Debt Service for such 12-month period equaled at least 1.25 times the Aggregate Debt Service for such 12-month period and (ii) the estimated Net Revenues Available for Debt Service in each of the three Fiscal Years following the Fiscal Year in which it is estimated that the Additional Project will be completed (based on a certificate of the Airport Consultant) are at least equal to 1.25 times the Aggregate Debt Service for the outstanding Bonds and the Additional Bonds for the corresponding Fiscal Years.

Refunding Bonds. One or more series of Refunding Bonds may be authenticated and delivered to refund (a) all Outstanding Bonds of one or more Series or one or more maturities or part of any one or more maturities within a Series, or (b) any Subordinated Indebtedness. Refunding Bonds may only be issued if the County provides either (i) a certificate setting forth (a) the Aggregate Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (1) with respect to the Bonds of all Series Outstanding immediately prior to the authentication and delivery of such Refunding Bonds and (2) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (b) that the Aggregate Debt Service set forth for each Fiscal Year pursuant to (2) above is no greater than that set forth for such Fiscal Year pursuant to (1) above; or (ii) a certificate setting forth that the Refunding Bonds are being issued to prevent the occurrence of an Event of Default or to cure an existing Event of Default.

Priority. All Series of such Additional Bonds and Refunding Bonds will be payable from the same sources and will be secured on a parity with the Series 2006 Bonds.

In addition to the requirements described above, the County must comply with certain other conditions set forth in the Bond Resolution in order to issue Additional Bonds and Refunding Bonds. See "APPENDIX A, SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION - Additional Bonds."

Subordinated Indebtedness

The County may issue Subordinated Indebtedness payable from, and secured by a pledge of, amounts in the Subordinated Bond Fund and/or the Improvement and Development Fund; provided, however, that (i) such Subordinated Indebtedness shall be issued only to provide proceeds to be used for any lawful purpose of the County related to the Airport System, and (ii) such pledge shall be subordinate in all respects to the pledge of the Net Revenues Available for Debt Service and Funds and Accounts created by the Bond Resolution as security for the Bonds.

On March 15, 2006, the County issued its not exceeding $8,000,000 in aggregate principal amount of Airport System Subordinated Indebtedness, Series 2006 (the "2006 Subordinated Indebtedness") of which $250,000 in aggregate principal amount is Outstanding, to finance the acquisition, construction and equipping of three additional aircraft gates, the repair and mitigation of damage caused by the 2004 and 2005 hurricanes, and the acquisition, construction and equipping of a new administrative building (the "2006 Subordinate Projects").

The County anticipates drawing approximately $3,425,000 from the 2006 Subordinate Indebtedness over the next five year period. The County is applying for additional PFC's, grants, insurance and Federal Emergency Management Agency funding for the 2006 Subordinate Projects in order to pay principal and interest on the 2006 Subordinate Indebtedness and to reduce the need for further draws. The funding sources enumerated above will only repay eligible portions of the 2006 Subordinate Project under the funding sources respective guidelines. The County expects to pay a portion of the principal and interest from Revenues of the Airport System. The County has not pledged PFC's, grants, insurance proceeds or funding from the Federal Emergency Management Agency to the payment of the 2006 Subordinate Indebtedness.

Special Purpose Facilities

The County may construct capital improvements and facilities and acquire equipment ("Special Purpose Facilities") with funds other than Revenues or obligations payable from other than Revenues. The County is authorized to finance Special Purpose Facilities from the proceeds of obligations issued by the County without regard to any requirements of the Bond Resolution with respect to the issuance of Additional Bonds; provided, among other requirements, that such obligations are payable solely from rentals or other charges derived by the County under a lease, sale or other agreement entered into between the County and the person, firm or corporation which will be utilizing the Special Purpose Facilities to be financed. Such Special Purpose Facilities shall not be part of the Airport System; provided, however, after all obligations issued by the County to finance such Special Purpose Facilities have been paid in full, or provision for their payment has been made, the County may include any such Special Purpose Facility in the Airport System if it receives a certificate from the Airport Consultant to the effect that the inclusion in the Airport System of such Special Purpose Facility will not adversely affect Revenues or the rights, security and remedies of Bondholders under the Bond Resolution.

MUNICIPAL BOND INSURANCE

The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix E for a specimen of Insurer's policy (the "Policy").

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under this heading "MUNICIPAL BOND INSURANCE". Additionally, MBIA makes no representation regarding the Series 2006 Bonds or the advisability of investing in the Series 2006 Bonds.

Insurance Policy

The Insurer's Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2006 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2006 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2006 Bonds. The Insurer's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2006 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) though (iii) above. The Insurer's Policy also does not insure against nonpayment of principal of or interest on the Series 2006 Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series 2006 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Series 2006 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2006 Bonds or presentment of such other proof of ownership of the Series 2006 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2006 Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Series 2006 Bonds in any legal proceeding related to payment of insured amounts on the Series 2006 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series 2006 Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulations under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and the one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of the Insurer

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA".

Fitch Ratings rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2006 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2006 Bonds. The Insurer does not guaranty the market price of the Series 2006 Bonds nor does it guaranty that the ratings on the Series 2006 Bonds will not be revised or withdrawn.

Insurer Information

As of December 31, 2004, the Insurer had admitted assets of $10.3 billion (audited), total liabilities of $7.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2005, the Insurer had admitted assets of $11.0 billion (unaudited), total liabilities of $7.2 billion (unaudited), and total capital and surplus of $3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning the Insurer, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company of the year ended December 31, 2005 and, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Any documents, including any financial statements of the Insurer and its subsidiaries are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and after the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005), available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference rooms in Washington D.C.; (iii) over the internet at the Company's website at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

Rights of Insurer

Notwithstanding any other provision of the Bond Resolution the contrary, MBIA, so long as it is not in default under its Policy, will be deemed to be the sole Registered Owner of all Series 2006 Bonds insured by it for purposes of exercising rights, consents or remedies granted under the Bond Resolution.

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ESTIMATED DEBT SERVICE REQUIREMENTS

The following is the estimated debt service on all Outstanding Parity Bonds after the issuance of Series 2006 Bonds and the refunding of the Bonds to be Refunded.

Date	Series 2001 Bonds Total	Series 2002 Bonds Total	Series 2006A Bonds Principal	Series 2006A Bonds Interest	Series 2006A Bonds Total	Series 2006B Bonds Principal	Series 2006B Bonds Interest	Series 2006B Bonds Total	Total Debt Service
04/01/2006	$ 838,206	$ 1,305,538	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,143,744
10/01/2006	7,353,206	1,305,538	-	1,272,434	1,272,434	-	370,468	370,468	10,301,646
04/01/2007	707,906	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	4,220,328
10/01/2007	7,497,906	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	11,010,328
04/01/2008	521,181	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	4,033,603
10/01/2008	7,746,181	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	11,258,603
04/01/2009	376,681	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	3,889,103
10/01/2009	7,911,681	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	11,424,103
04/01/2010	169,469	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	3,681,890
10/01/2010	8,144,469	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	11,656,890
04/01/2011	-	1,305,538	-	1,709,240	1,709,240	-	497,644	497,644	3,512,421
10/01/2011	-	11,575,538	-	1,709,240	1,709,240	-	497,644	497,644	13,782,421
04/01/2012	-	1,010,275	-	1,709,240	1,709,240	-	497,644	497,644	3,217,159
10/01/2012	-	12,005,275	-	1,709,240	1,709,240	-	497,644	497,644	14,212,159
04/01/2013	-	694,169	-	1,709,240	1,709,240	-	497,644	497,644	2,901,053
10/01/2013	-	12,339,169	-	1,709,240	1,709,240	-	497,644	497,644	14,546,053
04/01/2014	-	359,375	-	1,709,240	1,709,240	-	497,644	497,644	2,566,259
10/01/2014	-	12,859,375	-	1,709,240	1,709,240	-	497,644	497,644	15,066,259
04/01/2015	-	-	-	1,709,240	1,709,240	-	497,644	497,644	2,206,884
10/01/2015	-	-	-	1,709,240	1,709,240	2,425,000	497,644	2,922,644	4,631,884
04/01/2016	-	-	-	1,709,240	1,709,240	-	426,046	426,046	2,135,286
10/01/2016	-	-	-	1,709,240	1,709,240	2,565,000	426,046	2,991,046	4,700,286
04/01/2017	-	-	-	1,709,240	1,709,240	-	350,314	350,314	2,059,554
10/01/2017	-	-	-	1,709,240	1,709,240	2,715,000	350,314	3,065,314	4,774,554
04/01/2018	-	-	-	1,709,240	1,709,240	-	270,154	270,154	1,979,394
10/01/2018	-	-	-	1,709,240	1,709,240	2,880,000	270,154	3,150,154	4,859,394
04/01/2019	-	-	-	1,709,240	1,709,240	-	185,122	185,122	1,894,362
10/01/2019	-	-	-	1,709,240	1,709,240	3,045,000	185,122	3,230,122	4,939,362
04/01/2020	-	-	-	1,709,240	1,709,240	-	95,218	95,218	1,804,458
10/01/2020	-	-	-	1,709,240	1,709,240	3,225,000	95,218	3,320,218	5,029,458
04/01/2021	-	-	-	1,709,240	1,709,240	-	-	-	1,709,240
10/01/2021	-	-	2,920,000	1,709,240	4,629,240	-	-	-	4,629,240
04/01/2022	-	-	-	1,636,240	1,636,240	-	-	-	1,636,240
10/01/2022	-	-	3,065,000	1,636,240	4,701,240	-	-	-	4,701,240
04/01/2023	-	-	-	1,559,615	1,559,615	-	-	-	1,559,615
10/01/2023	-	-	3,220,000	1,559,615	4,779,615	-	-	-	4,779,615
04/01/2024	-	-	-	1,479,115	1,479,115	-	-	-	1,479,115
10/01/2024	-	-	3,380,000	1,479,115	4,859,115	-	-	-	4,859,115
04/01/2025	-	-	-	1,394,615	1,394,615	-	-	-	1,394,615
10/01/2025	-	-	3,550,000	1,394,615	4,944,615	-	-	-	4,944,615
04/01/2026	-	-	-	1,305,865	1,305,865	-	-	-	1,305,865
10/01/2026	-	-	3,730,000	1,305,865	5,035,865	-	-	-	5,035,865
04/01/2027	-	-	-	1,212,615	1,212,615	-	-	-	1,212,615
10/01/2027	-	-	3,915,000	1,212,615	5,127,615	-	-	-	5,127,615
04/01/2028	-	-	-	1,114,740	1,114,740	-	-	-	1,114,740
10/01/2028	-	-	4,110,000	1,114,740	5,224,740	-	-	-	5,224,740
04/01/2029	-	-	-	1,011,990	1,011,990	-	-	-	1,011,990
10/01/2029	-	-	4,315,000	1,011,990	5,326,990	-	-	-	5,326,990
04/01/2030	-	-	-	904,115	904,115	-	-	-	904,115
10/01/2030	-	-	4,530,000	904,115	5,434,115	-	-	-	5,434,115
04/01/2031	-	-	-	790,865	790,865	-	-	-	790,865
10/01/2031	-	-	4,760,000	790,865	5,550,865	-	-	-	5,550,865
04/01/2032	-	-	-	671,865	671,865	-	-	-	671,865
10/01/2032	-	-	4,995,000	671,865	5,666,865	-	-	-	5,666,865
04/01/2033	-	-	-	546,990	546,990	-	-	-	546,990
10/01/2033	-	-	5,245,000	546,990	5,791,990	-	-	-	5,791,990
04/01/2034	-	-	-	415,865	415,865	-	-	-	415,865
10/01/2034	-	-	5,505,000	415,865	5,920,865	-	-	-	5,920,865
04/01/2035	-	-	-	278,240	278,240	-	-	-	278,240
10/01/2035	-	-	5,785,000	278,240	6,063,240	-	-	-	6,063,240
04/01/2036	-	-	-	142,293	142,293	-	-	-	142,293
10/01/2036	-	-	6,055,000	142,293	6,197,293	-	-	-	6,197,293
Total*	$41,266,888	$65,204,088	$69,080,000	$81,479,689	$150,559,689	$16,855,000	$11,981,765	$28,836,765	$285,867,429

*Totals may not add due to rounding

THE AIRPORT SYSTEM

Airport System Financial Information

The following table shows, for the periods indicated, Revenues, Operation and Maintenance Expenses and Net Revenues Available for Debt Service (each computed in accordance with the Bond Resolution). All amounts set forth herein under the caption "Airport System Financial Information" for the five Fiscal Years ended September 30, 2005 are taken from the audited financial statements for the years indicated. The audited financial statements and other financial information of the Palm Beach County Department of Airports (the "Department"), for the Fiscal Years ended September 30, 2005 and 2004 and the Notes thereto are included as APPENDIX C hereto.

AIRPORT FINANCIAL OPERATIONS
Fiscal Year Ended September 30,

	2000	2001	2002	2003	2004	2005
Operating Revenues						
Concessions	$24,025,009	$25,239,091	$22,593,679	$24,030,622	$26,734,958	$30,839,858
Rentals	19,170,207	18,041,531	17,718,724	17,900,803	19,345,557	22,034,186
Landing Fees	4,877,579	3,429,461	2,129,005	3,263,128	4,066,044	5,404,755
Other	1,906,360	1,759,193	2,206,338	2,535,833	2,506,272	2,782,351
Total Operating Revenues	$49,979,155	$48,469,276	$44,647,746	$47,730,386	$52,652,831	$61,061,150
Non Operating Revenues						
Interest Income	$ 4,869,760	$ 7,501,784	$ 5,255,271	$ 2,263,831	$ 2,024,732	$ 1,926,371
Other	47,424	162,968	1,933,516	110,123	738,906	414,317
Total Non-Operating Revenues	$ 4,917,184	$ 7,664,752	$ 7,188,787	$ 2,373,954	$ 2,763,638	$ 2,340,688
Total Revenues	$54,896,339	$56,134,028	$51,836,533	$50,104,340	$55,416,469	$63,401,838
Operating Expenses						
Salaries and Benefits	$ 7,080,983	$ 7,257,816	$ 8,140,791	$ 8,466,475	$ 9,328,065	$ 9,630,338
General and Administrative	5,381,054	6,339,623	6,213,147	7,698,871	7,572,256	8,746,476
Contracted Security	4,486,836	4,989,859	6,935,148	6,854,670	6,661,144	6,754,072
Utilities	1,931,449	2,364,456	2,477,537	2,355,014	2,756,529	2,873,734
Maintenance	3,523,078	4,160,124	3,909,759	4,174,865	4,131,153	4,125,849
Contracted Aircraft Fire-Fighting Service	4,306,520	4,306,520	4,589,643	4,732,970	5,378,847	5,778,078
Total Operating Expenses	$26,709,920	$29,418,398	$32,266,025	$34,282,865	$35,827,994	$37,908,547
Non-Operating Expenses						
Total Non-Operating Expenses	$ -	$ -	$ -	$ -	$ 3,260	$ 412,054
Total Expenses	$26,709,920	$29,418,398	$32,266,025	$34,282,865	$35,831,254	$38,320,601
Plus: Transfers	$ 7,950,421	$ 8,330,213	$ 8,052,312	$ 9,331,347	$ 7,022,656	$ 5,206,499
Less: O&M Coverage	2,390	66,821	52,552	319,852	298,309	406,495
Less :Noise Fees	328,679	290,409	217,872	179,774	198,113	193,074
Net Revenues Available For Debt Service	$35,805,771	$34,688,613	$27,352,396	$24,653,196	$26,111,449	$29,688,167
Debt Service Expenses						
Interest Expense	11,110,275	9,835,669	7,768,275	7,141,388	6,740,887	6,320,387
Principal Payment	5,490,000	6,025,000	7,635,000	8,010,000	8,410,000	8,830,000
Total Debt Service Expense	$16,600,275	$15,860,669	$15,403,275	$15,151,388	$15,150,887	$15,150,387
Debt Service Coverage	2.16x	2.19x	1.78x	1.63x	1.72x	1.96x

Source: Department.

Management's Discussion of Results of Operations

The Department has experienced an increase of passenger enplanements at Palm Beach International Airport ("PBIA") of 9.5% for Fiscal Year 2005. Enplanements for Fiscal Year 2005 totaled 3,521,361 representing the largest enplanement activity at PBIA than in any other Fiscal Year.

The overall financial position of PBIA improved due to increased traffic and increased fees. Operating revenues rose by 15.9% in Fiscal Year 2005, from $52.7 million in Fiscal Year 2004 to $61.1 million in Fiscal Year 2005, which includes an increase in concession revenues of $4.1 million. Components of the increase include concession revenues of $4.1 million, which are comprised of parking revenues, car rental revenues and terminal concessions. Increased concessions revenue was due to an increase in passenger traffic. In Fiscal Year 2005, airline revenues represented approximately 35% of operating revenues. For Fiscal Year 2006, the Department estimates approximately 38% of operating revenues will be derived from airline revenues.

Operating expenses at PBIA increased by 5.8% in Fiscal Year 2005, for a total of $37.9 million. Bad debt expense was recorded at $1.1 million to recognize the impact of airline bankruptcy filings, the largest of which was from Delta Airlines. Operating income before depreciation increased by 37.6% in Fiscal Year 2005, for a total of $23.2 million due to the significant increase in operating revenues.

The change in net assets for Fiscal Year 2005 totaled $20.8 million, a decrease of $124,000 from Fiscal Year 2004. This decline is largely due to the write off of assets which were repaired or replaced in the aftermath of Hurricanes Frances and Jeanne. Additionally, depreciation expense increased due to the addition of new assets during Fiscal Year 2005.

The Department's net assets exceeded liabilities by approximately $282 million at September 30, 2005, compared to $261 million at September 30, 2004.

During Fiscal Year 2005, the Department expended $32.8 million on capital expenditures and completed projects totaling $50.2 million. The major projects and acquisitions completed were security checkpoint expansion totaling $24.4 million, taxiway L totaling $6.6 million and the Golfview canal relocation totaling $5.1 million. Acquisitions are generally funded using a variety of financing sources, including Federal grants, State grants, Revenues, Passenger Facility Charges and debt issuance, including revenue bonds. No new debt, including revenue bonds was issued in Fiscal Year 2005.

The Department, as of September 30, 2005, collected a total of $99.6 million in Passenger Facility Charges ("PFC"), including interest on PFC cash balances since the inception of the program in April 1, 1994. The Department has capital expenditures totaling $78.3 million over the same time period, which are paid from PFC revenues. As of Fiscal Year ended September 30, 2005, the Department was authorized to collect $113.7 million in PFC revenues.

Airline Bankruptcy and Changing Market Share

Delta and Northwest Airlines filed for bankruptcy protection status in September of 2005. The Department had pre-petition debts from these carriers amounting to $1.1 million. Delta accounts for approximately $1 million of this amount. The Department considers it unlikely that these pre-petition debts will be paid. The Department has chosen to charge this amount to bad debt expense for Fiscal Year 2005. Under the terms and conditions of the Airport Use and Lease Agreement (described herein), bad debt expense is to be calculated in rates and recovered from airline fees in the subsequent rate period. Independence Air ceased operations at PBIA in December 2005. All pre-petition debt from Independence Air is fully secured by a letter of credit.

Prior to Fiscal Year ended September 30, 2004, Delta and US Airways have historically held a combined market share in excess of 50% at PBIA, however, current trends show a diversity of market share which strengthens the position of PBIA. In both Fiscal Years ended September 30, 2004 and 2005, Delta and US Airways had a combined market share of 47.82%. Furthermore, in December 2005 passenger traffic at PBIA set an all time high for that month; Delta accounted for 23% of such traffic and JetBlue accounted for almost 19% of such traffic. Continental, US Airways and Southwest accounted for the next three positions, respectively. The Department believes that this trend towards market diversity among carriers is expected to continue.

AIRPORT SYSTEM FACILITIES

Palm Beach International Airport

Physical Description. PBIA is situated on approximately 1,489 acres of land and is located three miles southwest of the City of West Palm Beach.

In 1984, the County began to implement a long-term development plan designed to alleviate problems associated with the inadequacy of airport facilities to meet then current and anticipated future demand. In November, 1984, the County issued its $188,400,000 Airport System Revenue Bonds, Series 1984 to provide for the financing of Airport System improvements consisting of a new terminal, including parking and landside, airside and access roads. The terminal, completed in October, 1988, is a centralized, three-level terminal with an additional four-level rooftop parking garage, currently encompassing over 570,000 square feet. Two pedestrian walkways connect the terminal building with public parking areas. The terminal has two second level concourses accommodating 25 aircraft parking gates and a ground-level commuter concourse accommodating 10 aircraft parking gates. The ticketing facilities are located on the third level, concession and gates are on the second level, and baggage claim/baggage makeup facilities are located on the lower level. The terminal is accessed by vertically separated arrival/departure roadways. Parking areas are comprised of a 4 story parking garage and ground level lots which provide a total of 8,000 spaces for parking, including the recent expansion of satellite facilities.

In addition, furnishings, fixtures and equipment and other aircraft support systems are leased by the County to carriers and other tenants of the PBIA. By providing tenant equipment and furnishings, rather than having tenants own the furnishings and equipment, the County is able to better maintain control over airport facilities.

The airfield consists of three runways and associated taxiways. Major air carriers utilize the main 10,008 lineal foot long and 150 foot wide east/west runway and the 6,931 lineal foot long and 150 foot wide crosswind runway. A third 3,213 lineal foot general aviation runway runs east/west. The main runway was lengthened from 8,000 feet in the summer of 2000 to increase safety, reduce noise impacts and accommodate longer haul aircraft. Other airfield facilities include an Aircraft Rescue Fire Fighting building and an FAA air traffic control tower. See “APPENDIX B – REPORT OF AIRPORT CONSULTANT – The Capital Improvement Program – Existing Airport Facilities” for a more detailed description of the facilities located at PBIA.

Recent airport improvement projects include airfield improvements and terminal improvements. For a description of these improvement projects. See “APPENDIX B – Report of the Airport Consultant – The Capital Improvement Program”. An additional long-term parking garage will be funded by the Series 2006A Bonds. See “APPENDIX B – Report of the Airport Consultant – 2006 Project” and “SERIES 2006 PROJECT” herein for a description of the Series 2006 Project.

Operations. As of March 2006, PBIA had scheduled passenger service provided by 13 U.S. carriers and three foreign flag carriers. In addition, as of March 2006, the all-cargo carrier UPS provided scheduled cargo service at PBIA. Scheduled service at PBIA is provided by 11 of the nation’s 16 major U.S. passenger airlines, which represent the largest group of passenger airlines in terms of their total annual revenues. These airlines include AirTran, American, Comair, Continental, Delta, ExpressJet, JetBlue, Northwest, Southwest, United, and US Airways.

Service at PBIA has been historically oriented toward the major/national carriers (i.e., passenger air carriers having the majority of its scheduled and/or nonscheduled service using aircraft with more than 90 seats), with their share of enplaned passengers at PBIA ranging from a high of 97.0 percent to a low of 94.0 percent between Fiscal Year 1995 and Fiscal Year 2005. See “Appendix B – REPORT OF THE AIRPORT CONSULTANT” for specific points regarding airline market shares of enplanements at PBIA.

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The following tables contain data concerning PBIA operations for the indicated periods.

Historical Enplanements by Carrier
For the Twelve Months Ended September 30, 2005

Carrier	Passengers Enplaned	Market %
Delta/Song*	1,155,169	32.8%
USAirways*	528,863	15.0
Jet Blue*	407,174	11.6
Continental*	382,143	10.9
Southwest*	373,845	10.6
American(1)*	203,115	5.8
AirTran*	116,673	3.3
Northwest*	94,638	2.7
United*	48,182	1.4
Spirit	38,441	1.1
Gulf Stream	32,547	0.9
Bahamasair	16,617	0.5
Air Canada	16,530	0.5
Comair	13,151	0.4
CanJet	2,897	0.1
Other(2)	91,376	2.6
	3,521,361	100.0%

(1) Includes data for TWA prior to their merger.
(2) Consist of airlines no longer servicing PBIA and/or charters.
Source: Report of Airport Consultant
* Signatory Airlines.

Passenger, Weights, Operations, Cargo Volumes and Parking Transactions
For the Years Ended September 30

	Enplanements	Landed Weight	Total Operations: Air Carrier plus Commuters	Total Cargo/Mail\ in Tons	Parking Transactions
2001	3,054,355	4,296,991	73,254	22,082	1,393,094
2002	2,694,214	3,809,258	60,790	19,511	1,171,929
2003	2,937,681	4,073,377	64,661	20,905	1,236,017
2004	3,216,772	4,226,923	69,642	20,175	1,293,063
2005	3,521,361	4,547,543	69,737	19,574	1,393,944

Source: Department and Report of Airport Consultant

Airport System Management

The Department of Airports, which currently employs approximately 150 people, is a department of the County, and is governed by the Board of County Commissioners. The Director of Airports is appointed with the consent of the Board and reports to the County Administrator and ultimately to the Board.

Bruce V. Pelly, Director of Airports, joined the Department as its Director in 1986 after serving as Acting Director while an Assistant County Administrator for Palm Beach County and liaison to the Airport Department. Mr. Pelly holds a Bachelor of Science Degree in Business Administration from Florida Atlantic University and an Associated Arts Degree in Building Construction from Palm Beach Community College. Mr. Pelly served as Assistant County Administrator for Palm Beach County for ten years prior to becoming Director of Airports.

C. Michael Simmons, Fiscal Director, has been with the Department since June, 1989. Mr. Simmons holds a Bachelor of Science Degree in Accounting from Florida State University and is a Certified Public Accountant. Prior to coming to the Department, Mr. Simmons was the Acting Director of Finance and Accounting Manager at Jacksonville Port Authority for four years, July 1985 to June 1989; Management Services Officer for the City of Jacksonville, November 1983 to June 1985; and Public Accounts Auditor for the Auditor General, State of Florida from May 1981 to October 1983. Mr. Simmons is a member of the American Institute of Certified Public Accountants.

Dorral J. Calvert, Director of Operations and Maintenance, has been with the Department since August 1989. Mr. Calvert retired from the Air Force as a Colonel after twenty-six years of active service in various capacities. His last assignment being the Logistics Director for Homestead Air Force Base in Florida, where he managed supply, transportation, comptroller, contracting and the planning functions for the installation from 1986 to 1989. He has a B.S. Degree in Engineering from the University of Missouri, with a MBA from the University of Southern Illinois. In addition, has attended various military schools, the last being the Industrial College of the Armed Forces in Washington D.C.

Jerry Allen, Director of Airport Planning and Development, Jerry Allen, Development Director has been with the Department since May 1985. For the last twenty years Mr. Allen has managed the Airport planning, design, construction, and governmental affair's efforts. Mr. Allen holds a Bachelor of Science Degree in Urban and Regional Planning from Southwest Missouri State University. Mr. Allen is an Accredited Airport Executive obtaining his Accreditation from the American Association of Airport Executives in 1990. Mr. Allen is the current President of the Florida Airports Council which represents all of Florida commercial service airports on federal and state legislative issues. Prior to joining to the Department Mr. Allen was an Airport Planner at Lambert St. Louis International Airport.

Employee Relations. Certain employees of the Department are unionized.

Pension Plan. The Department participates in the noncontributory Florida Retirement System Pension Plan (the "Plan"), which covers substantially all of its employees. The Plan, which is totally administered and controlled by the State of Florida, determines the amount of contributions. The Department's relative position and undertaking under the Plan are commingled with that of other participating governmental entities and are not determinable. Contributions to the Plan are recorded as an expense when accrued. Contributions to the Plan as determined by the State of Florida are equal to a percentage of salaries. The Department's contributions to the Plan for the years ended September 30, 2005, 2004 and 2003, were approximately $550,000, $517,000 and $413,000 respectively, and were equal to the required contribution for each year.

Insurance. The Department participates in the County's self-insured Workers' Compensation, Health and Casualty insurance programs, established and approved in accordance with Florida Statutes and paid premiums of $1,387,757 and $1,712,086 for the Fiscal Years ended September 30, 2005 and 2004, respectively. The County carries commercially insured Airport Liability Insurance with total limits of $150,000,000 covering all of the operations and properties of the Airport System. In addition, the County carries commercially insured all-risk, including the peril of "wind," with Property Insurance total limits of $250,000,000 covering all county-owned properties including properties of the Airport System. The policy also includes coverage for loss of income resulting from damage to the Airport System. Other property insurance related coverage includes $40,000,000 for flood, $50,000,000 for terrorism and sabotage and $50,000,000 for boiler and machinery.

All tenants, contractors and contractual users of the Airport System are required to provide proof of insurance at least annually with types of coverages and limits as are periodically determined by the Department in consultation with the County's Risk Manager.

Other Services. Fire-Rescue and police-security services for the Airport System are provided by the County's Fire -Rescue Department and the County Sheriff's Office, respectively, under arrangements providing for coordination of activities and of costs. Other County agencies and departments provide assistance or services on a reimbursable basis.

Airline Agreements

PBIA signatory airlines are currently operating under a one-year extension of individual five-year Airport Use and Lease Agreements, which originally expired September 30, 2005 (each, an "Airport Use and Lease Agreement"). The signatory airlines and the Department are currently in negotiations to enter into new five-year use and lease agreements to be effective October 1, 2006. The terms of the new Airport Use and Lease Agreement are anticipated to be substantially similar to the current Airport Use and Lease Agreement. Airlines that have entered into an Airport Use and Lease Agreement are referred to herein as "Signatory Airlines". The current Signatory Airlines are expected to execute the new Airport Use and Lease Agreement on or about October 1, 2006.

Signatory Airlines market share at PBIA for the twelve months ended September 30, 2005 was: Delta 32.8%; US Airways 15.0%; Jet Blue 11.6%; Continental 10.9%; and Southwest Airlines 10.6%. Other Signatory Airlines including, American, Northwest, AirTran, and United comprise a total of 13.2% of the market share for the same period. See table entitled "Historical Enplanements by Carrier For the Twelve Months Ended September 30, 2005," herein.

Each Airport Use and Lease Agreement is a hybrid agreement as follows: the cost of operating the terminal and airfield (Operation and Maintenance ("O&M") plus applicable debt service, debt service coverage, and O & M coverage) is charged to the airlines in a compensatory fashion but the airlines also share in the overall airport net remaining Revenues on a 50%-50% basis. Each Signatory Airline's share is realized by a credit to terminal rents and landing fees, calculated pursuant to its Airport Use and Lease Agreement. For purposes of the Department's internal flow of funds, the airline credit is shown as a Transfer from the Improvement and Development Fund into the Revenue Fund. The amounts transferred are classified as Revenues under the Bond Resolution in the Fiscal Year in which the transfer occurs and are therefore eligible for inclusion in the calculation of debt service coverage for purposes of the rate covenant in the Bond Resolution. A "Transfer" represents a credit to a Signatory Airline's rates and charges for terminal rentals and landing fees calculated pursuant to the Airport Use and Lease Agreement.

Under the Airport Use and Lease Agreement, a Signatory Airline is entitled to the use of, in common with others so authorized, PBIA and all facilities, equipment, improvements and services provided or which may be provided at PBIA for common use.

Each Signatory Airline leases from the County designated space in the terminal building for its exclusive or preferential use, and in the case of certain adjoining premises, joint use. Exclusive use premises include ticket counters, offices and VIP rooms; preferential use premises include holdrooms, loading bridges and centralized support systems; joint use premises include concourse areas and baggage claim areas and devices. The County is negotiating to classify more space as preferential to increase the Department's management and funding flexibility regarding such leasehold areas.

Each Signatory Airline is required to pay the County monthly rentals, payable in advance, for the use of the premises leased to such Signatory Airline and fees and charges for the equipment and other rights, licenses, and privileges granted thereunder. Under the Airport Use and Lease Agreements the aggregate of rentals, fees and charges payable by all Signatory Airlines are required to be sufficient to pay the sum of (i) the "Landing Fees Net Requirement", and (ii) that percentage of the "Terminal Rentals Net Requirement" relating to premises leased by all Signatory Airlines in the terminal, which costs include the satisfaction of the County's obligations to make deposits and payments under the Bond Resolution which are properly attributable to such areas; provided, that no Signatory Airline is obligated to pay terminal rentals properly charged to any other Signatory Airline, and not paid by such other Signatory Airline.

The Landing Fees Net Requirement for any period is equal to the sum of 90% of (a) total O&M expenses (determined in accordance with the Bond Resolution) allocable to the airside cost center of PBIA for such period, (b) aggregate debt service on Bonds, Subordinated Indebtedness and other debt allocable to such cost center for such period, (c) an amount equal to the coverage requirement set forth in the Bond Resolution with respect to such debt service, (d) the portion of the Debt Service Reserve Requirement allocable to such cost center, (e) operation and maintenance reserve equal to one-sixth of budgeted O&M Expenses for such period allocable to such cost center, and (f) amortization charges for capital expenditures in such cost center for such period made from available County funds, less the sum of (i) all expenses allocable to the federal inspection service facility, (ii) 100% of nonsignatory airline landing fees, airfield service revenues and aviation fueling revenues and 25% of airline catering revenues, (iii) any surplus or deficit from the prior year, and (iv) any applicable "Transfer."

The Terminal Rentals Net Requirement is calculated in the same manner with respect to the terminal cost center except that the only revenue deductions are screening fees and an amount equal to 25% of airline catering revenues.

Rates for rentals, fees and charges under the Airport Use and Lease Agreement are reviewed and adjusted annually and whenever total rentals, fees and charges are projected to deviate from the Terminal Rentals Net Requirement and Landing Fees Net Requirement described above by 10% or more.

The Airport Use and Lease Agreement does not contain restrictive majority in interest ("MII") approval provisions. Under the Airport Use and Lease Agreement, the only MII provision requires the County to obtain the concurrence of more than fifty percent (50%) of the number of Signatory Airlines paying more than fifty percent (50%) of the total rentals, fees and charges for the preceding six (6) months, prior to issuing any new or Additional Bonds, Subordinated Indebtedness, or other debt, to make improvements to, or develop new, general aviation airports other than the North County Airport; provided, however, no such concurrence shall be required if the resulting Additional Bonds debt service, Subordinated Indebtedness, or other debt service shall be paid from County funds available for such purposes, and the County calculates Transfers in each year as if no such Additional Bonds, Subordinated Indebtedness, or other debt had been incurred.

The County is also required to provide each Signatory Airline advance written notice of any amendments or supplements to the Bond Resolution which may materially change the terms of the Airport Use and Lease Agreements.

Under each Airport Use and Lease Agreement, if substantial damage to or total destruction of any part of the leased premises occurs, the rental obligation of the affected Signatory Airline is abated until the premises are reconstructed and available for use by such Signatory Airline. The County has no obligation to repair or reconstruct any of such premises.

In its Airport Use and Lease Agreement, each Signatory Airline agrees to indemnify and save the County harmless from and against all liabilities, claims, suits, judgments, damages, fines or demands, including costs, fees and expenses in connection therewith, for death or injury to third parties or for damage to any property arising out of or incident to the negligence of the Signatory Airline. Each Signatory Airline also agrees to carry and keep in force aircraft liability insurance of not less than $25,000,000 for public liability, property damage and bodily injury, and comprehensive automobile liability insurance covering automotive vehicles operated only on PBIA's roadways with combined single limits of not less than $1,000,000.

A Signatory Airline may not assign its interest in its Airport Use and Lease Agreement or assign or sublet any portion of the space exclusively or jointly leased by the Signatory Airline without the prior consent in writing of the County (which consent shall not be unreasonably withheld); provided, however, that without such consent the Signatory Airline may assign its interest in its Airport Use and Lease Agreement to any corporation with which it may merge or consolidate or which may succeed to its business.

The County may, to the extent allowed by law, cancel an Airport Use and Lease Agreement upon 30 days' written notice following the occurrence of certain events of bankruptcy of a Signatory Airline, the voluntary discontinuance by a Signatory Airline of operations at PBIA for a period of 30 days without the prior approval of the Department, and the failure by a Signatory Airline to perform under the Airport Use and Lease Agreement and continuance thereof for 30 days after notice from the County. The County may terminate the Airport Use and Lease Agreements immediately if payments thereunder are not made in full within 15 days of written notice.

A Signatory Airline, not in default of its Airport Use and Lease Agreement, may terminate such Airport Use and Lease Agreement under Article 12.04 of the Airport Use and Lease Agreement, by giving the County sixty days advance written notice, upon any one of the following events:

A. The issuance by any court of competent jurisdiction of an injunction in any way preventing the use of the PBIA for Airport purposes or a substantial part of the Airline Premises (as defined in the Airport Use and Lease Agreement), which injunction remains in full force for a period of at least ninety days.

B. The default by the County in the performance of any material covenant or material agreement herein required to be performed by the County and the failure of County to remedy such default for a period of ninety days after receipt from the Signatory Airline of written notice; provided, however, that no notice of cancellation shall be of any force or effect if the County shall have remedied the default prior to receipt of the notice of cancellation; or in the event the same cannot be cured within such ninety day period and the County has commenced such cure.

C. The lawful assumption by the United States Government or any authorized agency thereof, of the operation, control, or use of the Airport and facilities, or any substantial part or parts thereof, in a manner which substantially restricts the operation of the Signatory Airline, for a period of at least ninety days.

Other Airport Revenues

Parking Revenues. The County contracts with a parking management company, currently USA Parking, to operate the public parking facilities at PBIA. Parking revenues are collected by the contractor and deposited directly into the County's bank accounts. The management company receives a management fee and reimbursement of actual expenses incurred in the operation of the parking facilities. Shuttle operations are also operated by the management company, paid by the County at an hourly rate established by bid. The parking management contract is to be re-bid towards the end of Fiscal Year ending September 30, 2006. Fiscal Year 2005 parking revenues amounted to $14,700,000, approximately 24% of Operating Revenues. Increased parking revenue (19% over Fiscal Year 2004) is due to a combination of increased traffic and increased parking dwell time. The County has approved an increase in maximum short term rates from a maximum of $12 per day to $16 per day, long-term rates from a maximum of $10 per day to $12 per day and Park & Ride rates from a maximum of $5 per day to $6 per day to become effective May 1, 2006. The premium parking rates remain at a maximum of $30 per day. The Department previously implemented a parking rate increase for premium parking from a maximum of $24 per day to $30 per day with a $2.00 minimum. Strategically, increased parking revenues helps to diversify revenue sources and ultimately reduce costs to airlines.

Rental Car Arrangements. The County has entered into agreements, each of which is substantially similar, with Alamo, Avis, Budget, Dollar, Hertz, National, and Enterprise to provide rental cars to the public at PBIA until September 30, 2008. Each rental car company pays the greater of 10% of gross receipts or a minimum annual guarantee. In addition, each company pays rent for ticket counter space, and some companies pay rent for ground leases to operate service facilities. Off airport car rental companies enter a permit arrangement whereby they pay 8% of airport related gross revenues. In Fiscal Year 2005, rental car revenues totaled $10,400,000.

Food and Beverage Concession Agreement. The County entered into an agreement with Host-Marriott to provide food and beverage concessions at PBIA (the "Food Concession Agreement"). The contract expires October 2014. At PBIA, Host-Marriot provides food offerings with name brand recognition on a national basis (Starbucks, California Pizza Kitchen, Cinnabon, Burger King) and regional/local name brands (Miami Subs, Sam Sneed's Tour Tavern, Rooney's Pub, Nick's Tomato Pie, and Hoffman's Chocolates). The Food Concession Agreement provides for the payment of 10% to 15% of gross sales with a minimum annual payment, whichever is greater. Percentage payments vary by items sold. Menus offer comparable street level pricing to customers to further enhance the public's airport experience. The County designed the Food Concession Agreement to promote food quality, food value, and comfortable dining facilities; part of the equation was lower percentage revenues to the County and percentages specifically tailored to the particular food service concept. In Fiscal Year 2005, food and beverage revenues to the County totaled $1,600,000. The Food Concession Agreement is currently in negotiations to extend the term. The County expects Host-Marriott to make additional investments in new facilities and update certain existing facilities. The additional facilities would coincide with the completion of the Concourse C expansion project which includes an additional 4,000 square feet of concession areas. See "Capital Improvement Program" herein.

News and Gift Concession Agreement. The County has entered into an agreement (the "Gift Concession Agreement") with The Paradise Shops, Inc. to provide general merchandise, news and gifts for sale at PBIA for a contract term expiring September, 2008. The Gift Concession Agreement provides for the payment of 20% of gross sales with a minimum annual payment, whichever is greater. Revenues to the County in Fiscal Year 2005 totaled $2,100,000. The County is expected to re-bid the news and gift concession within the next 12 months; the successful proposer will be expected to update existing facilities and provide for additional development of concessions.

Noise Abatement Program. Noise abatement and mitigation programs have been developed at PBIA by noise consultants in conjunction with the Department of Airports, the

Federal Aviation Administration and citizen advisory committees. Noise abatement and mitigation programs were adopted by the County in October 1985, effective as of June 1, 1986. The goal of these efforts, which include imposition of a noise operating fee based upon the type of the aircraft and the time of the operation, is to reduce noise impact of PBIA. Completed and ongoing projects include ground noise barriers, the purchase of homes located within the 75 ldn noise contour, aviation easements, sound insulation of public buildings and homes, and land use planning. Noise operating fees and Federal and state grants are used to fund the cost of these improvements.

With the implementation of the National Noise policy January 1, 2000, banning all Stage 1 and Stage 2 air carrier operations, noise fees collected by the County have significantly diminished. All commercial air carriers consist of Stage 3 fleets. Monitoring of noise operations currently consists of air carrier nighttime activity and occasional private jet operations.

Other County Airports

Palm Beach County Park Airport (Lantana Airport) is located two miles west of the City of Lantana and seven miles south of PBIA. Lantana Airport serves the general aviation and recreational aviation public, with minor charter and some light cargo operations. A single fixed base operation provides general maintenance, management and servicing at this facility. This fixed base operation has hangar, and terminal facilities available with paved tie-down space for approximately 200 aircraft.

Palm Beach County Glades Airport (Pahokee Airport) serves the general aviation needs of western part of the County. It is located near the City of Pahokee on the rim of Lake Okeechobee. It consists of a single fixed base operation providing minor maintenance, fueling, hangar and apron tie-down facilities. Pahokee Airport serves a mix of executive, pleasure, and commercial (crop dusting) operations located in the rural community of the County.

North Palm Beach County General Aviation Airport (NPBC General Aviation Airport) is located in Palm Beach Gardens, southwest of PGA National and serves as a general aviation reliever to PBIA. Constructed in 1994, NPBC General Aviation Airport comprises approximately 1,800 acres and possesses a 4,300 foot main runway, a 4,300 foot crosswind runway, and a 2,000 foot grass (turf) landing strip. Facilities include a terminal building, large executive hangars, individual t-hangars and corporate hangars, and fueling facilities on site.

Hurricanes

During the month of September 2004, the Department was significantly impacted by hurricanes Frances and Jeanne. PBIA and all three general aviation airports were damaged by hurricane force winds. As a result, PBIA was closed to commercial activity for approximately three (3) days in total. Revenue losses were relatively insignificant to the total results for the Fiscal Year ended September 30, 2004. Physical damage and additional labor costs totaled approximately $5,250,000. Damages to PBIA totaled $2,000,000; damages to the three general aviation airports totaled $3,250,000. Physical damages are estimated at $4.5 million. The Department received reimbursements for approximately 70% of the cost of repairs for the damage and eligible payroll costs from insurance, Federal Emergency Management Agency

("FEMA") and grants. In November 2004, the FAA provided a grant to totaling approximately $3,052,000 for hurricane repair. The County anticipates additional insurance and FEMA payments for the damage as claims continue to be settled.

On October 24, 2005, the County was damaged by hurricane Wilma. PBIA and the three general aviation airports were impacted by hurricane force winds. As a result, PBIA was closed to commercial activity for approximately 48 hours. Revenue losses were relatively insignificant. Physical damage to the Airport System is estimated to be $4 million. Most of the damage was to facilities at PBIA, with the largest single impact to concourse B roof areas. Complete roof repairs were made within 90 days of the impact under emergency procurement provisions. The Department anticipates 80% to 90% or more of hurricane damage to be reimbursed by insurance or by FEMA.

Air Trade Area

The Air Trade Area for PBIA as described in "APPENDIX B – REPORT OF AIRPORT CONSULTANT," includes the counties of Palm Beach, Indian River, St. Lucie and Martin, Florida. The closest major airport is Fort Lauderdale-Hollywood International, located 45 miles south of PBIA. See "APPENDIX B – REPORT OF AIRPORT CONSULTANT."

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program ("CIP") for Fiscal Year 2006 through Fiscal Year 2011 at the PBIA is described generally below and in particular in "APPENDIX B – REPORT OF THE AIRPORT CONSULTANT."

The CIP consists of projects initiated through Fiscal Year 2011, at a total estimated cost of approximately $485.8 million, in current dollars or approximately $536.8 million, in escalated dollars, for which funding sources have been identified and the County believes can be expected to be secured, including proceeds from the Series 2006A Bonds. See "APPENDIX B – REPORT OF THE AIRPORT CONSULTANT" for a more detailed description of the CIP.

Airfield Projects

Approximately sixty-four percent (64%), or $310.4 million, of the CIP is represented by the airfield improvement project described below (the "Airfield Improvement Project"). The purpose of the Airfield Improvement Project is to reduce projected aircraft operational delay that is anticipated at PBIA as demand continues to grow. The Airfield Improvement Project was included in the update to the Department's master plan for PBIA, completed in 2001 ("2001 Master Plan Update") and is shown on the current airport layout plan.

The Airfield Improvement Project will be funded through a combination of federal, state and County sources including FAA Airport Improvement Program ("AIP") entitlement and discretionary grants, supplemented by state ("FDOT") grants, Passenger Facility Charges ("PFC's") and County funds. The Airfield Improvement Project is planned to be completed on or before the year 2013. This timing will allow the County to meet its goal to accommodate demand with a minimum of delay, and thus maintain a high level of passenger convenience.

The proposed Airfield Improvement Project components are described in "APPENDIX B – REPORT OF THE AIRPORT CONSULTANT".

In addition to the Airfield Improvement Project, remaining Airfield projects included in the CIP total $61.5 million, and contain several taxiway rehabilitation projects needed to restore the surface and/or structural condition of the taxiway systems serving PBIA's existing runways and terminal areas. These taxiway rehabilitation projects were identified through a pavement condition assessment funded by the County as part of PBIA's annual facilities inspection program.

The expansion of Apron A has also been included as a CIP project. The scope of this apron expansion comprises the construction of additional airfield pavements west of Apron A (located along the western limits of the terminal area) in order to provide hardstand parking positions for aircraft remaining overnight at PBIA's.

Terminal

Terminal projects included in the CIP are estimated to cost $44.0 million and include the replacement of the 25 existing loading bridges in Concourse B and C, construction of an administration building and enhancements to Concourse C (the "Concourse C Enhancement Program"). The expansion of the Concourse C footprint represents one of the capacity enhancement projects identified in the 2001 Master Plan Update. Since the completion of the 2001 Master Plan Update, the County has sponsored the programming and design of the Concourse C Enhancement Program, but has not initiated the construction of these concourse enhancements. PFC funds are the primary sources of capital being used by the County for the construction of the Concourse C Enhancement Program. State grants have also been secured to fund the modifications to the aircraft parking areas required to comply with FAA design standards. See "APPENDIX B – REPORT OF AIRPORT CONSULTANT" for details concerning the Concourse C Enhancement Program.

Other Projects

Other projects and capital expenditures included in the CIP (excluding the Series 2006 Project) are estimated to total approximately $1.7 million and include the purchase of a new fire rescue vehicle and construction of a maintenance compound.

AIRLINES AND AIRLINE INDUSTRY

The following is a general discussion of the Airline Industry throughout the United States and is not limited to PBIA. For a more detailed discussion see "APPENDIX B – REPORT OF THE AIRPORT CONSULTANT – Air Traffic – State of the Airline Industry" for a more detailed description of the state of the overall airline industry.

General

Substantially all of the domestic airlines serving PBIA, or their respective parent corporations, are subject to the information filing requirements of the Securities Exchange Act of 1934, and in accordance therewith file reports or other information with the Securities and

Exchange Commission (the "Commission"). Certain information, including financial information, concerning such airlines or their respective parent corporations is disclosed in certain reports and statements filed with the Commission. Such reports and statements may be inspected at the public reference room of the Commission at 450 5th Street, N.W., Washington, D.C. and copies of such reports and statements can be obtained from the Commission at prescribed rates. In addition, each airline is required, to file periodic reports of financial and operating statistics with the Data Administration Division of the Department of Transportation. Such reports can be inspected in the Data Requirements and Public Reports Division of the Office of Aviation Information Management, Room 4201, 400 7th Street, S.W., Washington, D.C. 20590 and copies of such reports can be obtained from the Public Reports Division at prescribed rates.

Significant Events

Since the economic deregulation of the airline industry in 1978, the industry has undergone significant changes including a number of airline mergers, acquisitions, bankruptcies and dissolutions. In addition, the financial results of the airline industry have been subject to substantial volatility since deregulation. According to the Federal Aviation Administration ("FAA"), aviation activity nationwide was already in a weakened state even before the events of September 11 and headed toward one of its worst years in over a decade. Also according to the FAA, passenger demand began to decline in February 2001 and air carrier finances turned negative in the first quarter of Calendar Year 2001, primarily due to declining high-yield business traffic and rapidly escalating labor costs. In response to weak demand following September 11, airlines were forced to reduce fares to stimulate demand, creating a further reduction in airline revenues. According to the Air Transport Association ("ATA") the financial condition of the U.S. airline industry remains poor and has a long way to go before it can be declared healthy. This organization estimates that in 2005 the industry will add over $9 billion to the $32.3 billion in losses incurred between 2001 and 2004; however, those losses are expected to be $1 billion to $2 billion in 2006, which could transition the aviation industry into profits in 2007. The airlines have responded to the changing nature of the industry by furloughing employees, negotiating significant wage reductions, deferring aircraft deliveries, streamlining operations, and improving productivity. However, high fuel prices coupled with intense fare competition, as well as massive debt and large unfunded pension obligations, will make the industry's financial recovery difficult in the short term. See "CERTAIN INVESTMENT CONSIDERATIONS."

The U.S. aviation industry has been significantly affected by a number of events that occurred earlier this decade (e.g., September 11, the economic slowdown, the outbreak of SARS in Asia and Canada, and the Middle East conflicts). These events contributed to substantial financial losses for the aviation industry between 2001 and 2005. At this time, escalating fuel prices and lowered fares continue to prevent U.S. legacy carriers from being profitable on an annual basis.

The County cannot predict the likelihood of future terrorist attacks or the effect on the air transportation system if there are more terrorist attacks or continued, increased or new hostilities. Similarly, the County cannot predict the duration or extent of the reduction in air travel or the extent of the impact on Revenues or the financial condition of the Airport System or any of the airlines operating at PBIA as a result of the significant events described above, including the potential that these events may cause any of the airlines to seek bankruptcy protection.

During the past few years, several airlines filed for bankruptcy protection due, in part, to the events described in this section. Notwithstanding the enactment of the Air Transportation Safety and System Stabilization Act and additional federal aid for the airline industry (described below under "Federal Legislation"), it is possible that additional passenger air carriers, including one or more of the Signatory Airlines, will file for protection under federal bankruptcy laws. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines' reported load and capacity factors since September 11, 2001, potential investors should refer to the statements and reports filed periodically by the airlines with the Commission. See "CERTAIN INVESTMENT CONSIDERATIONS – Additional Information."

Federal Legislation

On September 21, 2001, the Air Transportation Safety and System Stabilization Act (the "Stabilization Act") was enacted into law. The Stabilization Act provided among other things, for (i) $5 billion in payments to compensate domestic airlines for losses incurred as a result of the September 11, 2001 terrorist attacks, (ii) $10 billion in federal loan guarantees to domestic airlines, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees, (iii) limitations on air carrier officer and employee compensation if the air carrier receives federal loan guarantees, (iv) reimbursement to domestic airlines by the federal government of certain increased insurance costs for the operation of aircraft incurred by the airlines, (v) deferral of the payment by domestic airlines of certain taxes and (vi) limitations of liability for domestic airlines. The Stabilization Act also established a federal victim's compensation fund and claims procedure relating to the events of September 11, 2001, and at the discretion of the Secretary of Transportation, limitations of liability for U.S. air carriers for acts of terrorism committed during a 180-day period following enactment of the Stabilization Act.

Airport Security

As a result of the September 11, 2001 terrorist attacks, the Federal Aviation and Transportation Security Act ("ATSA") was enacted on November 19, 2001. This legislation makes airport security the responsibility of the newly created Transportation Security Administration (the "TSA"). The ATSA mandates certain individual, cargo and baggage screening requirements, awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all 'high-risk' flights. To finance these federal security services, the ATSA provides for payment by the airlines of approximately $700 million, estimated to be the cost of providing such services prior to the events of September 11, and imposes a passenger fee of $2.50 for each flight segment, not to exceed $5.00 per one-way trip.

In November 2002, Congress enacted the Homeland Security Act, which created the Department of Homeland Security ("DHS") to accomplish several primary goals: (1) prevent terrorist attacks within the United States, (2) reduce the nation's vulnerability to terrorism, (3) minimize the damage of and assist in the recovery from terrorist attacks that do occur, (4) and monitor connections between illegal drug trafficking and terrorism and coordinate efforts to sever such connections. The TSA is now a part of the DHS.

The Homeland Security Act extended the federal government's guarantee of war-risk insurance to airlines through at least August 31, 2006 and, at DHS's option, through December 31, 2006. The Homeland Security Act caps the total premium paid by any airline for war-risk insurance at no more than twice the premium the airline was paying the U.S. DOT for its third-party policy as of June 19, 2002. The Homeland Security Act also requires that carriers include methods of self-defense within their security training programs for flight attendants. The Act also requires DHS to establish a program for arming pilots, though participation in the program remains voluntary.

Cost of Aviation Fuel

According to the ATA, the high price of fuel is preventing the U.S. airline industry from being profitable. As industry fundamentals go, the price of fuel is the most significant force affecting the industry today. With the price of fuel today, compared to the price of fuel in 2000, the airlines are struggling to make a profit. The average price of the fuel was $0.81 per gallon in 2000 compared to $1.15 in 2004. Based on approximately the same amount of consumption, the airlines paid $5.0 billion dollars more in 2004 then they did in 2000. According to the ATA, every one-cent increase in the price per gallon increases annual airline operating expenses approximately $190 million.

Also according to the ATA, the airline industry will pay approximately $6.8 billion more for fuel in 2005 than in 2004. The price of jet fuel has forced some airlines to find ways of becoming more fuel efficient, and some airlines have found ways to save millions of dollars by taking many steps including using newer, more fuel-efficient airplanes, using only a single engine for taxi, lowering cruise spends, onboard weight reduction, more direct routes, and other measures. In the initial years following the events of September 11 and the nationwide economic slowdown, some U.S. airlines attempted to pass the higher fuel costs on to consumers by increasing the fuel surcharge; however, some of these attempts were unsuccessful as many airlines, particularly low—cost carriers, refused to match the increase in a number of instances. With the significant increases in fuel prices in recent months, airlines are more consistently matching fuel surcharges by other airlines.

Low Cost Carriers

The airline industry currently is going through a transition prompted by the proliferation of low-cost carriers ("LCCs") across the country. Published estimates indicate that LCCs accounted for about one-quarter of all domestic air passenger-miles flown in the United States during 2003 and, as a result, pose a rapidly-growing competitive threat to the major network airlines whose unit costs are significantly higher. Because the LCCs can transport passengers profitably at much lower fares, the major network carriers must match those prices or lose passengers to the LCCs. Consequently, the major carriers must drastically reduce their cost base, bring their capacity more in line with traveler demand, and find ways to make their operations more efficient. This process is in its early stages, has involved some experimentation by the major airlines into the LCC concept (e.g., Delta with Song, which is no longer in service, and United Airlines with Ted), and could mean a restructuring of the airline industry over the longer term. See “APPENDIX B – REPORT OF THE AIRPORT CONSULTANT – Air Traffic – Airlines Serving the Airport” for a discussion of LCC’s impact on PBIA.

CERTAIN INVESTMENT CONSIDERATIONS

General

The airline industry is significantly affected by a number of key factors arising from national and international conditions and events. Such factors include (i) economic conditions resulting from the level of national and international economic growth; (ii) international trade; (iii) currency values; (iv) the nature of domestic airline service and the effect of deregulation on competition; (v) the extent to which airline service is impacted by the demand generated by specific airport markets and, in certain instances, the level of connecting passenger activity (hubbing); (vi) the level of airline fares, which has a significant impact on passenger traffic; (vii) airport capacity, which has been affected by significant growth in certain air passenger markets; and (viii) disruption caused by airline incidents, acts of war, and terrorism. Other factors which may adversely impact the revenues of airlines serving the Airport include, without limitation, declining demand; service and cost competition; the availability and cost of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; insurance costs; litigation liability; federal government regulation and deregulation; environmental risks and regulations; noise abatement concerns and regulation; and federal and state bankruptcy and insolvency laws. The trend to introduce regional jets will also have an effect on individual markets, the individual air carriers and the aviation industry as a whole. It is not possible to predict what effect, if any, the present industry conditions may have on future air travel and route structures. See “APPENDIX B – REPORT OF AIRPORT CONSULTANT – Factors Affecting Aviation Demand.”

Uncertainties of the Airline Industry

The ability of the County to derive Revenues from its operation of the Airport depends on many factors, many of which are not subject to the County’s control, including the overall condition of the airline industry. Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airport Use and Lease Agreement.

As a result of the present condition of the airline industry, bankruptcy filings and liquidations or major restructurings by members of the airline industry remain possible. See “AIRLINES AND AIRLINE INDUSTRY – Significant Events.” The financial strength and stability of airlines serving PBIA may impact future airline traffic. In addition, individual airline decisions regarding level of service, particularly connections to hub airports at the Airport, together with the unwillingness of certain potential passengers to fly in light of actual and potential terrorist attacks, will affect total enplanements. There is no assurance that PBIA, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. Future airline traffic at PBIA will be affected by, among other things, the growth or decline in the population and the economy of the Air Trade Area and by national and international economic conditions, acts of war and terrorism, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system.

Possible Effects on Airport of Airline Bankruptcies

The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. Since that time, several airlines, have filed for bankruptcy protection. Some of these airlines, subsequently ceased operations, while others have successfully emerged from bankruptcy. Further bankruptcy filings, liquidations or major restructurings within the airline industry are possible as well.

In addition, if any airline using PBIA were to file for protection under the bankruptcy laws, such airline (or a trustee on its behalf) would have the right to seek rejection of any executory airport lease or contract within certain specified time periods after the filing, unless extended by the bankruptcy court. During the pendency of a bankruptcy proceeding, a debtor airline using PBIA typically may not, absent a court order, make any payments to PBIA on account of goods and services provided prior to bankruptcy. Thus, the Airport System's stream of payments from a debtor airline may be interrupted to the extent of pre-petition goods and services, including any accrued rent, Landing Fees, aviation fees, and Passenger Facility Charges. Rejection of any executory lease or contract by a debtor in bankruptcy is typically sought to avoid long-term commitments, unusual contract terms, or high fixed fees. The rental rates and other fees under the Airport Use and Lease Agreement are the same or lower than with airlines that are not Signatory Airlines. Although there can be no guarantee as to what an airline entity in bankruptcy will or will not do, it is not expected that a Signatory Airline having filed for bankruptcy but desiring to continue operating at PBIA would seek rejection of the Airport Use and Lease Agreement.

Airline Bankruptcies

On August 11, 2002, US Airways Group, Inc., US Airways, Inc., Piedmont Airlines, Inc., and other related entities filed petitions commencing cases under Chapter 11 of the Bankruptcy Code, in the US Bankruptcy Court for the Eastern District of Virginia and subsequently emerged from bankruptcy on March 31, 2003. US Airways again filed for Chapter 11 bankruptcy court protection on September 12, 2004. On May 19, 2005, US Airways and America West announced a merger agreement, which was subject to approval by the U.S. Bankruptcy Court overseeing US Airways' pending Chapter 11 case and transaction closing. On September 16, 2005, US Airways received final approval from the U.S. Bankruptcy Court to exit bankruptcy court protection and merge with America West. On September 27, 2005, US Airways completed its merger with America West.

Other airlines operating at PBIA that have recently filed for bankruptcy include the following:

United filed for bankruptcy court protection under Chapter 11 on December 9, 2002, and emerged from Chapter 11 on February 1, 2006; and

Delta filed for bankruptcy court protection under Chapter 11 on September 14, 2005; and

Northwest filed for bankruptcy court protection under Chapter 11 on September 14, 2005; and

Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005; and ceased operations nationwide on January 6, 2006.

For more information on the financial conditions of the airlines, potential investors should refer to the most recent filings of the airlines with the Securities and Exchange Commission. See also "AIRLINES AND AIRLINE INDUSTRY" herein.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of the threat of additional terrorist attacks, may influence the demand for passenger air travel. Travel behavior may be affected by anxieties over the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the selection of surface travel over air travel. See "AIRLINES AND AIRLINE INDUSTRY – Airport Security."

Because of the implementation of the Congressional mandate effective January 1, 2003 to screen all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under "Code Orange" (high) and "Code Red" (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory System, there is the potential for significantly increased inconvenience and delays at many airports, including PBIA.

Economic Considerations

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airports' air trade area (i.e. the geographical area served by an airport). This relationship is particularly true for origination and destination ("O&D") passenger traffic, which has been the foremost component of demand at PBIA, and represents passengers that either begin or end their trip at PBIA. Based on U.S. Department of Transportation ("DOT") ticket sample data, O&D passengers accounted for approximately 95.0 percent of total passengers at PBIA in Fiscal Year 2004. The major portion of demand for air travel at PBIA therefore, is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity.

The financial strength and stability of airlines serving the Airport System may impact future airline traffic. Accordingly, no assurance can be given as to the levels of aviation activity that will be achieved at PBIA. It is reasonable to assume that any significant financial or operational difficulties incurred by one or more Signatory Airlines could have a material adverse effect on PBIA, although financial or operational difficulties by any one of the Signatory Airlines may also, whether directly or indirectly, have an adverse impact on Revenues or Airport System operations.

In addition, although Passenger Facility Charges are not pledged to the payment of the Series 2006 Bonds, the County anticipates using PFC's for certain capital improvement projects. There can be no assurance that collections of Passenger Facility Charges will not be adversely affected by such matters as decreased air travel or changes in federal regulations. Also, notwithstanding FAA regulations requiring airlines collecting Passenger Facility Charges to separately account for the same, and notwithstanding the federal statute and regulations providing that Passenger Facility Charges are to be regarded as funds held in trust by the collecting airline for the beneficial interest of the airport imposing the Passenger Facility Charges, an airline holding Passenger Facility Charges could seek a bankruptcy court order holding that the Passenger Facility Charges in the bankrupt airline's custody are not trust funds and that PBIA is not entitled to such funds over other creditors of the collecting airline. The County believes that the amount of any unremitted Passenger Facility Charges currently held by airlines operating at PBIA is not material. See "SECURITY FOR THE SERIES 2006 BONDS – Subordinated Indebtedness" herein.

LITIGATION

There is no litigation of any nature now pending or, to the best of the County's knowledge, threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2006 Bonds or in any way contests the validity of the Series 2006 Bonds or any proceedings of the County taken with respect to the authorization, sale, or issuance of the Series 2006 Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2006 Bonds.

The County is involved in various lawsuits arising in the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of management of the County based upon consultation with legal counsel, that the outcome of these matters will not materially affect the financial position of the County.

TAX TREATMENT

Series 2006A Bonds

<u>General</u>

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the County must continue to meet after the issuance of the Series 2006A Bonds in order that interest on the Series 2006A Bonds not be included in gross income for federal income tax purposes. Examples include: the requirement that the County rebate certain excess earnings on proceeds and amounts treated as proceeds of the Series 2006A Bonds to the United States Treasury; restrictions on investments of such proceeds and other amounts; and restrictions on the ownership and use of the facilities financed with the proceeds of the Series 2006A Bonds. The County's failure to comply with these requirements may cause interest on the Series 2006A Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The County has covenanted in the Bond Resolution to take all actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2006A Bonds. The opinion of Bond Counsel, the form of which is attached hereto as Appendix D, will be based upon and assume the accuracy of certain representations and certifications and is conditioned on compliance by the County with such requirements, and Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series 2006A Bonds. The Bond Resolution does not require the County to redeem the Series 2006A Bonds or to pay any additional interest or penalty in the event the interest on the Series 2006A Bonds becomes taxable.

In the opinion of Bond Counsel, assuming continuing compliance by the County with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2006A Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2006A Bond for any period such Series 2006A Bond is held by a "substantial user" of the facilities financed by the Series 2006A Bonds or a "related person" within the meaning of Section 147(a) of Code; however interest on the Series 2006A Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2006A Bonds. Prospective purchasers of Series 2006A Bonds should be aware that the ownership of Series 2006A Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction of interest on indebtedness incurred or continued to purchase or carry Series 2006A Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on a Series 2006A Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15 percent of certain items, including interest on the Series 2006A Bonds; (iii) the inclusion of interest on Series 2006A Bonds in earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax; (iv) the inclusion of interest on Series 2006A Bonds in the passive income subject to federal income taxation of certain Subchapter C earnings and profits at the close of the taxable year; and (v) interest on the Series 2006A Bonds is taken into account in determining whether recipients of Social Security and Railroad Retirements benefits must include a portion of those benefits in gross income.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2006A Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2006A Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2006A Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2006A Bonds.

The Internal Revenue Service (the "IRS") has established an on-going program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2006A Bonds. Owners of the Series 2006A Bonds are advised that, if the IRS does audit the Series 2006A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Issuer as the taxpayer, and the owners of the Series 2006A Bonds may have limited rights to participate in such procedure. The commencement of audit could adversely affect the market value and liquidity of the Series 2006A Bonds until the audit is concluded, regardless of the ultimate outcome.

Tax Treatment of Original Issue Discount

The Series 2006A Bonds maturing on October 1, 2036 were sold at prices less than the stated principal amounts thereof (the "Discount Series 2006A Bonds"). The difference between the principal amount of the Discount Series 2006A Bonds and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Series 2006A Bonds of the same maturity was sold, is "original issue discount." Original issue discount represents interest which is excluded from gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as to stated interest on the Series 2006A Bonds. Such interest is taken into account for purposes of determining the alternative minimum tax liability, and other collateral tax consequences, although the owner of such Discount Series 2006A Bonds may not have received cash in such year. Original issue discount will accrue over the term of a Discount Bond at a constant interest rate compounded on interest payment dates. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Discount Series 2006A Bonds which are not purchased in the initial offering may be determined according to rules which differ from those described above. Prospective purchasers of Discount Series 2006A Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or the disposition of Discount Series 2006A Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Series 2006A Bonds.

Tax Treatment of Original Issue Premium

The Series 2006A Bonds maturing on October 1, in the years 2021 through 2023, inclusive, 2026 and 2034 (the "Premium Bonds") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond. Purchasers of Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

Series 2006B Bonds

Under existing law, interest on the Series 2006B Bonds will be treated as interest income for federal income tax purposes and will not be excluded from gross income for federal income tax purposes. No opinion is rendered by Bond Counsel with respect to the federal income tax consequences of ownership of the Series 2006B Bonds and each purchaser should consult his or her tax advisor to determine the federal tax consequences of ownership of the Series 2006B Bonds.

Series 2006 Bonds

Bond Counsel is further of the opinion that pursuant to the Act the Series 2006 Bonds and the interest thereon are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.

LEGALITY

Certain legal matters incident to the authorization, issuance and sale of the Series 2006 Bonds by the County and with regard to the tax-exempt status thereof are subject to the approving opinion of Ruden, McClosky, Smith, Schuster & Russell, P.A., Fort Lauderdale, Florida, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2006 Bonds. Certain legal matters in connection with the offering of the Series 2006 Bonds will be passed upon on behalf of the County by Paul F. King, Esq., Assistant County Attorney, and for the Underwriter by, Squire, Sanders & Dempsey L.L.P., West Palm Beach, Florida.

The proposed text of the separate legal opinion of Bond Counsel is set forth as "APPENDIX D – FORM OF BOND COUNSEL OPINION". The actual legal opinion to be delivered may vary from the text of APPENDIX D, if necessary, to reflect facts and law on the date of delivery of the Series 2006 Bonds. The opinion will speak only as of its date and subsequent distribution of it by recirculation of this Official Statement or otherwise shall not create any implication that subsequent to the date of the opinion Bond Counsel has affirmed its opinion.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2006 Bonds and, with respect to the Series 2006A Bonds only, the tax-exempt status of interest thereon for federal income tax purposes, as described under "TAX

MATTERS," and will make no statement regarding the accuracy and completeness of the Official Statement.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances, including changes in law that may thereafter occur or become effective.

The legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters and the Financial Advisor on behalf of the County relating to the adequacy of the proceeds of the Series 2006B Bonds and other available moneys held under the Escrow Agreement to pay all principal of and interest on the Bonds to be Refunded through their maturity date will be verified by Causey Demgen & Moore, Inc. Such computation will be based solely on information supplied by the Underwriters and the Financial Advisor on behalf of the County.

FINANCIAL ADVISOR

Spectrum Municipal Services, Inc. (the "Financial Advisor"), has acted as Financial Advisor to the County in connection with the issuance of the Series 2006 Bonds and the financing of the Project and has assisted the County in the preparation of this Official Statement.

AIRPORT CONSULTANT

The Report of the Airport Consultant, included in APPENDIX B to this Official Statement, was prepared by Ricondo & Associates, Inc., Cincinnati, Ohio. Such report has been included in this Official Statement in reliance on the authority of such firm as experts in airport matters and financial projections relating to airports such as PBIA.

FINANCIAL STATEMENTS

Included in APPENDIX C are excerpts from the audited financial statements and other financial information of Palm Beach County Department of Airports for the years ended September 30, 2005 and 2004. Such excerpts from the financial statements, including the auditors report, have been included in this Official Statement as public documents and consent from the auditor was not requested. The auditor has not performed any services relating to, and is therefore not associated with, the issuance of the Series 2006 Bonds.

GASB 45

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits referred to as other post employment benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time.

While the GASB 45 requirements will be effective for the County's Fiscal Year ending September 30, 2008, the County has received an actuarial valuation of the OPEB liability as of January 1, 2006. The Actuarial Report dated March 13, 2006, provides that assuming that the County's retiree benefit remains unfunded, the accrued actuarial liability (the "AAL") as of January 1, 2006 is projected to be $21,644,201. However, if the County were to fund the retiree benefit annually, the AAL would decrease to $13,146,692. The annual required contribution, (the "ARC") for the current fiscal year, would be $2,298,388 if the unfunded actuarial liability at transition is amortized over 30 years. If the County were to fund the retiree benefit, the ARC would decrease to $1,558,920. Currently, the County's retiree benefit is unfunded. The liability of the Department would only be a portion of the County's overall liability based on the number of employees of the Department eligible for the retirement benefit (which is less than all of the Department's employees) in relation to total County employees eligible for the retirement benefit.

UNDERWRITING

The Series 2006 Bonds are being purchased by the underwriters shown on the cover of this Official Statement. The Underwriters have agreed to purchase the Series 2006A Bonds at a price of $69,087,423.82 (representing the par amount of the Series 2006A Bonds, less Underwriters' discount of $441,489.93 plus net original issue premium of $448,913.75) and the Series 2006B Bonds at a price of $16,747,279.78 (representing the par amount of the Series 2006B Bonds, less Underwriters' discount of $107,720.22) subject to certain terms and conditions set forth in the Bond Purchase Agreement for the Series 2006 Bonds. The initial public offering prices may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series 2006 Bonds to certain dealers (including dealers depositing Series 2006 Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the public offering prices stated on the cover page hereof.

CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2006 Bonds with respect to compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the County undertakes and agrees in the Thirteenth Supplemental Resolution to provide the information described below to the persons so indicated. The County's undertaking and agreement set forth in this Section 604 (the "Undertaking") shall be for the benefit of the Underwriters, the registered owners and the Beneficial Owners of the Series 2006 Bonds.

(a) The County has undertaken and agreed to provide to any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule (a "NRMSIR"), and to the State of Florida information depository (herein, the "SID") if and when such a SID is created (i) the Department's annual financial statements for the Fiscal Year then ended, generally consistent with the financial statements presented in Appendix C, hereof, and (ii) an update for the Fiscal Year then ended, in substantially the form set forth in this final Official Statement of, the annual financial information and operating data set forth in the tables herein under the caption "AIRPORT SYSTEM FACILITIES" and an update, in summary form for the Fiscal Year then ended, of the information set forth in the table entitled "AIRPORT FINANCIAL OPERATIONS" herein (on which may be set forth in the Department's annual financial statements). The information referred to above is herein collectively referred to as the "Annual Information."

(b) The Annual Information described in paragraph (a) above in audited form (for as long as the County provides such financial information in audited form) is expected to be available on or before March 31 of each year for the fiscal year ending on the preceding September 30, commencing March 31, 2007 for the fiscal year ending on the preceding September 30, 2006. The Annual Information referred to in paragraph (a) above in unaudited form (if the audited financial statements are not available or if the County no longer provides such financial information in audited form) will be available on or before March 31 for the fiscal year ending on the preceding September 30. The County also agrees to provide the Annual Information to each registered owner and Beneficial Owner of the Series 2006 Bonds who request such information and pays to the County its costs of reproduction and transmission of such Annual Information. The County agrees to provide to each NRMSIR and the SID, if any, timely notice of its failure to provide the Annual Information. Such notice shall also indicate the reason for such failure and when the County reasonably expects such Annual Information will be available.

If the County's Undertaking requires amending, the County has undertaken and agrees that the Annual Information described in paragraph (a) above for the Fiscal Year in which the amendment is made will, to the extent possible, present a comparison between the Annual Information prepared on the basis of the new accounting principles and the Annual Information prepared on the basis of the accounting principles. The County agrees that such a comparison will, to the extent possible, include a qualitative discussion of the differences in the accounting principles and the impact of the change on the presentation of the Annual Information.

The County has also undertaken and agreed to provide, in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board and to the SID, if any, notice of the occurrence of any of the following events with respect to the Series 2006 Bonds, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on any reserve account reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Series 2006 Bonds;

(7) modifications to rights of Bondholders of the Series 2006 Bonds;

(8) Bond calls (other than scheduled mandatory sinking fund redemptions);

(9) defeasances of the Series 2006 Bonds;

(10) release, substitution, or sale of property securing repayment of the Series 2006 Bonds; and

(11) rating changes.

Notwithstanding the foregoing, notice of the events described in clauses (8) and (9) above need not be given any earlier than the time notice is required to be given to the registered owners of the Series 2006 Bonds.

Notwithstanding any other provision of the Bond Resolution, including the Thirteenth Supplemental Resolution to the contrary regarding amendments or supplements, the County undertakes and agrees to amend and/or supplement the foregoing (including the amendments referred to in paragraph d above) only if:

(1) The amendment or supplement is made only in connection with a change in circumstances existing at the time the Series 2006 Bonds were originally issued that arises from (i) a change in law, (ii) SEC pronouncements or interpretations, (iii) a judicial decision affecting the Rule or (iv) a change in the nature of the County's operations or the activities that generate Net Revenues Available for Debt Service;

(2) The County's Undertaking, as amended, would have complied with the requirements of the Rule at the time the Series 2006 Bonds were originally issued after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or supplement does not materially impair the interests of the registered owners and Beneficial Owners of the Series 2006 Bonds as determined by Bond Counsel or by a majority of the registered owners of the Series 2006 Bonds.

In the event of an amendment or supplement as aforesaid, the County shall describe the same in the next report of Annual Information and shall include, as applicable, a narrative explanation of the reason for the amendment or supplement and its impact, if any, on the financial information and operating data being presented in the Annual Information.

The County's Undertaking shall terminate if and when the Series 2006 Bonds are paid or deemed paid within the meaning of Section 1202 of the Bond Resolution

The County's Undertaking pursuant to the Rule is enforceable by the registered holders and the Beneficial Owners of the Series 2006 Bonds; provided that, the holder's and Beneficial Owners' right to enforce the provisions of the Undertaking shall be limited to a right to obtain specific enforcement of the County's obligations with respect thereto, and any failure by the County to comply with the provisions of the Undertaking shall not be or constitute a covenant or monetary default with respect to the Series 2006 Bonds under the Bond Resolution, including the Thirteenth Supplemental Resolution.

The County has reserved the right to satisfy its obligations through agents; and the County may appoint such agents without the necessity of amending the Bond Resolution. The County may also appoint one or more employees of the County or employees of the office of the Clerk to monitor and be responsible for the County's Undertaking.

The County has never failed to comply with any of its outstanding continuing disclosure undertakings previously executed in connection with any of its outstanding bonds.

FLORIDA BLUE SKY DISCLOSURE

Section 517.051, Florida Statutes, and the regulations promulgated thereunder, require that the County make full and fair disclosure of any bonds or debt obligations of the County that have been in default as to payment of principal or interest at any time after December 31, 1975. The Florida Department of Financial Services has required that such disclosure include certain specific financial information, unless the County believes in good faith that such information would not be considered material by a reasonable investor. The County has been notified that a default in the payment of debt service has occurred on its Palm Beach County, Florida, Industrial Development Revenue Refunding Bonds (Glenbeigh Hospital of Palm Beach Project), Series 1989. The County believes the disclosure of such information would not be considered material by an investor in the Series 2006 Bonds because the defaulted bonds are payable solely from funds received from the private entity which borrowed the proceeds of the defaulted bonds, and the County is not obligated to pay such debt service with any public funds of the County.

BOND RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch") have assigned ratings of "Aaa", "AAA" and "AAA," respectively, to the Series 2006 Bonds, with the understanding that, upon delivery of the Series 2006 Bonds, a policy of municipal bond insurance will be issued by MBIA. Moody's, S&P and Fitch have assigned an underlying rating of "A-2", "A", and "A" respectively to the Series 2006 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, 99 Church Street, New York, New York 10004; Standard & Poor's Corporation, 55 Water Street, New York, New York 10041; or Fitch, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2006 Bonds.

MISCELLANEOUS

All forecasts, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds. The information contained in this Official Statement is presented for the guidance of prospective purchasers of the Bonds described therein. The information has been compiled from official sources and, while not guaranteed by the County, is believed to be correct.

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CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

This Official Statement has been authorized by the County. Concurrently with the delivery of the Series 2006 Bonds, the undersigned will furnish their certificate to the effect that to the best of their knowledge nothing has come to their attention which would lead them to believe that the information provided by the County in the Official Statement as of its date and as of the date of the delivery of the Series 2006 Bonds contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement by its Chairman and County Administrator have been duly authorized by the Board of County Commissioners.

PALM BEACH COUNTY

By: *\/s/ Tony Masilotti*
Chairman, Board of County Commissioners

By: */s/ Robert Weisman*
County Administrator

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following is a brief summary of certain provisions of the Bond Resolution pertaining to the Bonds. Such summary does not purport to be complete and reference is made to the Bond Resolution for full and complete terms and provisions thereof. Defined terms used herein and not defined shall have the meanings ascribed to them in the Bond Resolution or in the Official Statement. References herein to Articles or Sections of the Bond Resolution shall be deemed to refer to Articles or Sections of Resolution No. R-84-1659 adopted by the Board on November 1, 1984, as amended.

The capitalized terms herein shall have the following respective meanings:

"Accrued Aggregate Debt Service" means, as of any date of calculation, an amount of equal to the sum of (i) interest on the Bonds of all Series accrued and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for all Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

"Additional Project" means the acquisition and/or construction of any additional aviation facilities for the Airport System or any additions, extensions, improvements and betterments to and reconstruction of the Airport System to be financed, in whole or in part, from the proceeds of any Additional Bonds.

"Aggregate Debt Service" means, as of any particular date of computation and with respect to any period, to sum of the amounts of Debt Service for such period with respect to all Series of Bonds; provided, however, that in computing Aggregate Debt Service, any particular Variable Interest Rate Bonds shall be deemed to bear at all times to the maturity thereof the Estimated Average Interest Rate applicable thereto; and provided, further, that for purposes of estimating Aggregate Debt Service for any future period, any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity thereof.

"Airport Consultant" means the airport consultant or airport consulting firm or corporation at the time retained by the County to perform the acts and carry out the duties provided for such Airport Consultant in the Bond Resolution.

"Airport System" means all airports, buildings, hangars, lands, warehouses, shops, hotels, motels, or other aviation facilities related or appurtenant thereto of any kind or nature now or hereafter owned, leased or operated by the County at Palm Beach International Airport, Palm Beach County Park Airport (known as Lantana Airport) and Palm Beach County Glades Airport (known as Pahokee Airport) in said County, the additions and improvements to be constructed and acquired at Palm Beach International Airport pursuant to the Bond Resolution, and any other airports and aviation facilities or facilities hereafter at any time constructed or acquired or leased by the County, together with all fixtures, equipment and property, real or personal, tangible or intangible owned and used in connection with such airports and other aviation facilities.

Notwithstanding the forgoing, “Airport System” shall not include, unless otherwise provided in accordance with Section 719 hereof, (i) Special Purpose Facilities hereafter acquired or constructed by the County, or (ii) the real property described in Exhibit A attached to the Bond Resolution and any airport or aviation facility hereafter acquired or constructed by the County thereon.

“Authorized Newspaper” means a newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language, devoted to financial information and in general circulation in The City of New York, New York.

“Authorized Officer of the County” means the Chairman or Vice Chairman, or the Clerk or the Director of the Department or any other officer or employee of the County authorized by resolution of the board or order of the clerk to perform specific acts or duties related to the subject matter of the authorization.

“Board” means the Board of County Commissioners of the County, the governing body of the County.

“Bondholder” or “Holder of Bonds” or any similar term means any person who shall be the registered owner of any Bond or Bonds.

“Chairman” means the Chairman or Vice-Chairman of the Board.

“Consulting Engineers” means the engineer or engineering firm or corporation at the time retained by the County to perform the acts and carry out the duties provided for such Consulting Engineers in the Bond Resolution.

“Counsel’s Opinion” means an opinion signed by an attorney or a firm of attorneys (who may be counsel or of counsel to the County) selected by the County.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) current interest accruing during such period on Bonds of such Series except to the extent that such interest is to be paid from deposits (including investment income thereon) in any Fund or Account made from Bond Proceeds or other amounts available therein, and (ii) that portion of each Principal Installment for such Series of Bonds, to become due on the date of calculation or the next succeeding Principal Installment due date, which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of such Series, as determined by the County in accordance with generally accepted accounting principles), and (iii) any fees associated with the servicing or insuring of any Variable Interest Rate Bonds; provided however, that such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof and (y) the principal amount of Option Bonds tendered for payment before the stated maturity thereof shall be deemed to accrue on the date required to be paid pursuant to such tender.

“Debt Service Reserve Account Insurance Policy” means the insurance policy or Surety Bond deposited in the Debt Service Reserve Account in lieu of or in partial substitution for cash on deposit therein, as more fully defined in the Bond Resolution.

“Debt Service Reserve Requirement” means, as of any date of calculation, an amount of money, securities and/or Debt Service Reserve Account Insurance Policy or Debt Service Reserve Account Insurance Policies equal to the maximum annual Debt Service for all Outstanding Bonds; provided that, for purposes of the foregoing, the interest rate on each Series of Variable Interest Rate Bonds shall be deemed to be a rate equal to The Bond Buyer “Revenue Bond Index" as of the date of issuance of such Series [Effective upon issuance of the Series 2006 Bonds.]

“Estimated Average Interest Rate” means, as to any Variable Interest Rate Bonds, (a) to the extent any Variable Interest Rate Bonds are outstanding, the higher of the average rate of interest payable on those Bonds over the last 12 months that any such Bonds have been Outstanding nor the most current actual interest rate; and (b) if no Variable Interest Rate Bonds are outstanding, the true interest cost for such Bonds, as estimated by the County on the date of authorization of such Bonds.

“Fiduciary” means the Trustee, the Bond Registrar and any Depository.

“Fiscal Year” means that period commencing on October 1 and continuing to and including the next succeeding September 30, or any such other annual period as may be prescribed by law.

“Initial Project” means that part of the Improvements identified and known as the “Temporary/Interim Improvements” and the “Phase I Improvements Program,” in accordance with the plans therefor (including revisions thereto) developed by Greiner Engineers and/or Hutcheon Engineers and associated firms and approved by the Board of County Commissioners of the County, and related facilities and improvements.

“Interest Payment Date” means, with respect to the Series 2006 Bonds, each October 1 and April 1, commencing October 1, 2006.

“Net Proceeds” means the amount received by the County from the sale and issuance of the Bonds less (i) the amount, if any, deposited in the Debt Service Reserve Account and (ii) the amount applied to pay legal, accounting, financial, advertising, recording and printing expenses and all other expenses incurred in connection with the issuance of the Bonds. Net proceeds shall include investment earnings on proceeds of the Bonds earned prior to the completion of construction of any Project.

“Net Revenues Available for Debt Service” for any Fiscal Year or period of 12 calendar months, means the Revenues during such Fiscal Year or period less Operation and Maintenance Expenses during such Fiscal Year or period.

"Non-Operating Expenses" means the expenses incurred in the performance of activities not directly related to the ordinary operations of the Airport System and shall include the expenses and compensation of the fiduciaries and consultants required to be paid under the Bond Resolution, all to the extent properly attributable to the Airport System, interest expense and any charge relating to the payment of principal, and shall also include, with respect to the Bonds, the fees, expenses, and other amounts payable to any issuer of a letter of credit, the proceeds of which will be applied to pay the principal of and interest on any Series of Bonds, as well as any indexing agent, depository, remarketing agent or any other person whose services are required with respect to the issuance of any Variable Interest Rate Bonds or Option Bonds.

"Non-Operating Revenues" means any income of the Airport System which is not derived from the basic operation of the Airport System which is not derived from the basic operation of the Airport System, not restricted in application to a special purpose and otherwise lawfully available to be applied pursuant to the Bond Resolution and shall include, without limiting the generality of the foregoing, all moneys deposited into the Revenue Fund from any fund or account established and maintained pursuant to the Bond Resolution and interest earned on investments and gains on sales of land.

"Operating Expenses" means the County's costs for operation, maintenance and repairs of the Airport System and shall include, without limiting the generality of the foregoing, salaries and employee benefits, utility costs, ordinary maintenance, administrative and general expenses and security.

"Operating Revenues" means all income and revenue from all sources, due and payable to the County in connection with the operation of the Airport System, including, without limitation, except as in the Bond Resolution expressly provided, all rentals, charges, landing fees, use charges and concession revenue derived on behalf of the County in its capacity as the operator of the Airport System, or any part thereof. The term "Operating Expenses" shall exclude revenues relating to Special Purpose Facilities and may include, at the option of the County, the proceeds from passenger facilities fees/charges, the proceeds of any noise related surcharges, or the proceeds of any ad valorem tax levied by the County to pay Operating Expenses pursuant to the Act, if any.

"Operation and Maintenance Expenses" means Operating Expenses plus Non-Operating Expenses, but only to the extent that such charges are made in conformity with generally accepted accounting principles, including amounts required by the Bond Resolution to be retained in the Revenue Fund for Operation and Maintenance Expenses the payment of which is not then immediately required. "Operation and Maintenance Expenses" shall not include expenses relating to Special Purpose Facilities or depreciation or obsolescence charge or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the County relating to the Airport System, including the Bonds, cost, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Airport System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the

Airport System nor such property items which are capitalized pursuant to the then existing accounting practice of the County all to the extent properly attributable to the Airport System.

"Option Bonds" shall mean Bonds which by their terms may be tendered by and at the option of the holders thereof for payment by the County prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the holder thereof.

"Outstanding" or "outstanding" when used with reference to the Bonds, means as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Bond Resolution except (a) any Bond cancelled at or before said date, (b) any Bond (or portion of Bonds) for the payment or redemption of which moneys equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, shall have theretofore been deposited with one or more of the Fiduciaries in trust (whether upon or prior to maturity or the redemption date of such Bond) and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in accordance with the Bond Resolution or provision shall have been made for the giving of such notice, (c) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Bond Resolution and (d) any Bond deemed to have been paid as provided in the Bond Resolution.

"Principal Installment" means, as of any date of calculation, with respect to any Series of Bonds so long as any Bonds of such Series are Outstanding (including any Option Bonds tendered for payment prior to the stated maturity thereof), and with respect to each future date on which any such Bond shall become due (or, in the case of any Option Bond, on which such Option Bond shall be tendered for payment prior to the stated maturity thereof) or on which any Sinking Fund Installment shall become due, (i) the principal amount of Bonds of such Series due (or tendered for payment) on such future date, or (ii) the unsatisfied balance (determined as provided in the Bond Resolution) of any Sinking Fund Installments due on such future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Project" means the Initial Project and any Additional Project.

"Record Date" means, with respect to the Series 2006 Bonds, the fifteenth day (whether or not a business day) of the month next preceding an Interest Payment Date.

"Revenues" means Operating Revenues plus Non Operating Revenues.

"Series" means all Bonds, including Additional Bonds, authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Bond Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"Sinking Fund Installment" means an amount so designated which is established pursuant to paragraph 2(g) of Section 202 of the Bond Resolution.

"Subordinate Bond Resolution" means the Sixth Supplemental Palm Beach County Airport System Revenue Bond Resolution adopted by the Board on June 6, 1989, as amended and supplemented, including by the Eighth Supplemental Palm Beach County Airport System Revenue Bond Resolution adopted by the Board on June 13, 1989.

"Variable Interest Rate Bonds" means bands which bear a Variable Interest Rate (as defined in the Bond Resolution).

Construction Fund

Notwithstanding anything to the contrary in the Bond Resolution, the following provisions shall apply to the Series 2006 Project and the Series 2006A Bonds:

(i) The term "Cost" or "Cost of the Series 2006 Project" shall mean the County's costs properly attributable to the construction or acquisition thereof, including but not limited to, the cost of acquisition by or for the County of real or personal property or other interest therein, costs of physical construction and costs of the county incidental to such construction or acquisition, the cost of any indemnity and surety bonds and premiums on insurance during construction, interest on the Series 2006A Bonds prior to, during and, to the extent permitted by law, after the completion of the Series 2006 Project, engineering expenses, legal fees and expenses, cost of audits, fees and expenses of the Fiduciaries and costs of financing, administrative and general overhead, including premiums on insurance on the Series 2006 Project and promotional and payroll expenses, and keeping accounts and asking reports required by the Bond Resolution as supplemented, including by the Thirteenth Supplemental Resolution, all prior to commencement of operation of such Series 2006 Project, amounts, if any, required by the Bond Resolution, as supplemented, to be paid into any Fund or Account established under the Bond Resolution, as supplemented, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the County (other than the Series 2006A Bonds) incurred for such Series 2006 Project, costs of machinery, equipment and supplies (including reimbursement to the County for any such item of Cost theretofore paid by or on behalf of the County, provided that such reimbursement is attributable to an expenditure no earlier than 60 days prior to the date the County adopted an official intent to pay such expenditure under Section 1.150-2 of the Treasury Regulations or otherwise may be treated as an expenditure under Section 1.150-2 of the Treasury Regulations) and such other expenses as may be necessary for or incidental to the construction of the Series 2006 Project and the costs and expenses, including the cost of issuance of any letter of credit, any standby-purchase agreement or any other credit or liquidity facility, the proceeds of which will be available to be applied to pay the principal of and the interest on the Series 2006A Bonds, the fees, expenses and other amounts payable to any bank or other institution issuing such credit or liquidity facility, any indexing agent, depositary, remarketing agent or any other person whose services are required with respect to the issuance of the Series 2006A Bonds, and also including discounts to the underwriters or other purchasers thereof, if any, incurred in the issuance and sale of the Series 2006A Bonds; provided, however, notwithstanding anything to the contrary in the Bond Resolution, the amount of issuance costs (within the meaning of Section 147(g) of the Code) financed by the Series 2006A Bonds shall not exceed two percent of the proceeds of the Series 2006A Bonds.

(ii) The term "Exempt Cost" shall mean: (A) the portion of the Net Cost (as described below), other than costs of issuance, of the Series 2006 Project which represents the Cost of airports, parking facilities or storage or training facilities directly related thereto within the meaning of Section 142(a)(1)(i) and (c) of the Code and the Treasury Regulations promulgated thereunder and which is attributable to an expenditure no earlier than 60 days prior to the date the County adopted an official intent to pay such expenditure under Section 1.150-2 of the Treasury Regulations; and (B) that portion of the interest on the Series 2006A Bonds which is attributable to the Net Cost (as described below) of the Series 2006 Project as described in (A) above and which is eligible for capitalization under Section 266 of the Code and the Treasury Regulations promulgated thereunder. For purposes of this definition, Net Cost shall mean that portion of the Cost which is properly chargeable to the capital account of the Series 2006 Project for Federal income tax purposes.

(iii) The term "Net Proceeds" shall mean the amount received by the County from the sale and issuance of the Series 2006A Bonds, less the amount, if any, deposited in the Debt Service Reserve Account. For purposes of the foregoing, Net Proceeds shall include investment earnings on Net Proceeds of the Series 2006A Bonds earned prior to the completion or construction of the Series 2006 Project.

(iv) Except for the payment of interest on the Series 2006A Bonds, before applying any amounts in the Construction Fund toward the Series 2006 Project, the County shall prepare and file with the Trustee a requisition, signed by an Authorized Officer of the County showing with respect to each payment to be made, the name of the person to whom payment is due and the amount to be paid, and stating that the obligation to be paid was incurred and is a proper charge against the Construction Fund and evidencing that obligations in the stated amounts, including any amounts retained by the County in the Construction Fund to be paid at such later date, have been incurred by the County and that each item thereof is a proper charge against the Construction Fund and has not been the basis of any previous withdrawal; provided, however, that the County will not prepare any requisition which, after payment thereof, would result in less than 95% of the Net Proceeds (as described above) of the Series 2006A Bonds theretofore and thereupon requisitioned being used to pay Exempt Costs (as described above), unless the County receives an opinion from Bond Counsel to the effect that the County may disregard this proviso without affecting the Federal income tax exemption applicable to the interest on the Series 2006A Bonds and provided further, however, the County may disregard expenditures for costs of issuance in making such calculation if the County reasonably expects to meet the 95% requirement (determined with regard to expenditures for costs of issuance).

(v) Upon the filing of certificates of completion of the Series 2006 Project as required by the Bond Resolution, the balance in the Construction Fund in excess of the amount, if any, stated in such certificate shall, as directed by the County (A) be deposited in the Debt Service Account and applied to the retirement of the Series 2006A Bonds by purchase or redemption at the earliest date permissible under the terms of the Thirteenth Supplemental Resolution without the payment of a call premium or penalty and (B) be invested at a yield not in excess of excess of the yield on such Series 2006A Bonds; provided, however, amounts so deposited in the Debt

Service Account may, at the request of an Authorized Officer of the County, be used to pay interest on the Series 2006A Bonds provided and to the extent that the amount of the Net Proceeds (as described above) of such Series 2006A Bonds expended to pay Exempt Costs (as described above) exceeds 95% of the Net Proceeds (as described above) of such Series 2006A Bonds actually expended. Notwithstanding the foregoing, the County may apply such balance in the Construction Fund to any lawful purpose of the County related to the Airport System if the County receives an opinion from Bond Counsel to the effect that such application will not affect the Federal income tax exemption applicable to the interest on the Series 2006A Bonds. In the event the County fails to meet the 95% requirement referred to in subsection (iv) above (determined with regard to expenditures for costs of issuance) in connection with the Series 2006A Bonds, the County shall take remedial action under Section 1.142-2 of the Treasury Regulations to correct such failure

Notwithstanding anything to the contrary in the Bond Resolution, the Series 2006 Project shall not include land in excess of the limitation under Section 147(c) of the Code, existing property unless the rehabilitation requirement in Section 147(d) of the Code is satisfied or any property described in Section 147(e) of the Code. Pursuant to a certificate of the Director (the "Director") of the Palm Beach County Department of Airports (the "Department") and the County Administrator of the County (the "County Administrator"), the County may, in its sole discretion, modify or amend all or any portion of the improvements included in the Series 2006 Project as it deems appropriate to delete or substitute improvements if it is determined an anticipated improvement is not feasible or otherwise not in the best interests of the County to pursue or that such substitute improvement (which shall be included in the County's five-year capital improvement program, as same exists from time to time, for the Airport System) will better serve Airport System purposes.

Debt Service Fund—Debt Service Account

The Trustee shall pay out of the Debt Service Account to the Bond Registrar (i) on or before each Interest Payment Date for any of the Bonds, the interest payable on such date; (ii) on or before each Principal Installment due date, the Principal Installment payable on such due date; and (iii) on or before any redemption date for the Bonds, the interest on the Bonds then to be redeemed. The Trustee shall also pay out of the Debt Service Account that accrued interest included in the purchase price of any Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may and, if so directed by the County, shall be applied by the Trustee, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund redemption price of such Bonds, if then redeemable by their terms. The County may also make such purchases from any other legally available moneys, and such purchases shall likewise operate to retire Sinking Fund Installments as if such purchases were made from moneys on deposit in the Debt Service Account. All purchases of any Bonds pursuant to this paragraph of the Bond Resolution shall be made at prices not exceeding the applicable sinking fund redemption price of such Bonds plus accrued interest, and such purchases shall be made by the

Trustee as directed by the County. The applicable sinking fund redemption price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of the Debt Service Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date, Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Debt Service Account to the Bond Registrar on such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing). All expenses in connection with the purchase or redemption of Bonds shall be paid by the County from the Revenue Fund or the Improvement and Development Fund.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in the Debt Service Account and applied to the payment of interest on Bonds as provided in the Bond Resolution and the supplemental resolution relating to the issuance of such Series of Bonds.

In the event of the refunding of one or more Series of Bonds or one or more maturities within a Series of Bonds, the Trustee shall, upon the direction of the County, withdraw from the Debt Service Account in the Debt Service Fund amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts in a separate account, in trust, for the payment of the principal or redemption price, if applicable, and interest on the Series or maturities within a Series of Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Series or maturities within a Series of Bonds being refunded shall be deemed to have been paid pursuant to the Bond Resolution, and (b) the amount remaining in the Debt Service Account in the Debt Service Fund after such withdrawal shall not a less than the requirement of such Account pursuant to the Bond Resolution.

Debt Service Fund--Debt Service Reserve Account

If on the last business day prior to any date that principal or interest on the Bonds is due and payable the amount in the Debt Service Account shall be less than the amount required to be in such account pursuant to the Bond Resolution, the Trustee shall transfer amounts from the Debt Service Reserve Account, to the extent of the deficiency, to the Debt Service Account.

If, after making any transfer required by the preceding paragraph, the amount on deposit in the Debt Service Reserve Account exceeds the Debt Service Reserve Requirement, such excess shall be reduced in either of the following manners at the option of the County: (a) if there is on deposit in the Debt Service Reserve Account a Debt Service Reserve Account Insurance Policy, the principal amount thereof may be reduced by the amount of such excess, or (b) i£ there is on deposit in the Debt Service Reserve Account moneys or securities, an amount equal to such excess may be withdrawn from the Debt Service Reserve Account and deposited in the Revenue Fund (provided such use does not adversely affect the exclusion from gross income of interest on any Bonds or Subordinated Indebtedness that is intended to be so excludable), or (c) any combination of (a) and (b) above.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund, Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred by the Trustee to the Debt Service Account.

In the event of the refunding of one or more Series of Bonds, the Trustee shall, upon the direction of the County, withdraw from the Debt Service Reserve Account in the Debt Service fund amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts in escrow to be held for the payment of the principal or redemption price, if applicable, of and interest on the Series or maturities within a Series of Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Series or maturities within a Series of Bonds being refunded shall be deemed to have been paid pursuant to the Bond Resolution, and (b) the amount remaining in the Debt Service Reserve Account in the Debt Service Fund after such withdrawal shall not be less than the Debt Service Reserve Requirement.

Renewal and Replacement Fund

Amounts in the Renewal and Replacement Fund shall be applied to the payment of the costs of equipment, major repairs and capital renewals, replacements, additions, betterments, improvement and disposals with respect to the Airport System necessary, after consultation with the Consulting Engineers, to keep the same in good operating condition or to prevent a loss of Revenues therefrom. Amounts in the Renewal and Replacement Fund shall also be applied to the payment of Operation and Maintenance Expenses to the extent that amounts on deposit in the Revenue Fund are insufficient, and to the payment of extraordinary operation and maintenance expenses, and contingencies, including the prevention or correction of any unusual loss or damage, in connection with the Airport System, all to the extent not provided for in the then current Annual Budget or by moneys on deposit in the Revenue Fund as an operation and maintenance reserve. The County shall also deposit in the Renewal and Replacement Fund the proceeds of any insurance claim not required to be paid into the Construction Fund. On the last day of any month, if the amount in the Debt Service Account of the Debt Service Reserve Account in the Debt Service Fund shall be less than the requirement of the Debt Service Account of the Debt Service Reserve Account, respectively, pursuant to paragraph (1) of Section 407 of the Bond Resolution, and there shall not be on deposit in the Subordinated Bond Fund or the Improvement and Development Fund moneys sufficient and available for transfer to the deficient Account in the Debt Service Fund to cure such deficiency, then the County shall transfer from the Renewal and Replacement Fund for deposit in the Debt Service Account or the Debt Service Reserve Account in the Debt Service Fund, as the case may be, the amount necessary to make up such deficiency. On the last day of any month, the County may transfer from the Renewal and Replacement Fund to the Improvement and Development Fund such amounts as are determined by the County to be in excess of the amount necessary to be on deposit in the Renewal and Replacement Fund.

Subordinated Bond Fund

The Subordinated Bond Resolution provides that the County shall deposit in the Subordinated Bond Fund monthly (i) the amount, if any, required so that the balance in said

Fund shall be equal to the Accrued Debt Service - - SI (as defined in the Subordinated Bond Resolution) as of the last day of the then current calendar month, provided that, for the purposes of computing the amount to be deposited in the Subordinated Bond Fund, there shall be excluded from the calculation of the balance in said Fund the amount, if any, set aside in the Debt Service Account - - SI (as defined in the Subordinated Bond Resolution) from the proceeds of Subordinated Indebtedness of any series for the payment of interest on such Subordinated Indebtedness, less the amount of such proceeds to the applied in accordance with the Subordinated Bond Resolution to the payment of interest accrued and unpaid and to accrue on Subordinated Indebtedness of such series through the last day of the then current calendar month, and (ii) the amount, if any, which, together with the amount on deposit in the Debt Service Reserve Account - - SI (as defined in the Subordinated Bond Resolution), shall equal the Debt Service Reserve Requirement - -SI (as defined in the Subordinated Bond Resolution).

Subject to the next succeeding paragraph the Trustee shall apply amounts in the Subordinated Bond Fund to the payment of the principal or sinking fund installment of and interest on each issue of Subordinated Indebtedness and reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in the Bond Resolution, the Subordinated Bond Resolution and the supplemental resolution authorizing each issue of such Subordinated Indebtedness.

If at any time the amount in the Debt Service Account or the Debt Service Reserve Account in the Debt Service Fund shall be less than the requirement of such Account or the Debt Service Reserve Account, respectively, pursuant to the Bond Resolution, and there shall not be on deposit in the Improvement and Development Fund available moneys sufficient to cure such deficiency, then the Trustee shall withdraw from the Subordinated Bond Fund and deposit in the Debt Service Account or the Debt Reserve Account, as the case may be, the amount necessary (or all the moneys in the subordinated Bond Fund, if less than the amount necessary) to make up such deficiency.

Subject to and after having made any transfer required by the preceding paragraph, on the business day prior to any date the principal or sinking fund installment of or interest on the Subordinated Indebtedness is due and payable the Trustee shall transfer to the trustee for the Subordinated Indebtedness all transfer to the trustee for the Subordinated Indebtedness all amounts on deposit in the Subordinated Bond Fund and such amounts shall be applied to the payment of principal or sinking fund installments and interest on the Subordinated Indebtedness.

Improvement Development Fund

The County shall withdraw from the Improvement and Development Fund and apply moneys in the following amounts and in the following order of priority: (i) for deposit in the Debt Service Fund and the Debt Service Reserve Account in the Debt Service Fund the amount necessary (or all the moneys in the Improvement and Development Fund if less than the amount necessary) to make up any deficiencies in payments to the Debt Service Account and the Debt Service Reserve Account required by paragraph (1) of Section 407 of the Bond Resolution , and (ii) for deposit in the Renewal and Replacement Fund, the amount necessary (or all the moneys in the Improvement and Development Fund if less than the amount necessary) to make up any deficiency in the Renewal and Replacement Fund after making the deposits required by paragraph (2) of Section 407 of the Bond Resolution. Amounts in the Improvement and Development Fund not required to meet a deficiency or for transfer as required in paragraph (1) of Section 412 of the Bond Resolution shall upon determination of the County, be applied to or set aside for any lawful purpose of the County related to the Airport System. Except as otherwise provided by Supplemental Resolution with respect to a Series of Bonds, upon any purchase or redemption of Bonds of any Series and maturity pursuant to paragraph (2) of Section 412 of the Bond Resolution for which Sinking Fund Installments shall have been established, there shall be credited toward each such Sinking Fund Installment thereafter to become due (other than the next due) an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Installment if no such amounts have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Investment of Certain Funds

Moneys in the Revenue Fund, the Renewal and Replacement Fund, the Improvement and Development Fund and the Subordinated Bond Fund may be invested in the following "Investment Securities":

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any Federal Agency to the extent such obligations are unconditionally guaranteed by the United States of America, including obligations of any Federal Agency to the extent such obligations are unconditionally guaranteed by the United States of America, any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (i);

(ii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Association;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions; Contract or Contracts with the United States of America; or Project Notes: issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(iv) interest bearing time deposits issued by any bank or trust company organized under the laws of any state of the United States of any national, banking association (including any Depository), provided that such certificate of deposit must be either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by such securities as are described in clauses (i) through (iii), inclusive, above which have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and are lodged with any Federal Reserve Bank, as custodian, by the bank, trust company or national bank association issuing such certificate of deposit. Additionally, the bank, trust company or national banking association issuing each such certificate of deposit required to be so secured must furnish the County with an undertaking satisfactory to the County that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be an amount equal to the principal amount of each such certificate of deposit;

(v) any re purchase agreement relating to or investment agreements secured by or providing for the acquisition of and, if applicable, resale of the securities described in clauses (i), (ii) or (iii) above;

(vi) investment agreements with a bank or trust company or savings and loan association which is rated an either of the two highest rating, categories by two nationally recognized bond rating agencies or are further secured as to the performance of such bank or trust company or savings ands loan association by a letter of credit or surety bond of an insurance company which is rated in either of the two highest rating categories by two nationally recognized bond rating agencies, to the extent permitted by Florida law; and

(vii) obligations permitted by the applicable laws of the State of Florida, continuously secured in the manner provided by the laws of the State of Florida, or fully secured by any one or more of the securities described in clauses (i), (ii) or (iii) above.

Moneys held in the Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities described in clauses (i), (ii), (iii) and (iv) of the preceding paragraph. The Trustee shall make such investment in accordance with any instructions received from an Authorized Officer of the County.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in any such Accounts or Funds, other than the Construction Fund and the Debt Service Reserve Account until it first reaches the Debt Service Reserve Requirement, shall (i) prior to the date of completion of construction of the Initial Project, be paid into the Construction Fund, and (ii) after the date of completion of the construction of the Initial Project, be paid into the Revenue Fund Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in a separate account in the Construction Fund shall be held in such separate account for the purposes thereof; except that, upon the filing of a certificate by the Consulting Engineers stating that, the principal amount in such separate account is sufficient to pay the remaining cost of the Project to be funded from such separate account, such interest shall thereafter (i) be deposited in the Debt Service Account and applied to the retirement of the Series of Bonds from which such investment income was derived by purchase or redemption at the earliest date permissible under the terms of the Bond Resolution and applicable supplemental resolution without the payment of a call premium or penalty; and (ii) be invested at a yield not in excess of the yield on such Series of Bonds; provided, however, amounts so deposited in the Debt Service Account may, at the request of an Authorized Officer of the County, be used to pay interest on such Series of Bonds provided and to the extent that the amount of the net proceeds of such Series of Bonds expended to pay Exempt Costs (as defined in the Bond Resolution) exceeds 90% of the net proceeds of such Series of Bonds actually expended. Notwithstanding the foregoing, the County may apply such interest earned on moneys in the Construction Fund to any lawful purpose of the County related to the Airport System if the County receives an opinion from Bond Counsel (as defined in the Bond Resolution) to the effect that such application will not affect the Federal income tax exemption applicable to the interest on the Bonds. Interest (net of that which represents a refund of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in the Debt Service Reserve Account shall be held in such Account until it reaches the Debt Service Reserve Requirement.

Additional Bonds and Other Obligations

One or more Series of Additional Bonds may be authenticated and delivered upon original issuance at any time, for the purpose of providing additional funds to complete payment of the cost of the Initial Project or to complete the cost of any Additional Project, in each case in a principal amount that will provide the County with funds equal, as nearly as practicable, to the completion requirement for the Initial Project or any Additional Project as set forth in a certificate of the Consulting Engineers which shall be delivered to the County prior to the authentication and delivery of such Additional Bonds. Such completion requirement shall be an amount which, together with all other amounts of the County available or estimated to be available for such completion (as stated in a certificate of an Authorized Officer of the County), is necessary and sufficient, in the opinion of the Consulting Engineers, to complete the payment of the cost of the Initial Project or any Additional Project; provided, however, that the County may by supplemental resolution restrict the amount of Additional Bonds that may be issued to complete the cost of the Initial Project or any Additional Project.

One or more Series of Additional Bonds may be authorized and delivered upon original issuance for the purpose of paying the cost of any Additional Project. The Bonds of any such Series shall be authenticated and delivered by the Bond Registrar only upon receipt by it and the Trustee from the County (in addition to certain documents required by the Bond Resolution) of:

(1) A certificate of an Authorized Officer of the County setting forth (i) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of such Series or the last completed Fiscal Year for which audited financials are available, the Net Revenues Available for Debt Service for such 12 month period, and (ii) the Aggregate Debt Service for such 12 month period, and demonstrating that for such 12 month period Net Revenues Available for Debt Service equaled at least 1.25 times such Aggregate Debt Service; provided that for the purposes of determining the Aggregate Debt Service for the purpose of this paragraph (1), the interest rate on Variable Interest Rate Bonds then outstanding, if any, shall be the greater of (a) the average Variable Interest Rate on the Variable Interest Rate Bonds over the preceding twelve month period, (b) the Variable Interest Rate on the Variable Interest Rate Bonds on the date of calculation, and (c) ten percent (10%) per annum;

(2) A certificate of the Consulting Engineers setting forth (i) the estimated date of completion for the Additional Project for which such Series of Additional Bonds is being issued, and (ii) an estimate of the cost of such Additional Project;

(3) A certificate of the Airport Consultant setting forth, for each of the three Fiscal Years following the Fiscal Year in which the Consulting Engineers estimate such Additional Project will be completed, estimates of Net Revenues Available for Debt Service;

(4) A certificate of an Authorized Officer of the County setting forth (i) the estimates of Net Revenues Available for Debt Service, as set forth in the certificate of the Airport Consultant pursuant to paragraph (3) above, for each of the three Fiscal Years following the Fiscal Year in which it is estimated that the Additional Project will be completed, (ii) the Aggregate Debt Service for the Outstanding Bonds and the Additional Bonds to be issued, for each of the three Fiscal Years following the Fiscal Year in which the Additional Project is estimated by the Consulting Engineers to be completed, and demonstrating that the estimated Net Revenues Available for Debt Service in each of the Fiscal Years set forth in (i) above are at least equal to 1.25 times the Aggregate Debt Service for the corresponding Fiscal Year as set forth in (ii) above. For the purposes of this paragraph (4), the interest rate on Variable Interest Rate Bonds then outstanding, if any, shall be the greater of (a) the average Variable Interest Rate on the Variable Interest Rate Bonds over the preceding twelve month period, (b) the Variable Interest Rate on the Variable Interest Rate Bonds on the date of calculation, and (c) ten percent (10%) per annum; and the interest rate on additional Variable Interest Rate Bonds to be issued, if any, shall be fifteen percent (15%) per annum. For the purposes of this paragraph (4), Aggregate Debt Service (a) shall exclude, for any Fiscal Year after the then current Fiscal Year, Debt Service on any Series of Bonds (i) for which in excess of 25% of the originally issued principal amount for such Series becomes due in such Fiscal Year and (ii) which the County intends to refund by the issuance of Refunding Bonds or Subordinated Indebtedness prior to the maturity thereof and (b) shall include, for each subsequent Fiscal Year, the estimated Debt Service on any such Refunding Bonds for (i) and (ii) above calculated on the basis that such Debt Service shall be as nearly equal as practicable in each Fiscal Year, that such Series of Bonds shall bear interest calculated at the average rate of interest payable on the last Series of Bonds authenticated and delivered (using the true interest cost method of calculation) or such other rate as shall be deemed appropriate by the County and that the term and rate thereof shall be deemed appropriate by the County and shall have the approval of the County's financial advisor for the Airport System. Such intended plan of refunding shall be evidenced by formal resolution of the County and a certificate of the County; and

(5) An opinion of Bond Counsel that the issuance of such Series of Additional Bonds will not impair the exemption from federal income tax of interest paid on any Series of Bonds then Outstanding.

One of more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund (a) all Outstanding Bonds of one or more Series or one or more maturities within a Series, or (b) any Subordinated Indebtedness. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys to become available therefor, if any, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Bond Resolution required by the provisions of the supplemental resolution authorizing such Bonds or determining the terms and details thereof.

Refunding Bonds of each Series issued to refund one or more Series of Outstanding Bonds or one or more maturities within a Series or any part of any one or more maturities within a Series shall be authenticated and delivered by the Bond Registrar only upon receipt by it and the Trustee from the County (in addition to certain documents required by the Bond Resolution) of either of the following: (i) a certificate of an Authorized Officer of the County setting forth (1) the Aggregate Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (A) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds, and (B) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service set forth for each Fiscal year pursuant to (B) above is no greater than that set forth for such Fiscal Year pursuant to (A) above; or (ii) a certificate of an Authorized Officer of the County that such Refunding Bonds are being issued to prevent the occurrence of an Event of Default or to cure an existing Event of Default.

Anything in the Bond Resolution to the contrary notwithstanding, the County shall not issue Variable Interest Rate Bonds in an aggregate principal amount in excess of thirty three percent (33%) of all Bonds outstanding without the written consent of MBIA.

The County may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of, such amounts in the Subordinated Bond Fund or the Improvement and Development Fund as may from time to time be available for the purpose of payment thereof as provided in the Bond Resolution; provided, however, that (i) such Subordinated Indebtedness shall be issued only for any one or more of the purposes set forth in the Bond Resolution and the proceeds of such Subordinated Indebtedness shall be applied only for such purpose or purposes, and (ii) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Net Revenues Available for Debt Service, moneys, securities and funds created by the Bond Resolution as security for the Bonds.

Particular Covenants by the County

Powers as to the Airport System and Collection of Rates, Fees and Rentals. The County has, and will have so long as any Bonds are Outstanding, good right and lawful authority to acquire, construct, develop, operate, maintain, repair, improve, reconstruct, enlarge, and extend the Airport System and to fix rates, fees, rentals and other charges in connection therewith, all as provided in the Act.

The County shall not issue any Bonds or other evidence of indebtedness, except as provided in the Bond Resolution, payable out of or secured by a pledge of the Net Revenues Available for Debt Service or the moneys, securities or funds held or set aside by the County or by the Fiduciaries under the Bond Resolution and shall not create or cause to be created any lien or charge on the Net Revenues Available for Debt Service or such moneys, securities or funds; provided, however, that nothing contained in the Bond Resolution shall prevent the County from issuing (i) evidences of indebtedness payable out of moneys in the Construction Fund as part of the Cost of any Project, or payable out of, or secured by the pledge of, Net Revenues Available for Debt Service derived after the date the pledge of Net Revenues Available for Debt Service provided in the Bond Resolution shall be discharged and satisfied as provided in the Bond Resolution, or (ii) Subordinated Indebtedness as provided in the Bond Resolution.

Sale, Lease or Encumbrance of Property. Except as provided in this paragraph, no part of the Airport System shall be sold, or otherwise disposed of or encumbered. The County may sell, for fair and reasonable value, at any time and from time to time any property constituting part of the Airport System which the County determines by resolution not necessary, useful or profitable, in the operation thereof. The County may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport System if such lease, contract, license, easement or right does not impede or restrict the operation by the County of the Airport System.

Operation, Maintenance and Reconstruction. The County shall at all times operate, or cause to be operated, the Airport System properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to a made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport System may be properly and advantageously conducted; provided, however, that nothing in the Bond Resolution shall require the County to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Airport System from sources other than Revenues.

Insurance. So long as any Bonds are outstanding, the County shall at all times maintain a practical insurance program, with reasonable terms, conditions, provisions and costs, which will afford adequate protection against loss caused by damage to or destruction of the Airport System and also comprehensive public liability insurance on such properties for bodily injury and property damage. The County, to the extent authorized by the laws of Florida and with the prior written approval of the Consulting Engineers, may self insure or purchase such insurance as provided in the Bond Resolution.

Accounts and Reports. The County shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) of the County on which complete and correct entries shall be made of its transactions relating to the Revenues and each fund and account established under the Bond Resolution. The County shall annually, within 120 days after the close of each Fiscal Year, cause an audit to be completed of its books and accounts relating to the Airport System for such Fiscal Year by an independent and recognized certified public accountant not in the regular employ of the County.

Covenants With Respect to Airports and Aviation Facilities. Nothing contained in the Bond Resolution shall prohibit the County from acquiring or constructing an airport or an aviation facility and financing the same from moneys other than the proceeds of Bonds or Revenues. The County covenants by the Bond Resolution that it will not acquire or construct any such airport or aviation facility as aforesaid unless a certificate is received from the Airport Consultant and filed with the Clerk to the effect that such airport or aviation facility will not materially adversely affect Net Revenues Available for Debt Service or the rights, security and remedies of Bondholders under the Bond Resolution.

Covenants with Respect to Tax Matters. The County covenants that it shall not use the proceeds of the Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the holder thereof for federal income tax purposes (except with respect to a holder of the Bonds that is a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code); that neither the County nor any person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to e proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage Bonds" within the meaning of Section 148 of the Code, or shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes (except as provided in the preceding clause); and that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Holder thereof for federal income tax purposes (except as aforesaid), including, in particular, the payment of any amount required, to be rebated to the United States Treasury pursuant to the Code.

Special Purpose Facilities

The County shall be authorized to finance certain "Special Purpose Facilities" (as defined in the Bond Resolution) from the proceeds of obligations issued by the County without regard to any requirements of the Bond Resolution with respect to the issuance of additional Bonds, under certain conditions set forth in the Bond Resolution. Such Special Purpose Facilities shall not be part of the Airport system, except as otherwise provided in the Bond Resolution.

Supplemental Resolutions

Supplemental Resolutions Without Consent of the Bondholders. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the County may be adopted, without the consent of any of the Bondholders: (1) to close the Bond Resolution against, or provide limitations and restrictions contained in the Bond Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; (2) to add to the covenants and agreements of the County in the Bond Resolution, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; (3) to add to the limitations and restrictions in the Bond Resolution, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; (4) to authorize Bonds of a Series or to determine the terms and details thereof and, in connection therewith, specify and determine the matters and things referred to in the Bond Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds; (5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Bond Resolution, of the Revenues or any other moneys, securities or funds; (6) to modify any of the provisions of the Bond Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the test of all Bonds of any Series authenticated, and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued exchange therefor or in place thereof; (7) to modify the term of the Bond Resolution, to the extent necessary, to provide for the delivery of the Bonds in coupon or such other form to the extent permitted by law; (8) to authorize Subordinated Indebtedness pursuant to the Bond Resolution; (9) to make any modification necessary to carry out succession as provided in the Bond Resolution; (10) to cure any ambiguity, supply an omission, or cure or correct any defect or inconsistent provision in the Bond Resolution; or (11) to insert such provisions clarifying matters or questions arising under the Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the Bond Resolution as theretofore in effect.

No Supplemental Resolution shall change or modify any rights or obligations of any Fiduciary without its written assent thereto.

Supplemental Resolutions Effective With Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article XI of the Bond Resolution, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the County and upon compliance with the provisions of said Article X1, shall become fully effective in accordance with its terms as provided in said Article XI.

Amendments

Powers of Amendment. Any modification or amendment of the Bond Resolution and of the rights and obligations of the County and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Bond Resolution (i) of the holders of at least fifty one percent (51%) in principal amount of the Bonds outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least fifty one percent (51%) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the holders of at least fifty one percent (51%) in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the tune such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. A Series shall be deemed to be affected by a modification or amendment of the Bond Resolution if the same adversely affects or diminishes the rights of the holders of Bonds of such Series.

Consent of Bondholders. The County may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Bond Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto), together with a request to Bondholders for their consent thereto, shall be mailed by the County to Bondholders. Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Clerk (a) the written consents of holders of the percentages of Outstanding Bonds specified in the Bond Resolution and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the County in accordance with the provisions of the Bond Resolution, is authorized or permitted by the Bond Resolution, and is valid and binding upon the County and enforceable in accordance with its terms, and (ii) a notice shall have been given as in the Bond Resolution provided. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates prepared by the County that it has examined such proof and that such proof is sufficient in accordance with the Bond Resolution shall be conclusive that the consents have been given by the holders of the Bonds described in such certificate or certificates of the County. Any such consent shall be binding upon the holder of such Bonds giving such consent and, anything in the Bond Resolution to the contrary notwithstanding, upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the County, prior to the time when the written statement of the County in the Bond Resolution provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by the Bond Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate prepared by the County to the effect that no revocation thereof is on file with the County. At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Clerk shall make and maintain on file a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the County on a stated date) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in the Bond Resolution, may be given to Bondholders by the County by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in the Bond Resolution provided) not more than ninety (90) days after the last of the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Clerk provided for in the Bond Resolution is made. Proof of the mailing of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof, shall be maintained by the Clerk. A record consisting of the papers required or permitted by the Bond Resolution to be filed with the Clerk, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the County, the Fiduciaries and the holders of all Bonds at the expiration of forty (40) days after the filing with the Clerk of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that any Fiduciary and the County during such forty (40) day period and any such further period during which any such action or

Proceeding may be pending shall be entitled in their absolute discretion to take such action; or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Modifications by Unanimous Consent. The terms and provisions of the Bond Resolution and the rights and obligations of the County and the holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the County of a Supplemental Resolution and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in the Bond Resolution except that no notice of Bondholders by mailing shall be ¬required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without receiving the written assent thereto of such Fiduciary in addition to the consent of the Bondholders.

Default and Remedies

Events of Default under the Bond Resolution consist of one or more of the following: (i) if default shall be made in the due and punctual payment of the principal of or redemption price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise, or in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor when and as such interest installment or Sinking Fund Installment shall become due and payable; (ii) if default shall be made by the County in the performance or observance of the rates and charges covenants, agreements and conditions on its part as provided in the Bond Resolution; provided, however, that a failure to comply with such covenants shall not constitute an event of default unless the County shall fail in the succeeding Fiscal Year to comply with such covenants or to restore any deficiencies which occurred in any Funds in the preceding Fiscal Year; (iii) if default shall be made by the County in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Bond Resolution or in the Bonds and such default shall continue for a period of ninety (90) days after written notice thereof to the County by the holders of not less than twenty five percent (25%) in principal amount of the Bonds Outstanding; (iv) if the County shall file a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Florida; (v) if judgment for the payment of money shall be rendered against the County as the result of the construction, improvement, ownership, control of operation of the Airport System, and any such judgment shall not discharged within twenty four (24) months after the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof; or (vi) if an order or decree shall be entered, with the consent or acquiescence of the County, appointing a receiver or receivers of the Airport System or any part thereof, or other revenues therefrom, or if such order or decree having been entered without the consent or acquiescence of the County, shall not be vacated or discharged, stayed or appealed within ninety (90) days after the entry thereof.

Enforcement of Remedies. If any Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, upon written request of the holders of not less than twenty five percent (25%) in principal amount of the Bonds Outstanding, to protect and enforce its rights and the rights of the holders of the Bonds under the Bond Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the County as if the County were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Bond Resolution.

Restriction on Bondholder's Action. No holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Bond Resolution or the execution of any trust under the Bond Resolution or for any remedy under the Bond Resolution, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Bond Resolution, and the holders of at least twenty five percent (25%) in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Bond Resolution or by the Act or by the laws of Florida or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of thirty (30) days after receipt by it of such notice, request and offer of indemnity.

Defeasance

If the County shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Bonds the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, then the pledge of any Revenues, and other moneys and securities pledged under the Bond Resolution and all covenants, agreements and other obligations of the County to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the County to be prepared and filed with the County and, upon the request of the County, shall execute and deliver to the County all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the County all moneys or securities held by them pursuant to the Bond Resolution which are not required for the payment of principal or redemption price, if applicable, on Bonds not theretofore surrendered for such payment or redemption. If the County shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all outstanding Bonds of a particular Series the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Bond Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Bond Resolution, and all covenants, agreements and obligations of the County to the holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Any Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the County of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the County shall have given to the Bond Registrar irrevocable instructions to cause to be mailed, as provided in the Bond Resolution, notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment securities (including any Investment Securities issued or held in book entry form on the books of the Department of Treasury of the United States) the principal of and the interest on which, when due, will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay, when due, the principal or redemption price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the County shall have given the Bond Registrar irrevocable instructions to mail, postage prepaid, to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books kept by the Bond Registrar, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Bond Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on said Bonds. Neither Investment Securities nor moneys deposited with the Trustee pursuant to the Bond Resolution nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, (A) to the extent such case will not be required at any time for such purpose, shall be paid over to the County as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Bond Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due to the principal or redemption price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution. For the purposes of this defeasance provision, Investment Securities shall mean and include any Bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by the United States of America and any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this sentence.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Investment Securities and moneys, if any, in accordance with the second sentence of the above paragraph, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the second sentence of the above paragraph, the Trustee shall, if requested by the County, pay the amount of such excess to the County free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Bond Resolution.

Option Bonds shall be deemed to have been paid in accordance with the second sentence of the second preceding paragraph only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the holders of such Bonds upon the exercise of any options provided to the holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee as described above, the Options originally exercisable, such Bonds shall not be considered an Option Bond for purposes of this paragraph. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by the County, pay the amount of such excess to the County free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Bond Resolution.

Anything in the Bond Resolution to the contrary notwithstanding, any moneys held by the Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at the stated maturity dates or by and for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, unless otherwise provided by law, at the written request of the County, be repaid by the Fiduciary to the County, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the County for the payment of such Bonds; provided, however, that before being required to make any such payment to the County, the Fiduciary shall, at the expense of the County, cause to be published at least three times at intervals of not less than seven (7) days between publications, in Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than forty five (45) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County.

Trustee; Compensation

The Bond Resolution provides that the County may remove the Trustee and appoint a successor trustee and under certain other circumstances a successor trustee may be appointed in place of the Trustee. The successor trustee must be a bank or trust company or national banking association, having capital stock and surplus aggregating at least $25,000,000 if there is such a successor willing and able to accept appointment.

The County has agreed to pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Bond Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, or incurred in and about the performance of their powers and duties under the Bond Resolution and each Fiduciary shall have a lien therefor on any and all Funds at any time held by it under the Bond Resolution. Subject to the provisions of the Bond Resolution, the County will indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and. performance of its powers and duties hereunder, and which are not due to its negligence, misconduct or default.

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APPENDIX B

REPORT OF THE AIRPORT CONSULTANT

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APPENDIX B

Palm Beach County, Florida
Palm Beach International Airport
Airport System Revenue Bonds
Series 2006A
Airport System Taxable Revenue Refunding Bonds
Series 2006B

Report of the Airport Consultant

Ricondo & Associates, Inc.
36 East Fourth Street, Suite 1206
Cincinnati, OH 45202
513.651.4700 (telephone)
513.412.3570 (facsimile)

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April 14, 2006

Mr. Bruce V. Pelly
Director of Airports
Palm Beach County Department of Airports
Palm Beach International Airport
Building 846
West Palm Beach, FL 33406

Dear Mr. Pelly:

Re: Palm Beach County
Airport System Revenue Bonds, Series 2006A
Airport System Taxable Revenue Refunding Bonds, Series 2006B
Appendix B: Report of the Airport Consultant

Dear Mr. Pelly:

This report sets forth findings, assumptions, and projections of the air traffic and financial analyses developed by Ricondo & Associates, Inc. (R&A), in conjunction with the planned issuance by Palm Beach County (County) of Airport System Revenue Bonds, Series 2006A Bonds (Series 2006A Bonds) and Airport System Taxable Revenue Refunding Bonds, Series 2006B Bonds (Series 2006B Bonds), (collectively Series 2006 Bonds) for the County's Airport System. This report contains certain financial projections required as a condition precedent to issuing the Series 2006 Bonds as Additional Bonds under the Palm Beach County Airport System Revenue Bond Resolution R-84-427, adopted April 3, 1984 and amended in full by Palm Beach County Airport System Revenue Bond Resolution R-84-1659 adopted on November 1, 1984, as amended and supplemented (Bond Resolution). All capitalized items not otherwise defined herein have the meaning ascribed thereto in the Bond Resolution. This report is intended for inclusion in the Official Statement for the Series 2006 Bonds as Appendix B: Report of the Airport Consultant.

The Series 2006 A Bonds, will provide funds, along with other available funds of the County, to fund the design and construction of a parking structure that is estimated to cost approximately $68.3 million [1] (2006 Project) at Palm Beach International Airport (the Airport), and to pay costs of issuance of the 2006 Bonds. The Series 2006B Bonds will be issued to refund portions of the outstanding Series 2001 and Series 2002.

This report includes examinations of the underlying economic base of the air trade area for the Airport and its three reliever airports (collectively known as the Airport System), historical and projected air traffic activity at the Airport; a description of existing Airport facilities, including a summary of the Capital Improvement Program (CIP); and projected revenues and expenses, with consideration for the anticipated impacts of the fiscal year (FY) 2006 CIP through FY 2015. [2]

[1] The County received a bid which was opened on March 7, 2006.
[2] The County's fiscal year is the 12 month period ending September 30. Unless otherwise noted, year is calendar year.

Mr. Bruce Pelly
Palm Beach County Department of Airports
April 14, 2006

On the basis of the assumptions and analyses described in this report, R&A is of the opinion that Airport Net Revenues Available for Debt Service will be adequate to meet the County's rate covenant requirement, as set forth in the Bond Resolution, for budgeted FY 2006 and during the projection period FY 2007 through FY 2015. Additional findings of these analyses are included in the following report and are summarized as follows:

Economic Base

- Population growth in the Air Trade Area as described in Section 1.1 of this report was higher than that for State of Florida (Florida) and twice that for the nation between 1990 and 2004.[3] A similar trend in population growth for the Air Trade Area is expected to continue through at least 2015.

- Per capita Effective Buying Income (EBI) for the Air Trade Area was consistently higher than that for Florida and for the nation each year between 1999 and 2004. According to *Sales and Marketing Management* magazine, continued strong growth in per capita EBI for the Air Trade Area is expected between 2004 and 2009, the latest year for which such projections are currently available. In addition, the percentage of households in the Air Trade Area had an EBI of $50,000 or more in 2004 is higher than that for both Florida and the nation.

- Nonfarm employment in the Air Trade Area increased at a compounded annual growth rate of 3.5 percent between 1994 and 2004, which was more than twice the 1.4 percent growth experienced nationwide during this same period. The services industry has the highest percentage of employment in the Air Trade Area, followed by wholesale and retail trade combined.

- Total retail sales growth in the Air Trade Area was higher than that for both Florida and the nation between 2000 and 2005. According to *Sales and Marketing Management* magazine, continued strong growth in total retail sales for the Air Trade Area is expected between 2005 and 2010, the latest year for which such projections are currently available.

- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities.

- The economic base of the Air Trade Area is strong and diversified, and is capable of supporting increased demand for air travel at the Airport during the projection period.

[3] All information in this report is included for the latest year available for the identified source.

Air Traffic

- As of March 2006, the Airport had scheduled passenger service provided by 13 U.S. carriers and three foreign flag carriers. In addition, as of March 2006, the all-cargo carrier United Parcel Service (UPS) provided scheduled cargo service at the Airport. Scheduled passenger service at the Airport is provided by 11 of the nation's 16 major U.S. passenger airlines, which represent the largest group of passenger airlines in terms of their total annual revenues.

- The Airport is classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements;[4] and ranked 52nd nationwide in CY 2004 with 6.5 million enplaned and deplaned passengers, the latest year for which such rankings are currently available.[5]

- Service at the Airport has been historically oriented toward the major/national carriers (i.e., passenger air carriers having the majority of its scheduled and/or nonscheduled service using aircraft with more than 90 seats), with their share of enplaned passengers at the Airport ranging from a high of 97.0 percent to a low of 94.0 percent between FY 1995 and FY 2005.

- Passenger activity at the Airport increased from 2.8 million enplanements in FY 1995 to 3.5 million in FY 2005. This increase represents a compounded annual growth rate of 2.5 percent during this period, compared to 2.1 percent for the nation.

- The presence of low-cost carriers has provided a significant impact to activity at the Airport in recent years. Prior to FY 1999, air service by U.S. carriers at the Airport was provided solely by the U.S. legacy carriers American, Continental, Delta, Northwest, United, and US Airways (as well as by their respective code-share partners).[6] The low-cost carrier Spirit initiated service at the Airport in FY 1999; followed by JetBlue and Southwest in FY 2001; AirTran in FY 2003; and Independence Air in FY 2004.[7]

- Recovering from the effects of the terrorist attacks of September 11, 2001 and the nationwide economic slowdown, enplanements at the Airport increased from 2.7 million in FY 2002 to 3.5 million in FY 2005, the highest passenger level at the Airport in any fiscal year to date. This increase represents a compounded annual growth rate of 9.3 percent during this period, compared to 5.2 percent for domestic passenger activity estimated nationwide by the FAA.

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4 As defined by the FAA, a medium hub airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 1.8 million to 7.0 million passengers in CY 2004, the latest calendar year for determining airport hub size.

5 *ACI Traffic Data 2004*, Airports Council International.

6 Legacy carriers refer to major U.S. airlines in operation today that were in business before airline deregulation in 1978.

7 Independence Air ceased operations nationwide on January 6, 2006 due to bankruptcy.

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- As of March 2006, 24 cities are provided nonstop service from the Airport with a total of 772 weekly flights; with 221 weekly nonstop flights to New York, the Airport's top origin-destination (O&D) market. Sixteen of the Airport's top 20 O&D markets are provided nonstop service with a total of 666 weekly flights. In addition to New York, the fourth-ranked O&D market Atlanta also has a significant number of weekly nonstop flights with 90 flights.

Financial Analysis

- The 2006 Project is feasible in terms of providing facilities necessary to satisfy future airline and air passenger needs at a cost that will produce reasonable levels of rates and charges to the users of the Airport facilities.

- The airline cost per enplanement is projected to decrease from $6.24 in FY 2006, to $5.02 in FY 2007, and then is projected to increase to $6.85 by FY 2014. The airline cost per enplanement decreases in FY 2015, as certain bonds are retired.

- Projected airline rates and charges together with other County revenues are sufficient to ensure that all expenses of operation, maintenance, debt service, and fund deposit requirements can be generated through reasonable user fees. In FY 2006, debt service coverage is projected to be 1.93x. In the subsequent years, debt service coverage is estimated to range from a low of 1.44x to a high of 2.74x, meeting the rate covenant requirement in each year of the projection period.

The techniques used in this report are consistent with industry practices for similar studies in connection with the issuance and sale of airport revenue bond. While R&A believes the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

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Economic Base for Air Transportation

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area (i.e. the geographical area served by an airport). This relationship is particularly true for O&D passenger traffic, which has been the foremost component of demand at the Airport, and represents passengers that either begin or end their trip at the Airport. Based on U.S. Department of Transportation (DOT) ticket sample data, O&D passengers accounted for approximately 95.0 percent of total passengers at the Airport in FY 2004.[1] The major portion of demand for air travel at the Airport, therefore, is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity. Airports with a significant percentage of O&D travelers such as the Airport are viewed by bond rating agencies and insurers as less risky financially than hub airports that rely on carrier scheduling decisions to generate connecting traffic. This chapter presents data indicating that the Airport's air trade area has an economic base capable of supporting increased demand for air travel at the Airport during the projection period.

1.1 Air Trade Area

The Airport is located on the southern portion of the area referred to as South Florida's "Treasure Coast", which consists of Indian River, Martin, Palm Beach, and St. Lucie Counties. According to a recent passenger survey conducted at the Airport, this four-county area was the origination of approximately 97 percent of the passengers utilizing the Airport.[2] Of this percentage, approximately 80 percent of the passengers originated from Palm Beach County. As a result, this four-county area is considered the Airport's air trade area (Air Trade Area).

The identification of this four-county region as the Airport's Air Trade Area also reflects consideration of the other two commercial service airports located in Southeast Florida, Miami International Airport (MIA) and Fort Lauderdale-Hollywood International Airport (FLL). Each of these three airports has their own specific role and air trade area.

- MIA, located 70 miles south of the Airport, serves primarily the domestic travel needs of its local market, as well as the international needs of South Florida. A significant portion of MIA's activity relates to its role as an international connecting hub for both domestic and foreign flag carriers.

- In contrast, FLL, which is located 45 miles south of the Airport, and the Airport have focused historically on the short to intermediate length domestic travel needs of their respective local air trade area, with limited international service to the Bahamas and Canada. There is no significant connecting passenger activity at FLL and the Airport.

- In absence of airfare disparities, the unique roles of the three facilities have been shown in travel patterns of air traveler visitors to Florida such that the majority of South Florida visitors were destined for the county in which the airport they utilized was located.

Unlike MIA and FLL, whose air trade areas are limited by alternative commercial service airports to the immediate north, the nearest commercial service airports north of the Airport include the nonhub facility Melbourne International Airport (with limited commercial service) and the large-hub facility Orlando International Airport, located 105 miles and 170 miles, respectively, from the Airport. As nearby counties north of the Air Trade Area increase their demand for air travel, the Air Trade Area is expected to expand

1 See Table 2.5: *Primary O&D Passenger Markets* in Chapter 2.
2 Compiled from the "2005 Departing Passenger Survey" conducted July 20-July 26, 2005 at the Airport by CH2MHill, Ricondo & Associates, Inc., and Quest Corporation of America, Inc.

accordingly. **Exhibit 1.1** illustrates the geographical location of the Airport and its Air Trade Area in relation to Florida, as well as its proximity to alternative commercial service airports.

As discussed earlier, it is the economic strength of the Air Trade Area that provides the primary base for supporting air transportation at the Airport. As a result, socioeconomic data for the Air Trade Area were analyzed in conjunction with those for Florida and the United States.

1.2 Population

Historical population for the Air Trade Area, Florida, and the United States is presented in **Table 1.1.** As shown, population in the Air Trade Area increased from approximately 1.2 million in 1990 to approximately 1.6 million in 2000, and to approximately 1.7 million in 2004. This increase represents a compounded annual growth rate of 2.6 percent between 1990 and 2004, which was higher than that for Florida and more than twice that experienced nationwide during this same period (compounded annual growth rates of 2.1 and 1.2 percent, respectively).

Table 1.1 also presents population projections for the Air Trade Area, Florida, and the nation for 2015. As shown, similar population trends experienced in the Air Trade Area between 1990 and 2004 are expected to continue through at least 2015. Population in the Air Trade Area is projected to increase from approximately 1.7 million people in 2004 to approximately 2.2 million people in 2015, which represents a compounded annual growth rate of 2.0 percent during this period. The population growth rate for the Air Trade Area during this period is comparable to the compounded annual growth rate of 1.8 percent projected for Florida, yet more than twice the 0.9 percent projected for the nation.

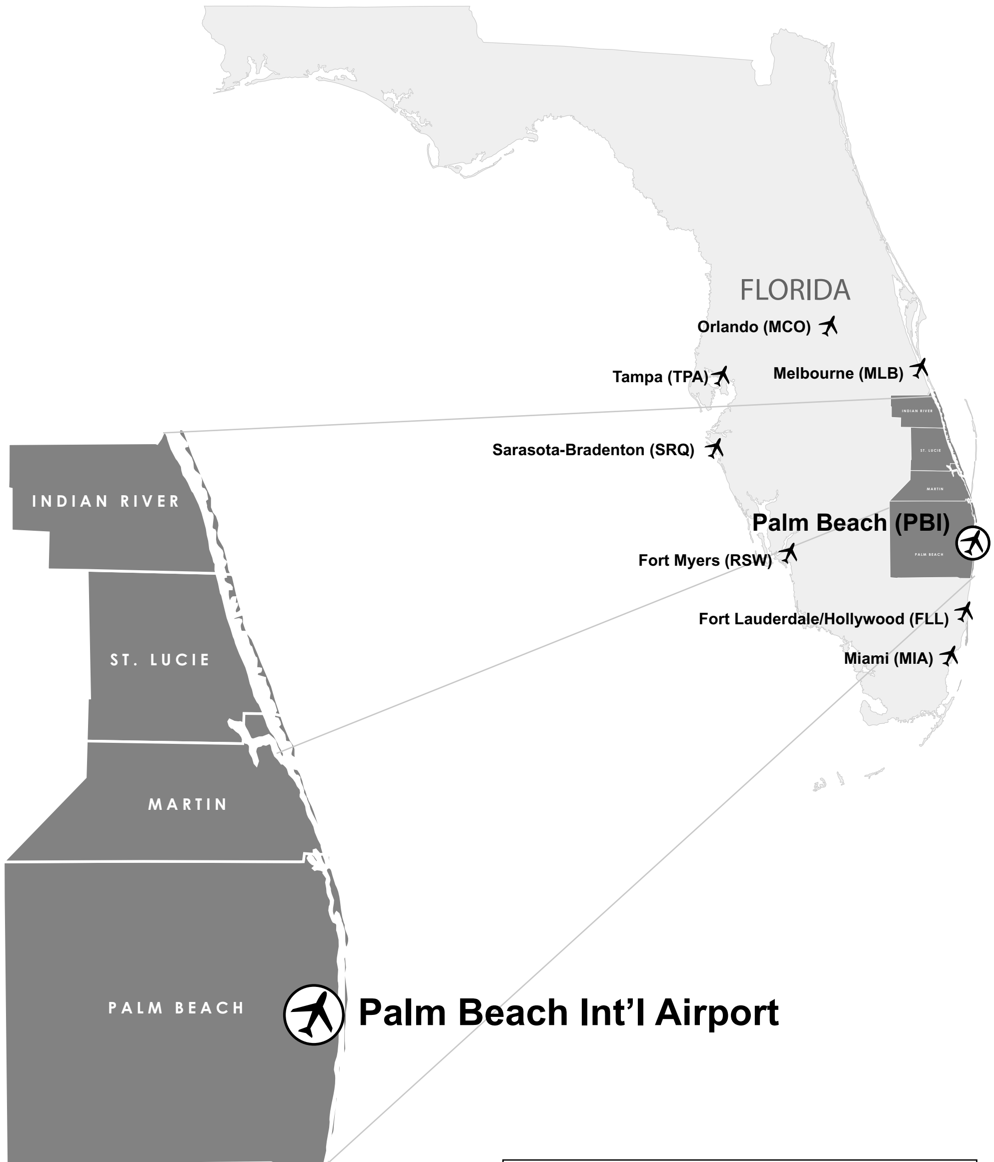
1.3 Income

One measure of the relative income of an area is its EBI. EBI is essentially disposable personal income and includes personal income less personal taxes (federal, state, and local), non-tax payments including fines and penalties, and personal contributions for social insurance. EBI is a composite measurement of market potential and indicates the general ability to purchase an available product or service.

Table 1.2 presents historical per capita EBI for the Air Trade Area, Florida, and the nation between 1999 and 2004. As shown, per capita EBI for the Air Trade Area was consistently higher than that for Florida and the nation each year between 1999 and 2004. As also shown, per capita EBI for the Air Trade Area increased at a compounded annual growth rate of 2.1 percent between 1999 and 2004, which was lower than that for Florida yet higher than that for the nation during this same period (compounded annual growth rates of 2.8 percent and 1.7 percent, respectively).

Table 1.2 also presents per capita EBI projected for 2009, the latest year for which such projections are currently available. According to *Sales and Marketing Management* magazine, per capita EBI for the Air Trade Area is projected to increase from $25,773 in 2004 to $28,295 in 2009. This increase represents a compounded annual growth rate of 1.9 percent during this period, which is slightly lower than the compounded annual growth rate of 2.2 percent projected for both Florida and the nation.

An additional indicator of the market potential for air transportation demand is the percentage of households in the higher income categories. An examination of this indicator is important in that as personal income increases, air transportation becomes more affordable and, therefore, is used more frequently. Table 1.2 also presents percentages of households in selected EBI categories for 2004. As shown, 40.2 percent of households in the Air Trade Area had an EBI of $50,000 or more in 2004, compared to 35.0 percent for Florida and 36.7 percent for the nation.



Mileage from PBI	
Fort Lauderdale-Hollywood (FLL)	45
Miami (MIA)	70
Fort Myers (RSW)	105
Melbourne (MLB)	105
Orlando (MCO)	170
Sarasota-Bradenton (SRQ)	175
Tampa (TPA)	213

Source: Cartesia Software, Map Art, 1998
Prepared by: Ricondo & Associates, Inc.

Exhibit 1.1

Air Trade Area and Alternative Facilities

Table 1.1
Historical & Projected Population

	Historical			Projected	Compounded Annual Growth Rate			
					Historical			Projected
Area	1990	2000	2004	2015	1990 - 2000	2000 - 2004	1990 - 2004	2004 - 2015
Indian River County	90,208	112,947	124,114	159,100	2.3%	2.4%	2.3%	2.3%
Martin County	100,900	126,731	137,956	166,500	2.3%	2.1%	2.3%	1.7%
Palm Beach County	863,518	1,131,184	1,243,230	1,542,900	2.7%	2.4%	2.6%	2.0%
St. Lucie County	150,171	192,695	226,816	294,000	2.5%	4.2%	3.0%	2.4%
Air Trade Area	1,204,797	1,563,557	1,732,116	2,162,500	2.6%	2.6%	2.6%	2.0%
Florida	12,937,926	15,982,378	17,397,161	21,280,300	2.1%	2.1%	2.1%	1.8%
United States	248,709,873	281,421,906	293,655,404	322,365,787	1.2%	1.1%	1.2%	0.9%

Sources: U.S. Department of Commerce, Bureau of the Census (historical - all areas; projected - United States)
University of Florida, Bureau of Economic and Business Research (projected - Air Trade Area and Florida)
Prepared by: Ricondo & Associates, Inc.

Table 1.2
Effective Buying Income

Year	Per Capita EBI		
	Air Trade Area	Florida	United States
Historical			
1999	$23,239	$17,798	$17,691
2000	$23,772	$18,272	$18,426
2001	$24,238	$18,671	$18,491
2002	$24,416	$19,474	$18,375
2003	$24,987	$19,741	$18,662
2004	$25,773	$20,394	$19,289
Projected			
2009	$28,295	$22,704	$21,506
Compounded Annual Growth Rate			
1999 - 2004	2.1%	2.8%	1.7%
2004 - 2009	1.9%	2.2%	2.2%

Area	Percentage of Households in Income Categories (2004 EBI)			
	Less Than $20,000	$20,000 to $34,999	$35,000 to $49,999	$50,000 or more
Air Trade Area	19.3%	22.4%	18.1%	40.2%
Florida	22.3%	23.9%	18.8%	35.0%
United States	21.5%	22.5%	19.3%	36.7%

Sources: Sales & Marketing Management, *Survey of Buying Power* , 2000-2005
Prepared by: Ricondo & Associates, Inc.

1.4 Employment

Recent employment trends for the Air Trade Area, Florida, and the United States are presented in **Table 1.3.** As shown, the Air Trade Area's civilian labor force increased from approximately 633,000 workers in 1994 to approximately 818,000 workers in 2004. This increase represents a compounded annual growth rate of 2.6 percent during this period, which is higher than that for both Florida and the nation with compounded annual growth rates of 1.9 and 1.2 percent, respectively. Table 1.3 also shows unemployment rates for the Air Trade Area, Florida, and the United States from 1994 to 2004. When compared to Florida and the nation, the Air Trade Area's higher unemployment rates between 1994 and 2002 can primarily be attributed to agricultural workers being laid off during the summer months in Indian River and St. Lucie counties, as well as the slow down of the overall region's tourism during these same months. However, due to recent increasing economic growth, unemployment rates in the Air Trade Area were lower than those for the United States in 2003 and 2004.

An analysis of nonfarm employment trends by major industry division is presented in **Table 1.4**, which compares the Air Trade Area's employment trends to those for the nation for 1994 and 2004. As shown, nonagricultural employment in the Air Trade Area increased from approximately 501,700 workers in 1994 to approximately 708,800 workers in 2004. This increase represents a compounded annual growth rate of 3.5 percent during this period, more than twice the 1.4 percent growth rate experienced nationwide.

With the exception of manufacturing, each of the major industry groups in the Air Trade Area experienced positive growth between 1994 and 2004, with the highest growth occurring in the construction and services sectors. Manufacturing employment in the Air Trade Area decreased slightly from approximately 33,300 workers in 1994 to approximately 27,900 workers in 2004. This decrease to the manufacturing base between 1994 and 2004 was not unique to the Air Trade Area, as manufacturing employment nationwide decreased 1.7 percent on a compounded annual basis during this same period.

A continuing shifting of the Air Trade Area's industrial mix occurred between 1994 and 2004, as manufacturing employment decreased from 6.6 percent of total employment in 1994 to 3.9 percent in 2004; and services employment increased from 44.1 percent of total employment in 1994 to 48.6 percent in 2004. These trends in the Air Trade Area's industrial mix were consistent with changes in the industrial mix nationwide, as manufacturing decreased from 14.9 percent to 10.9 percent and services increased from 34.6 percent to 39.0 percent during this same period.

Major employers in the Air Trade Area, as measured by number of employees, are presented in **Table 1.5**. As shown, there are more than 50 firms in the Air Trade Area with at least 400 employees. The largest employers in the Air Trade Area include Palm Beach County Schools (approximately 19,385 employees), Publix Super Markets (approximately 12,860 employees), the State of Florida (approximately 11,650 employees), Palm Beach County (approximately 10,820 employees), and the Federal Government (approximately 7,160 employees).

The Air Trade Area is the corporate headquarters to Office Depot, one of the leading retailers of office products, and to Florida Power and Light, a leading electric utilities provider. Office Depot and Florida Power and Light are both Fortune 500 companies that ranked 156th and 213th, respectively, in 2004 revenues. Other Fortune 500 companies with a significant presence in the Air Trade Area include BellSouth (telecommunications), Home Depot (home improvement retailer), Publix Super Markets, Wachovia Bank (commercial bank), Walgreens (drug store), Wal-Mart (general discount retailer), and Winn-Dixie (supermarket chain).

1.5 Economic Base

This section reviews the local economy in greater detail to more clearly examine the basis for the economic strength of the Air Trade Area.

Table 1.3
Civilian Labor Force & Unemployment Rates

	Civilian Labor Force (000's)		
Year	Air Trade Area	Florida	United States
1994	633	6,970	131,056
1995	635	7,045	132,304
1996	656	7,208	133,943
1997	676	7,409	136,297
1998	696	7,573	137,673
1999	709	7,711	139,368
2000	737	7,859	142,583
2001	769	8,005	143,734
2002	786	8,073	144,863
2003	799	8,195	146,510
2004	818	8,396	147,401
Compounded Annual Growth Rate			
1994 - 2004	2.6%	1.9%	1.2%

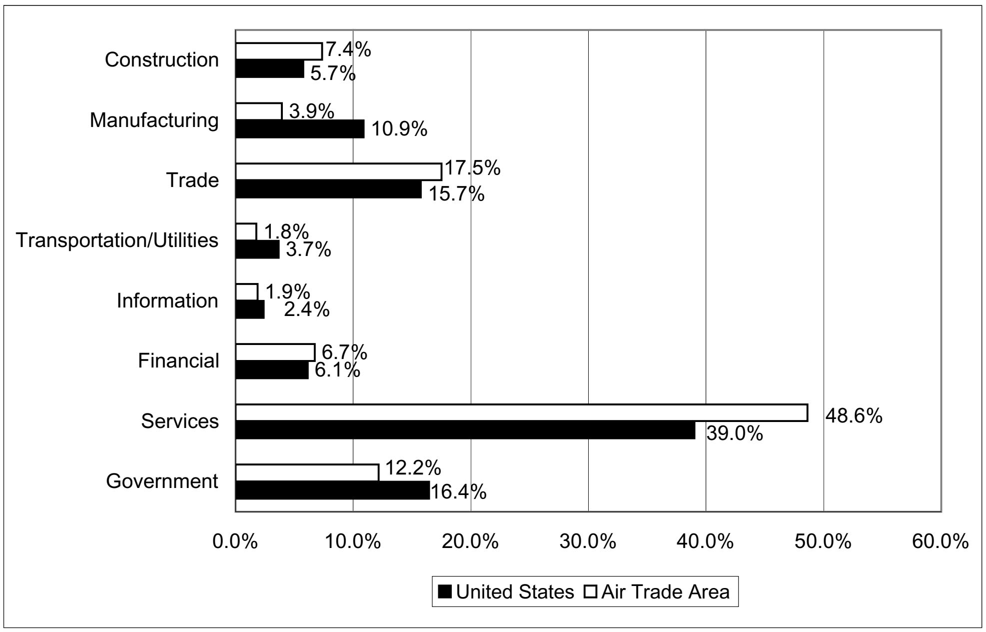
	Unemployment Rates		
Year	Air Trade Area	Florida	United States
1994	9.8%	6.7%	6.1%
1995	8.0%	5.5%	5.6%
1996	7.7%	5.3%	5.4%
1997	7.2%	5.0%	4.9%
1998	6.5%	4.5%	4.5%
1999	5.9%	4.0%	4.2%
2000	4.5%	3.8%	4.0%
2001	5.2%	4.6%	4.7%
2002	6.2%	5.7%	5.8%
2003	5.7%	5.3%	6.0%
2004	5.3%	4.8%	5.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics
Prepared by: Ricondo & Associates, Inc.

Table 1.4
Employment Trends by Major Industry Division

	Air Trade Area Nonfarm Employment			United States Nonfarm Employment (000's)		
Industry	1994	2004	Compounded Annual Growth Rate	1994	2004	Compounded Annual Growth Rate
Construction [1]	30,800	52,200	5.4%	5,754	7,555	2.8%
Manufacturing	33,300	27,900	-1.8%	17,021	14,329	-1.7%
Trade	91,200	124,200	3.1%	18,738	20,690	1.0%
Transportation/Utilities	12,000	12,500	0.4%	4,390	4,820	0.9%
Information [2]	11,700	13,200	1.2%	2,738	3,138	1.4%
Financial	33,900	47,800	3.5%	6,867	8,052	1.6%
Services	221,500	344,700	4.5%	39,509	51,278	2.6%
Government	67,300	86,300	2.5%	19,275	21,618	1.2%
TOTAL	501,700	708,800	3.5%	114,292	131,480	1.4%

Percent of 2004 Nonfarm Employment



1 Includes natural resources and mining employment.
2 The information sector includes communications, publishing, motion picture and sound recording, and on-line services.

Source: U.S. Department of Labor, Bureau of Labor Statistics
Prepared by: Ricondo & Associates, Inc.

Table 1.5
Major Employers

Employer	Employees	Product or Service
Palm Beach County Schools	19,385	Education
Publix Super Markets	12,860	Food & Drug Store
State of Florida	11,650	State Government
Palm Beach County	10,820	County Government
Federal Government	7,160	Federal Government
Wal-Mart	6,420	General Merchandiser
Winn-Dixie	4,250	Food & Drug Store
Florida Power & Light	4,030	Utilities
St. Lucie County Schools	4,000	Education
Home Depot	3,570	Specialty Retailer
Walgreens	3,510	Food & Drug Store
Florida Atlantic University	3,270	Higher Education
Florida Crystals	2,900	Consumer Food Products
Office Depot	2,900	Specialty Retailer
Martin Memorial Health System	2,500	Health Care
Martin County School District	2,460	Education
Boca Raton Community Hospital	2,400	Health Care
Bethesda Health Care Systems	2,300	Health Care
Boca Raton Resort & Club	2,200	Hotel/Resort
JFK Memorial Hospital	2,200	Health Care
Palm Beach Community College	2,200	Higher Education
United States Sugar	2,100	Consumer Food Products
Indian River County Schools	2,040	Education
The Breakers	2,040	Hotel/Resort
St. Mary's Medical Center	1,900	Health Care
Liberty Companies	1,860	Health Care
Delray Medical Center	1,800	Health Care
Pratt & Whitney	1,800	Aerospace
City of Boca Raton	1,770	City Government
St. Lucie County	1,750	County Government
City of West Palm Beach	1,690	City Government
Martin County	1,610	County Government
Indian River Community College	1,600	Higher Education
Indian River County	1,580	County Government
Indian River Memorial Hospital	1,390	Health Care
Lawnwood Regional Medical Center	1,300	Health Care
Palm Beach Newspapers [1]	1,210	Newspaper Publishing
BellSouth [1]	1,100	Telecommunications
Wachovia Bank [2]	1,100	Commercial Bank
City of Port St. Lucie	1,000	City Government
QVC	990	General Merchandiser
St. Lucie Medical Center	830	Health Care
New Piper Aircraft	760	Aerospace
Gracewood Fruit	700	Consumer Food Products
Armellini Express Lanes	680	Trucking
City of Vero Beach	600	City Government
Riverside National Bank	510	Commercial Bank
Convergys	500	Diversified Outsourcing
Sebastian River Medical Center	500	Health Care
Tropicana Products	450	Consumer Food Products
Indian River Estates - ACTS	420	Real Estate
Aegis Communications	400	Diversified Outsourcing
John's Island	400	Real Estate
New Horizons at the Treasure Coast	400	Health Care

[1] Employment provided by Enterprise Florida, Inc., County Profile Reports.
[2] Employment provided by the Chamber of Commerce of the Palm Beaches, 2005 Guide To The Palm Beaches.

Sources: Treasure Coast Magazine, 2005 Annual Edition
Prepared by: Ricondo & Associates, Inc.

1.5.1 Construction

As presented in Table 1.4, construction employment in the Air Trade Area increased at a compounded annual growth rate of 5.4 percent between 1994 and 2004 (the highest-growing sector during this period), compared to 2.8 percent for the nation. In 2004, the construction sector accounted for approximately 52,200 employees in the Air Trade Area, which represented 7.4 percent of total nonfarm employment.

According to the Treasure Coast Regional Planning Council, new and recently approved major development projects in the Air Trade Area include:

- **LTC Ranch.** This development will consist of an industrial park and a large mixed-use complex on approximately 2,450 acres in Port St. Lucie. The LTC Ranch will include 6,500 residential units, 725,000 square feet of retail space, 1.9 million square feet of industrial space, and 1.5 million square feet of office space.
- **PGA Village.** Located in Port St. Lucie, this Professional Golfers' Association (PGA) community is near completion with the final phase of construction to begin in summer 2006. In total, the PGA Village will consist of four golf courses, a golf learning center, 4,100 residential units, 250 hotel rooms, 390,000 square feet of retail space, 1.6 million square feet of industrial space, and 100,000 square feet of office space.
- **Tradition.** Located in Port St. Lucie, this community will include more than 11,000 residential units, 300 hotel rooms, 675,500 square feet of retail space, and 1.3 million square feet of office space. The grand opening of the first phase of Tradition Square, the retail center of Tradition, is scheduled for early 2006.
- **Verano.** This country club community is currently under construction on approximately 3,000 acres in the Port St. Lucie area. The Verano will include three golf courses, 6,000 residential units, 350 hotel rooms, and 250,000 square feet of retail space.
- **Waterway Village.** Located on approximately 700 acres in Vero Beach, this new waterfront community is currently under construction and will consist of 1,740 residential units as well as nearly 30,000 square feet of retail space.

Table 1.6 presents residential building permit units and valuations for the Air Trade Area, Florida, and the United States from 2000 to 2004. As shown, residential building permit units in the Air Trade Area increased from 16,040 in 2000 to 29,260 in 2004; and building permit valuation increased from \$2.1 billion to \$4.6 billion during this same period. These increases represent compounded annual growth rates of 16.2 percent and 21.1 percent, respectively. As also shown, these respective growth rates were higher than those for Florida and for the nation during this same period.

1.5.2 Manufacturing

As presented in Table 1.4, manufacturing employment in the Air Trade Area decreased at a compounded annual rate of 1.8 percent between 1994 and 2004, compared to a decrease of 1.7 percent for the nation. In 2004, the manufacturing sector accounted for approximately 27,900 employees in the Air Trade Area, which represented 3.9 percent of total nonfarm employment.

Major components of the Air Trade Area's manufacturing industry consist of medical devises, software and computer products, aerospace engineering, and food products. Pratt & Whitney, a global leader in the design, manufacturing, and support of turbine engines, is a leading aerospace employer in the Air Trade Area with approximately 1,800 employees at its space propulsion operations facility. The New Piper Aircraft, a company that manufactures propeller-driven aircraft, employs approximately 760 workers at its corporate headquarters that are located in the Air Trade Area. Other aerospace companies with a significant presence in the Air Trade Area include Vought Aircraft Industries, an aerostructures company that offers design, testing, manufacturing, and support capabilities with approximately 300 employees; and Turbocombustor Technology,

Table 1.6
Residential Building Permit Units & Valuation

Year	Air Trade Area		State of Florida		United States	
	Units	Valuation ($000)	Units	Valuation ($000)	Units	Valuation ($000)
2000	16,040	$2,136,584	155,269	$17,462,411	1,592,267	$185,743,681
2001	16,695	$2,285,881	167,035	$19,465,400	1,636,676	$196,242,858
2002	20,886	$3,000,412	185,431	$22,467,802	1,747,678	$219,188,681
2003	27,964	$4,060,883	213,567	$28,351,596	1,889,214	$249,693,105
2004	29,260	$4,600,702	255,893	$36,959,407	2,070,077	$292,413,691
Compounded Annual Growth Rate						
2000 - 2004	16.2%	21.1%	13.3%	20.6%	6.8%	12.0%

Source: U.S. Department of Commerce, Bureau of the Census
Prepared by: Ricondo & Associates, Inc.

a manufacturer of engineered products of turbine engines that is headquartered in the Air Trade Area with approximately 290 employees.

In terms of food products manufacturing, Palm Beach County is the leading county in the nation in sugar production. Palm Beach County is responsible for 75 percent of Florida's sugar output and 20 percent of the total sugar produced in the United States. The interior region of Palm Beach County, called the Everglades Agricultural Area, generates more than $2 billion into the local economy annually through the production of sugarcane and the processing of raw sugar and winter vegetables. Major sugar producing and refining companies in the Air Trade Area include Florida Crystals with approximately 2,900 employees and United States Sugar with approximately 2,100 employees.

1.5.3 Trade

As presented in Table 1.4, trade employment in the Air Trade Area increased at a compounded annual growth rate of 3.1 percent between 1994 and 2004, compared to 1.0 percent for the nation. In 2004, the trade sector accounted for approximately 124,200 employees in the Air Trade Area, which represented 17.5 percent of total nonfarm employment. Of that total, approximately 75 percent of these employees were engaged in retail trade.

One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. **Table 1.7** presents total retail sales for the Air Trade Area, Florida, and the nation between 2000 and 2005. As shown, total retail sales for the Air Trade Area increased from $22.7 billion in 2000 to $27.3 billion in 2005. This increase represents a compounded annual growth rate of 3.8 percent during this period, which was higher than that for Florida yet lower than that for the nation (compounded annual growth rates of 2.9 and 4.3 percent, respectively). Due to the effects of the terrorist attacks of September 11, 2001 and the nationwide economic slowdown, total retails sales decreased for Florida and the nation between 2000 and 2002. Similar to this trend, total retail sales for the Air Trade Area also decreased between 2000 and 2001, yet began to recover by depicting positive growth between 2001 and 2002.

Table 1.7 also presents projections of total retail sales for 2010, the latest year for which projections are currently available. According to *Sales and Marketing Management* magazine, total retail sales for the Air Trade Area are projected to increase at a compounded annual growth rate of 3.3 percent between 2005 and 2010, comparable to the 3.2 percent growth for both Florida and the nation during this same period.

1.5.4 Transportation/Utilities

As presented in Table 1.4, transportation/utilities employment in the Air Trade Area increased at a compounded annual growth rate of 0.4 percent between 1994 and 2004, compared to 0.9 percent for the nation. In 2004, the transportation/utilities sector accounted for approximately 12,500 employees in the Air Trade Area, which represented 1.8 percent of total nonfarm employment.

The Air Trade Area provides and is accessible by multiple means of transportation. Amtrak rail service is offered to most major cities in the nation from the Air Trade Area. Trains can be boarded within an hour's driving distance from any destination in the Air Trade Area. The South Florida Regional Transportation Authority operates Tri-Rail commuter rail service between West Palm Beach and Miami that includes service to/from the Airport, MIA, and FLL, as well as the region's business centers, universities, and attractions. A number of transportation improvement projects are currently underway including the double tracking of the CSX railroad, which will allow Tri-Rail to increase its service; and the planning of an intermodal facility in West Palm Beach that will bring together Amtrak, Tri-Rail, and local buses and trolleys.

The Intercoastal and Okeechobee Waterways plus five ocean inlets, located in Sebastian, Fort Pierce, Stuart, Juniper, and Palm Beach, offer water access to the Air Trade Area. Many of these marinas have deepwater access and offer transient dockage. The Port of Palm Beach (Port) is the fastest growing passenger and cargo

Table 1.7
Total Retail Sales
(Dollar Amounts in Thousands)

Year	Air Trade Area	Florida	United States
Historical			
2000	$22,657,878	$219,333,951	$3,409,490,367
2001	$21,830,616	$213,757,056	$3,658,748,622
2002	$21,836,640	$211,717,499	$3,627,218,024
2003	$23,121,699	$218,991,048	$3,724,992,030
2004	$24,311,158	$229,955,794	$3,906,482,160
2005	$27,291,082	$252,983,836	$4,206,052,995
Projected			
2010	$32,121,196	$296,141,783	$4,919,027,127
Compounded Annual Growth Rate			
2000 - 2005	3.8%	2.9%	4.3%
2005 - 2010	3.3%	3.2%	3.2%

Sources: Sales & Marketing Management, *Survey of Buying Power* , 2000-2005
Prepared by: Ricondo & Associates, Inc.

facility that facilitates the flow of imports and exports. The Port is the fourth busiest container port in Florida and serves as a key shipment point for bulk sugar, molasses, cement, utility fuels, water, produce, and break-bulk items.

Florida Power and Light is a major employer in the Air Trade Area with approximately 4,030 employees. Headquartered in the Air Trade Area, Florida Power and Light is the principal subsidiary of FPL Group and serves 4.3 million utility customers in Florida. On December 19, 2005, the FPL Group and Constellation Energy announced that they will merge to become the nation's largest competitive energy supplier and its second largest electric utility portfolio, maintaining dual headquarters in the Air Trade Area and Baltimore, Maryland.

1.5.5 Information

Recognizing the information-based economy, the new information sector combines communications, publishing, motion picture and sound recording, and online services. As presented in Table 1.4, information employment in the Air Trade Area increased at a compounded annual growth rate of 1.2 percent between 1994 and 2004, compared to 1.4 percent for the nation. In 2004, the information sector accounted for approximately 13,200 employees in the Air Trade Area, which represented 1.9 percent of total nonfarm employment.

The Air Trade Area's information sector is served by a diverse set of newspapers, magazines, television and radio stations, telecommunications, and online services companies. The Palm Beach Newspapers is a major information sector employer in the Air Trade Area with approximately 1,210 employees. BellSouth, one of the nation's largest telecommunications companies, also has a significant presence in the Air Trade Area with approximately 1,100 employees. Aegis Communications is a leader in business process outsourcing and specializes in integrated customer management solutions for a variety of industries. Aegis Communications has approximately 400 employees in the Air Trade Area.

1.5.6 Financial

As presented in Table 1.4, financial employment in the Air Trade Area increased at a compounded annual growth rate of 3.5 percent between 1994 and 2004, compared to 1.6 percent for the nation. In 2004, this sector accounted for approximately 47,800 employees in the Air Trade Area, which represented 6.7 percent of total nonfarm employment.

The Air Trade Area's strong financial sector continues to expand and includes some of the leading banking, insurance, and investment companies in the country. Wachovia Bank, a nationwide provider of banking, brokerage, asset management, wealth management, and business-related products and services, has approximately 1,100 employees in the Air Trade Area and more than 85 financial centers in Palm Beach County alone. Other commercial banks and savings institutions with a significant presence in the Air Trade Area include First National Bank, Grand Bank and Trust of Florida, Harbor Federal Bank, Riverside National Bank, and Washington Mutual.

Table 1.8 presents total bank deposits for the Air Trade Area, Florida, and the nation for the 12 months ending June 30th between 1995 and 2005. As shown, total bank deposits in the Air Trade Area steadily increased from \$22.6 billion on June 30, 1995 to \$45.4 billion on June 30, 2005. This increase represents a compounded annual growth rate of 7.2 percent during this period, which was higher than that for Florida and the nation during this same period (compounded annual growth rates of 6.8 and 6.3 percent, respectively).

1.5.7 Services

As presented in Table 1.4, services employment in the Air Trade Area increased at a compounded annual growth rate of 4.5 percent between 1994 and 2004 (the second highest-growing sector during this period), compared to 2.6 percent for the nation. In 2004, the services sector accounted for approximately 344,700 employees in the Air Trade Area, which represented the highest employment level among all the sectors with 48.6 percent of total nonfarm employment.

Table 1.8
Total Bank Deposits
(Dollar Amounts in Thousands)

Year [1]	Air Trade Area	Florida	United States
1995	$22,558,000	$177,079,000	$3,214,678,000
1996	$22,558,000	$178,524,000	$3,328,303,000
1997	$23,809,000	$183,620,000	$3,496,763,000
1998	$24,943,000	$194,203,000	$3,657,849,000
1999	$26,441,000	$200,783,000	$3,783,554,000
2000	$27,556,000	$207,852,000	$4,003,744,000
2001	$28,985,000	$222,797,000	$4,326,207,000
2002	$31,602,000	$242,821,000	$4,606,092,000
2003	$35,473,000	$268,174,000	$5,132,110,000
2004	$40,078,000	$300,961,000	$5,464,782,000
2005	$45,410,000	$342,821,000	$5,933,763,000
Compounded Annual Growth Rate 1995 - 2005	7.2%	6.8%	6.3%

[1] Twelve months ending June 30.

Source: Federal Deposit Insurance Corporation (FDIC)
Prepared by: Ricondo & Associates, Inc.

Travel and Tourism

In terms of employment, the travel and tourism industry is one of the largest services-related industries in the Air Trade Area. According to the U.S. Department of Labor, approximately 85,000 leisure and hospitality workers were employed in the Air Trade Area in 2004. The Tourism Development Council of Palm Beach County estimates that 4.5 million people visit Palm Beach County annually. In 2004, approximately 75 percent of these visitors arrived by air travel. This represents an increase of 4.5 percent compared to 2003 air travel data for Palm Beach County.

CityPlace, one of the Air Trade Area's newest attractions, is a $600 million, 72-acre multi-use development that opened in downtown West Palm Beach in 2000. CityPlace consists of more than 80 retailers, approximately 20 restaurants, a movie theater, a cultural center, and residential and commercial space. The Palm Beach Kennel Club Entertainment Complex is another significant tourist attraction in the Air Trade Area that hosts nearly 1 million visitors annually. This entertainment complex offers, among other things, live greyhound racing and simulcast horse racing. Approximately $1 million was invested in recent renovations at this facility. Other tourist attractions in the Air Trade Area include a variety of water parks, water tours and cruises, historical sites, and museums.

The Palm Beach County Convention Center is located in downtown West Palm Beach one mile east of Interstate 95 and approximately three miles from the Airport. This 19-acre meeting site includes a 100,000 square foot exhibit hall, ballroom, and more than 20 breakout rooms to accommodate various types of meetings and special events. The convention center is located within three miles of approximately 3,000 hotel rooms and resort guest rooms. Other hotels in the Air Trade Area that offer convention and meeting space options include the Boca Raton Resort and Club with approximately 146,000 square feet of meeting space and 1,040 guest rooms; The Breakers with approximately 45,000 square feet of meeting space and 560 guest rooms; the PGA National Resort and Spa with approximately 33,900 square feet of meeting space and 340 guest rooms; the Four Seasons Resort Palm Beach with approximately 22,000 square feet of meeting space and 210 guest rooms; and the Ritz-Carlton at Palm Beach with approximately 16,000 square feet of meeting space and 270 guest rooms.

Recreational and Sports Activities

Outdoor recreation is a major source of tourism in the Air Trade Area, particularly its beaches located along the Atlantic Ocean and numerous golf courses. Palm Beach County alone has nearly 50 miles of beaches and the largest number of golf courses in Florida with more than 160 public courses and resort facilities. Home of the PGA, Palm Beach County is known as the "Golf Capital of the World." Other outdoor recreational opportunities in the Air Trade Area include boating, water sports, fishing, diving and snorkeling, tennis, bicycling, and parks.

Major spectator sports in the Air Trade Area include spring training for two Major League Baseball (MLB) teams, the Florida Marlins and St. Louis Cardinals; two Florida State Class-A minor league baseball teams, the Jupiter Hammerheads (affiliate of MLB's Florida Marlins) and the Palm Beach Cardinals (affiliate of MLB's St. Louis Cardinals); and the Florida Atlantic University Owls Division I-A college football. Two major golf championships, the ADT Women's Championship and the Honda Classic, are annually hosted in the Air Trade Area. The Association of Tennis Professionals (ATP) hosted its 13th annual Millennium International Tennis Championships in Delray Beach in 2005. The Marathon of the Palm Beaches was inaugurated in 2004 and is scheduled to be held annually.

The Air Trade Area hosts a significant number of outdoor festivals and events annually. The Winter Equestrian Festival (WEF), which is the largest and longest running equestrian event in the world, is held annually at the Palm Beach Polo Equestrian Club. Drawing over 15,000 spectators to each event, the WEF includes more than 4,000 horses every year, in addition to thousands of riders, owners, and caretakers. Other events hosted in the Air Trade Area include SunFest, Florida's largest music, art, and waterfront festival; as well as the ArtiGras Fine Arts Festival, Fellsmere Frog Leg Festival, Fort Pierce Friday Fest Street Festival, Palm Beach International Film Festival, South Florida Fair, and VNA Air Show.

Medical and Health

The health services industry plays a major role in the Air Trade Area and offers a wide range of advanced medical services. In addition, the Air Trade Area continues to expand its presence in biomedical research and development, which significantly contributes to the Air Trade Area's health services industry as well as the overall local economy. According to HealthGrades, an independent health care quality company, seven hospitals in the Air Trade Area were named "Distinguished Hospitals for Clinical Excellence" based upon the evaluation of twenty-eight key areas. The following medical facilities were recognized: Indian River Memorial Hospital, Juniper Medical Center, Lawnwood Regional Medical Center, Martin Memorial Medical Center, Palm Beach Gardens Medical Center, Sebastian River Medical Center, and St. Lucie Medical Center.

The Scripps Research Institute (Scripps), the world's largest nonprofit biomedical research center, recently announced plans to expand their presence in the Air Trade Area by establishing a new major science center that will focus on biomedical research, technology development, and drug design. Scripps began operations in spring 2004 at the Florida Atlantic University (FAU) campus and will begin construction of its 364,000 square foot campus on 40 acres at the university in December 2006. Future phases will be constructed on 100 acres located in close proximity to the FAU campus. According to the Chamber of Commerce of the Palm Beaches, the Scripps expansion is estimated to create approximately 6,500 new jobs and generate approximately $1.6 billion in addition income to the Air Trade Area.

JFK Medical Center is a 424-medical bed acute care hospital, outpatient center, and medical office complex. This medical center specializes in cardiovascular and oncology services, orthopedics, neuroscience, and woman's health services. The medical center has been nationally recognized as one of the leading cardiac and orthopedic hospitals, as well as one of the nation's "100 Top Hospitals". The JFK Medical Center recently completed a $76 million hospital expansion program that added a five-story patient tower and tripled the size of its emergency department.

Martin Memorial Health Systems is comprised of two hospitals, three MediCenters, and numerous centers and clinics. The system offers preventative, primary and acute hospital care, as well as cancer care, wellness and rehabilitation services. The two hospitals in the health system, Martin Memorial Medical Center and Martin Memorial Hospital South, have approximately 340 medical beds and 400 physicians collectively. Martin Memorial Medical Center and Martin Memorial Hospital South have each been recognized four times as one of the nation's "Top 100 Hospitals", while the entire health system has been recognized as one of the nation's "Top 100 Integrated Health System" five times. Expansion plans for an open-heart unit at Martin Memorial Medical Center are currently underway; the first open-heart procedure is anticipated in early 2006.

Columbia Hospital is a 250-bed acute-care facility that offers a broad spectrum of medical, surgical, and mental health services and an outpatient center, as well as operating as the primary teaching affiliate of Nova Southeastern University. With approximately 400 physicians, Columbia Hospital offers a Pain Care Center, a Comprehensive Center for Breast Care, an Aquatic and Rehabilitation Center, Wound Management, Diagnostic Imaging, and a new Senior Care Unit. In 2004, Columbia Hospital completed a $23 million renovation project that includes a new state-of-the-art Interventional Vascular Procedures Room and updated patient rooms and nurse stations.

Other major medical facilities in the Air Trade Area with more than 150 licensed beds include St. Mary's Medical Center (460 beds), Boca Raton Community Hospital (395 beds), Lawnwood Regional Medical Center (345 beds), Good Samaritan Medical Center (340 beds), Indian River Memorial Hospital (335 beds), St. Lucie Medical Center (195 beds), and Juniper Medical Center (160 beds).

Higher Education

Higher education is provided in the Air Trade Area by numerous universities, colleges, community colleges, and technical/vocational schools. Palm Beach Community College (PBCC) is Florida's first public community college and one the largest community colleges in Florida. Founded in 1933, PBCC offers more than 100 programs of study at four campuses in Palm Beach County, as well as numerous off-site class locations. Approximately 49,000 students attend PBCC each year for associate degrees in the arts and sciences, professional certificates, career training, and continuing workforce education.

With approximately 38,500 students, Indian River Community College (IRCC) is the second largest college in the Air Trade Area. IRCC offers associate degrees in the arts and sciences, as well as certificates and short term training programs in over 60 areas at eight campuses. IRCC is a major employer in the Air Trade Area with approximately 1,600 employees. FAU has approximately 26,000 students and offers 61 bachelor's, 57 master's, 3 specialist, and 19 doctoral degree programs at seven different campuses located throughout the South Florida region. Partnered with IRCC and PBCC, FAU participates in the 2+2 transfer program for students seeking a bachelor's degree that have completed an associate's degree from a community college.

Other universities and colleges with a significant presence in the Air Trade Area include Barry University, Florida Institute of Technology, Keiser College, Lynn University, New England Institute of Technology at Palm Beach, Northwood University, Nova Southeastern University, Palm Beach Atlantic University, South University, and University of Florida Institute of Food and Agricultural Science.

1.5.8 Government

As presented in Table 1.4, government employment in the Air Trade Area increased at a compounded annual growth rate of 2.5 percent between 1994 and 2004, compared to 1.2 percent for the nation. In 2004, this sector accounted for 86,300 employees in the Air Trade Area, which represented 12.2 percent of total nonfarm employment.

As shown in Table 1.5, 10 governmental agencies are among the major employers in the Air Trade Area with more than 600 employees. These federal, state, and local governments include the third largest employer in the Air Trade Area, the State of Florida (11,650 employees), the fourth largest employer, Palm Beach County (10,820 employees), the fifth largest employer, the U.S. Government (7,160 employees), the City of Boca Raton (1,770 employees), St. Lucie County (1,750 employees), the City of West Palm Beach (1,690 employees), Martin County (1,610 employees), Indian River County (1,580 employees), the City of Port St. Lucie (1,000 employees), and the City of Vero Beach (600 employees).

1.6 Summary

A summary of the socioeconomic trends in the Air Trade Area includes the following:

- Population growth in the Air Trade Area was higher than that for Florida and twice that for the nation between 1990 and 2004. A similar trend in population growth for the Air Trade Area is expected to continue through at least 2015.
- Per capita EBI for the Air Trade Area was consistently higher than that for Florida and for the nation each year between 1999 and 2004. According to *Sales and Marketing Management* magazine, continued strong growth in per capita EBI for the Air Trade Area is expected between 2004 and 2009, the latest year for which such projections are currently available. In addition, the percentage of households in the Air Trade Area had an EBI of $50,000 or more in 2004 is higher than that for both Florida and the nation.
- Nonfarm employment in the Air Trade Area increased at a compounded annual growth rate of 3.5 percent between 1994 and 2004, which was more than twice the 1.4 percent growth experienced

nationwide during this same period. The services industry has the highest percentage of employment in the Air Trade Area, followed by wholesale and retail trade combined.

- Total retail sales growth in the Air Trade Area was higher than that for both Florida and the nation between 2000 and 2005. According to *Sales and Marketing Management* magazine, continued strong growth in total retail sales for the Air Trade Area is expected between 2005 and 2010, the latest year for which such projections are currently available.
- The Air Trade Area offers a variety of cultural, recreational, and educational resources and activities.
- The economic base of the Air Trade Area is strong and diversified, and is capable of supporting increased demand for air travel at the Airport during the projection period.

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Air Traffic

This chapter describes historical and projected aviation activities at the Airport and discusses key factors affecting trends in these activities.

2.1 Airlines Serving the Airport

As of March 2006, the Airport had scheduled passenger service provided by 13 U.S. carriers and three foreign flag carriers. In addition, as of March 2006, the all-cargo carrier UPS provided scheduled cargo service at the Airport. Scheduled service at the Airport is provided by 11 of the nation's 16 major U.S. passenger airlines, which represent the largest group of passenger airlines in terms of their total annual revenues. These airlines include AirTran, American, Comair, Continental, Delta, ExpressJet, JetBlue, Northwest, Southwest, United, and US Airways.[1] **Table 2.1** lists the airlines serving the Airport as of March 2006.

Table 2.2 presents the historical air carrier base at the Airport since FY 1996. As shown, the Airport has had the benefit of a relatively large and stable air carrier base during the years depicted, which has helped promote competitive pricing and scheduling diversity in the Airport's major markets. Specific points concerning the Airport's historical air carrier base are presented below:

- Seven of the 11 major U.S. passenger airlines currently providing service at the Airport operated there during each of the years shown in Table 2.2.
- As demonstrated later in this chapter, the presence of low-cost carriers has provided a significant impact to activity at the Airport in recent years. Prior to FY 1999, air service by U.S. carriers at the Airport was provided solely by the U.S. legacy carriers American, Continental, Delta, Northwest, United, and US Airways (as well as by their respective code-share partners).[2] The differential in airfares between these U.S. legacy carriers at the Airport and low-cost carriers operating at FLL resulted in diversion of local passengers to FLL. The low-cost carrier Spirit initiated service at the Airport in FY 1999; followed by JetBlue and Southwest in FY 2001; AirTran in FY 2003; and Independence Air in FY 2004 (which ceased operations nationwide on January 6, 2006 due to bankruptcy).
- In response to these low-cost carriers, U.S. legacy carriers at the Airport are providing competitive low-fare service in certain markets. Delta's low-fare service Song initiated service at the Airport in FY 2003; and currently provides nonstop service to Boston, Hartford, and New York (JFK and LGA) with a total of eight daily flights. Prior to Song, Delta's initial low-fare service Delta Express initiated service at the Airport in FY 1999 until its phasing out in FY 2003 and being replaced with Song. On October 28, 2005, Delta announced plans to discontinue Song in May 2006 and incorporate its fleet into Delta's regular service. United's low-fare service Ted initiated service at the Airport in December 2005 by converting to Ted its daily nonstop flight from the Airport to Chicago (O'Hare).
- In addition to Gulfstream providing nonstop service to Marsh Harbour and Nassau, Bahamas, international service is provided at the Airport by the foreign flag carriers Air Canada (service to Toronto), Bahamasair (service to Marsh Harbour and Nassau), and CanJet (service to Montreal).

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[1] As defined by the U.S. DOT, major U.S. airlines are airlines with gross operating revenues during any calendar year of more than $1 billion. Alaska, America West, American Eagle, ATA, and SkyWest are major U.S. passenger airlines currently not serving the Airport. Although America West and US Airways completed their merger on September 27, 2005, these airlines will maintain separate operating certificates for approximately two to three years. Once FAA approvals have been granted, the two airlines' operating certificates will be combined into one certificate.

[2] Legacy carriers refer to major U.S. airlines in operation today that were in business before airline deregulation in 1978.

Table 2.1
Airlines Serving the Airport [1]

U.S. Carriers (13)	Foreign Flag Carriers (3)	All-Cargo Carriers (1)
AirTran	Air Canada	United Parcel Service
American	Bahamasair	
Comair (Delta Connection)	CanJet	
Continental		
Delta/Song(Delta low-fare service) [2]		
ExpressJet (Continental Express)		
Gulfstream (Continental Connection)		
JetBlue		
Northwest [3]		
Spirit [4]		
Southwest		
United/Ted (United low-fare service) [5]		
US Airways [6]		

1 As of March 2006.
2 Delta filed for reorganization under Chapter 11 of the Bankruptcy Code on September 14, 2005.
3 Northwest filed for reorganization under Chapter 11 of the Bankruptcy Code on September 14, 2005.
4 Provides seasonal service at the Airport.
5 United filed for reorganization under Chapter 11 of the Bankruptcy Code on December 9, 2002. It emerged from Chapter 11 on February 1, 2006.
6 US Airways filed for reorganization under Chapter 11 of the Bankruptcy Code on August 11, 2002. It emerged from Chapter 11 on March 31, 2003. US Airways again filed for Chapter 11 bankruptcy protection on September 12, 2004. It emerged from Chapter 11 on September 16, 2005.

Source: Airport Management Records
Prepared by: Ricondo & Associates, Inc.

Table 2.2
Air Carrier Base

Air Carrier	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 [1]
Air Canada	●	●	●	●	●	●	●	●	●	●	●
American	●	●	●	●	●	●	●	●	●	●	●
Bahamasair	●	●	●	●	●	●	●	●	●	●	●
Comair	●	●	●	●	●	●	●	●	●	●	●
Continental	●	●	●	●	●	●	●	●	●	●	●
Delta/Song	●	●	●	●	●	●	●	●	●	●	●
Gulfstream	●	●	●	●	●	●	●	●	●	●	●
Northwest	●	●	●	●	●	●	●	●	●	●	●
United/Ted	●	●	●	●	●	●	●	●	●	●	●
US Airways	●	●	●	●	●	●	●	●	●	●	●
Spirit				●	●	●	●	●	●	●	●
JetBlue						●	●	●	●	●	●
Southwest						●	●	●	●	●	●
AirTran								●	●	●	●
ExpressJet								●	●	●	●
CanJet										●	●
<u>Air Carriers No Longer Serving the Airport</u>											
Independence Air										●	●
Atlantic Southeast									●	●	
Chautauqua								●	●	●	●
Air Midwest								●	●	●	
Henson	●	●	●	●	●	●	●	●			
Laker Airways	●	●	●	●	●	●					
Eastern Caribbean Air	●	●	●	●	●	●					
Trans World [2]	●	●	●	●	●	●					
Continental Connection		●	●	●	●						
American Eagle	●	●	●	●							
Kiwi International	●	●	●	●							

1 As of March 2006.
2 Trans World was acquired by American in FY 2001.

Sources: Official Airline Guide, Inc.
Prepared by: Ricondo & Associates, Inc.

2.2 Historical Passenger Activity

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplanements by airline.

2.2.1 Enplaned Passengers

The Airport is classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements;[3] and ranked 52nd nationwide in CY 2004 with 6.5 million enplaned and deplaned passengers, the latest year for which such rankings are currently available.[4] **Table 2.3** presents historical enplanements for the Airport and the nation between FY 1995 and FY 2005. As shown, passenger activity at the Airport increased from 2.8 million enplanements in FY 1995 to 3.5 million in FY 2005. This increase represents a compounded annual growth rate of 2.5 percent during this period, compared to 2.4 percent for the nation. As also shown, the Airport's share of total U.S. enplaned passengers ranged between a high of 0.526 percent in FY 2005 to a low of 0.459 percent in FY 2000.

Passenger activity at the Airport decreased from 3.1 million enplanements in FY 2001 to 2.7 million in FY 2002, a decrease of 11.8 percent during this period, compared to the 8.3 percent decrease nationwide. These significant decreases in activity at the Airport and nationwide were primarily due to the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11) and the nationwide economic slowdown.

According to the FAA, aviation activity nationwide was already in a weakened state even before September 11 and passenger demand nationwide had begun to decline in February 2001, primarily due to declining high-yield business traffic. In November 2001, the National Bureau of Economic Research officially announced that in March 2001 the U.S. economy had entered its 10th recession since the end of World War II. The loss of household wealth dampened consumer confidence and significantly reduced consumer spending. Air carrier finances turned negative in the first quarter of 2001. In addition to the direct impact on air travel, the events of September 11 accelerated the downturn in consumer spending on consumer goods and services, including spending on air travel.

Activity at the Airport has since recovered from the effects of September 11 and the economic slowdown, as enplanements at the Airport increased from 2.7 million in FY 2002 to 3.5 million in FY 2005, the highest passenger level at the Airport in any fiscal year to date. This increase represents a compounded annual growth rate of 9.3 percent during this period, compared to 5.2 percent for domestic passenger activity estimated nationwide by the FAA.

Specific details concerning enplaned passengers at the Airport between FY 1995 and FY 2005 are discussed below:

- **FY 1995 - FY 2000.** The level of enplaned passengers at the Airport was relatively static between FY 1995 and FY 2000, ranging from a high of 3.0 million in FY 1998 to a low of 2.8 million in FY 1995. Enplaned passengers increased at a compounded annual growth rate of 1.3 percent during this period, compared to 3.9 percent nationwide. These relatively static passenger activity levels at the Airport during this period were due in part to the emergence of FLL as the center for low-cost commercial service for the south Florida region. The differential in airfares between the U.S. legacy carriers operating at the Airport and low-cost carriers such as AirTran, Frontier, JetBlue, and Southwest operating at FLL was significant between FY 1995 and FY 2000; and allowed FLL to capture regional market share away from both MIA and the Airport during this period.

[3] As defined by the FAA, a medium hub airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This percentage range of nationwide enplanements equates to 1.8 million to 7.0 million passengers in CY 2004, the latest calendar year for determining airport hub size.

[4] *ACI Traffic Data 2004*, Airports Council International.

Table 2.3
Historical Enplanements

Fiscal Year	Airport Enplanements	Airport Growth	U.S. Domestic Enplanements	U.S. Growth	Market Share
1995	2,756,616	-	530,000,000	-	0.520%
1996	2,868,253	4.0%	557,000,000	5.1%	0.515%
1997	2,868,777	0.0%	577,800,000	3.7%	0.497%
1998	2,952,142	2.9%	590,400,000	2.2%	0.500%
1999	2,879,969	-2.4%	610,900,000	3.5%	0.471%
2000	2,946,185	2.3%	641,200,000	5.0%	0.459%
2001	3,054,355	3.7%	626,800,000	-2.2%	0.487%
2002	2,694,214	-11.8%	574,500,000	-8.3%	0.469%
2003	2,937,681	9.0%	587,800,000	2.3%	0.500%
2004	3,216,772	9.5%	628,500,000	6.9%	0.512%
2005	3,521,361	9.5%	669,800,000 [1]	6.6%	0.526%
Compounded <u>Annual Growth Rate</u>					
1995 - 2005		2.5%		2.4%	
2001 - 2005		3.6%		1.7%	

[1] Estimated by the FAA.

Sources: Airport Management Records (Airport activity)
FAA (U.S. activity)
Prepared by: Ricondo & Associates, Inc.

- **FY 2001 - FY 2002.** For the first 11 months of FY 2001 (October 2000 through August 2001), enplaned passengers at the Airport were 5.7 percent higher than October 1999 through August 2000. Due to the events of September 11, however, enplaned passengers in September 2001 were 26.8 percent lower than September 2000 levels, resulting in a reduced annual increase of 3.7 percent for FY 2001. The effects of September 11 and the economic slowdown resulted in enplaned passengers decreasing 11.8 percent in FY 2002 from FY 2001 levels. A number of factors contributed to this decrease in passengers, including a reduction in business travel and use of alternative technologies by businesses for communications, the increasing disruptions and added travel time associated with new security screening requirements, and continued public concerns about air travel safety.
- **FY 2003 - FY 2005.** The factors cited above had a lesser impact on Airport activity in years subsequent to September 11 compared to other U.S. airports, as pre-September enplanement levels at the Airport were nearly reached by the end of FY 2003; whereas domestic enplanements nationwide were not projected by the FAA to fully recover until the end of FY 2005.[5] Between FY 2002 and FY 2005, the Airport experienced one of its strongest periods of passenger growth since the deregulation of the airline industry in 1978. Passenger activity at the Airport increased from 2.7 million enplanements in FY 2002 to 3.5 million in FY 2005, an absolute increase of approximately 800,000 enplanements and a compounded annual growth rate of 9.3 percent during this period.

The significant increase in enplanements between FY 2003 and FY 2005 can be attributed in part to the presence of low-cost carriers at the Airport. As discussed earlier, air service by U.S. carriers at the Airport was provided by the U.S. legacy carriers prior to FY 1999, with no low-cost carrier service available. Spirit initiated seasonal service at the Airport in FY 1999 to the primary (i.e., top 20) O&D markets of Atlantic City, Detroit, and Islip; and enplaned passengers at the Airport increased 2.3 percent in FY 2000 and 3.7 percent in 2001 (5.7 percent for the first 11 months of FY 2001). However, the cumulative effects of more low-cost carriers initiating service to more primary O&D markets was instrumental in providing the significant increases in activity at the Airport following recovery from the effects of September 11: JetBlue to New York in early FY 2001; followed by Southwest later that fiscal year to Baltimore, Islip, Philadelphia, and Tampa; JetBlue to New York in early FY 2000; AirTran to Atlanta in early FY 2003; and now defunct Independence Air to Washington in mid-FY 2005.

As was also the case nationwide, the U.S. legacy carriers operating at the Airport were quick to realize that, along with making significant reductions to their cost structure since the events of September 11, they also needed to compete with the low-cost carriers by being price competitive. For the Airport, this meant that the lower fare advantage that FLL possessed over the Airport in the 1990s steadily diminished between FY 2003 and FY 2005. As a result, the differential in airfares between the U.S. legacy carriers and the low-cost carriers operating at the Airport has lessened in recent years (e.g., US Airways' average airfare to Philadelphia was approximately $150 in FY 2000 prior to Southwest initiating service to this market from the Airport in FY 2004. In FY 2004, US Airways' average airfare to Philadelphia decreased to approximately $100 to compete with Southwest's average airfare of approximately $75 to this market). The diminishing differentials in airfares among air carriers operating at the Airport, heavily congested interstate highway access between the Airport and FLL, and high gas prices have lessened the willingness for air travelers in the Air Trade Area to travel to FLL for a marginal cost savings in airfare.

2.2.2 Enplaned Passengers by Airline

Service at the Airport has been historically oriented toward the major/national carriers (i.e., passenger air carriers having the majority of its scheduled and/or nonscheduled service using aircraft with more than 90 seats), with their share of enplaned passengers at the Airport ranging from a high of 97.0 percent to a low of 94.0 percent between FY 1995 and FY 2005. **Table 2.4** presents the historical share of enplanements by airline at the Airport between FY 2001 and FY 2005. Specific points regarding airline market shares of enplanements at the Airport are discussed below:

[5] *FAA Aerospace Forecasts Fiscal Years 2005 – 2016*, March 2005. Based on Air Transport Association data, domestic enplanements for its members reached 91.7 percent of their total FY 2000 passenger levels in FY 2005.

Table 2.4
Historical Enplaned Passengers by Airline

	FY 2001		FY 2002		FY 2003		FY 2004		FY 2005	
Airline	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share	Enplaned Passengers	Share
Delta/Song	1,040,659	34.1%	971,196	36.0%	1,046,012	35.6%	1,061,907	33.0%	1,155,169	32.8%
US Airways	750,185	24.6%	480,177	17.8%	457,033	15.6%	475,655	14.8%	528,863	15.0%
JetBlue	98,211	3.2%	187,135	6.9%	261,524	8.9%	321,260	10.0%	407,174	11.6%
Continental	393,531	12.9%	347,084	12.9%	353,977	12.0%	358,354	11.1%	382,143	10.9%
Southwest	189,527	6.2%	283,379	10.5%	280,320	9.5%	321,301	10.0%	373,845	10.6%
American [1]	153,752	5.0%	120,390	4.5%	150,126	5.1%	226,524	7.0%	203,115	5.8%
AirTran	-	-	-	-	66,990	2.3%	119,598	3.7%	116,673	3.3%
Northwest	100,888	3.3%	105,546	3.9%	93,677	3.2%	88,679	2.8%	94,638	2.7%
United	57,442	1.9%	46,469	1.7%	62,360	2.1%	61,272	1.9%	48,182	1.4%
Spirit	81,806	2.7%	53,574	2.0%	30,614	1.0%	36,879	1.1%	38,441	1.1%
Gulfstream	52,111	1.7%	36,648	1.4%	32,533	1.1%	34,150	1.1%	32,547	0.9%
Bahamasair	6,380	0.2%	1,635	0.1%	5,882	0.2%	10,123	0.3%	16,617	0.5%
Air Canada	11,594	0.4%	18,814	0.7%	17,449	0.6%	17,586	0.5%	16,530	0.5%
Comair	17,903	0.6%	19,819	0.7%	45,617	1.6%	20,960	0.7%	13,151	0.4%
CanJet	-	-	-	-	-	-	2,810	0.1%	2,897	0.1%
Other [2]	100,366	3.3%	22,348	0.8%	33,567	1.1%	59,714	1.9%	91,376	2.6%
AIRPORT TOTAL [3]	3,054,355	100.0%	2,694,214	100.0%	2,937,681	100.0%	3,216,772	100.0%	3,521,361	100.0%

1 Includes data for Trans World Airlines prior to their merger.
2 Consists of airlines no longer serving the Airport and/or charter airlines.
3 Columns may not add to totals shown because of rounding.

Source: Airport Management Records
Prepared by: Ricondo & Associates, Inc.

- Delta/Song maintained the highest share of enplaned passengers at the Airport during this period, ranging from a high of 36.0 percent in FY 2002 to a low of 32.8 percent in FY 2005.
- US Airways' market share of enplanements at the Airport decreased from 24.6 percent in FY 2001 to 15.6 percent in FY 2003, and generally maintained that share through FY 2005. This significant decrease in market share of enplanements was not unique to the Airport, as US Airways cut back its mainline service nationwide and ultimately filed for bankruptcy protection under Chapter 11 in August 2002.[6]
- The combined market shares of enplanements for the low-cost carriers JetBlue, Southwest, AirTran, and Spirit steadily increased from 12.1 percent in FY 2001 to 26.6 percent in FY 2005.
- Enplanements at the Airport are spread over a large number of carriers. Delta/Song's 32.8 percent share of enplaned passengers in FY 2005 was followed by four other airlines accounting for an additional 48.1 percent of enplanements.

2.3 Historical Air Service

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demands and available services and facilities. This is particularly true for the Airport, as it services primarily O&D passengers.[7] **Table 2.5** presents historical data on the Airport's primary O&D markets. As shown, the Airport served primarily medium-haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) of 1,103 miles in FY 2000 and 1,087 miles in FY 2005. The Airport's average stage lengths during these periods reflect the Airport's geographical location and strong local demand for major eastern (i.e., New York, Philadelphia, Boston, Hartford, Washington, and Baltimore) and Midwestern (i.e., Chicago and Detroit) markets.

Significant increases in O&D passengers levels at the Airport occurred in the New York, Philadelphia, and Baltimore markets, with O&D passengers increasing by more than 90,000 and more than 30 percent for each of these markets between FY 2000 and FY 2005 (New York's O&D traffic increased by more than 475,000 passengers during this period). These increases can be primarily attributed to competing low-fare service at New York (e.g., JetBlue and Song) and Philadelphia (e.g., Southwest, and US Airways); as well as new low-fare service by Southwest to Baltimore during this period.

As of March 2006, 24 cities are provided nonstop service from the Airport with a total of 772 weekly flights; with 221 weekly nonstop flights to New York, the Airport's top O&D market. Sixteen of the Airport's primary O&D markets are provided nonstop service with a total of 666 weekly flights. In addition to New York, the fourth-ranked O&D market Atlanta also has a significant number of weekly nonstop flights with 90 flights. **Table 2.6** presents the Airport's nonstop markets as of March 2006, including the markets served, weekly flights, and airlines providing nonstop flights.

2.4 Historical Aircraft Operations and Landed Weight

This section presents historical aircraft operations (takeoffs or landings) by major user category at the Airport, as well as historical landed weight by passenger airlines and all-cargo carriers.

2.4.1 Aircraft Operations

Table 2.7 presents historical operations at the Airport by major user category between FY 2000 and FY 2005. Total aircraft activity at the Airport increased 6.8 percent in FY 2001 from FY 2000 levels, with general

6 US Airways and seven subsidiaries subsequently emerged from Chapter 11 in March 2003. US Airways again filed for Chapter 11 bankruptcy court protection in September 2004; and emerged from Chapter 11 in September 2005.

7 Based on U.S. DOT ticket sample data, O&D passengers accounted for approximately 95 percent of total passengers at the Airport in FY 2004.

Table 2.5
Primary O&D Passenger Markets

FY 2000					FY 2005					
Rank	Market	Trip Length [1]	Total O&D Passengers	Yield Per Coupon Mile	Rank	Market	Nonstop Service [2]	Trip Length [1]	Total O&D Passengers	Yield Per Coupon Mile
1	New York	MH	1,505,820	$0.1215	1	New York	●	MH	1,983,110	$0.1024
2	Boston	MH	356,180	$0.1040	2	Philadelphia	●	MH	377,500	$0.0923
3	Hartford	MH	255,630	$0.0944	3	Boston	●	MH	375,720	$0.0830
4	Atlanta	SH	219,720	$0.2557	4	Atlanta	●	SH	267,610	$0.2185
5	Philadelphia	MH	203,550	$0.1472	5	Hartford	●	MH	239,710	$0.0867
6	Detroit	MH	200,490	$0.1071	6	Washington	●	MH	225,930	$0.1125
7	Washington	MH	179,650	$0.1339	7	Baltimore	●	MH	198,740	$0.0971
8	Chicago	MH	152,460	$0.1555	8	Islip	●	MH	192,210	$0.0840
9	Islip	MH	128,900	$0.0900	9	Chicago	●	MH	180,320	$0.0951
10	Baltimore	MH	100,960	$0.1274	10	Detroit	●	MH	143,980	$0.1087
11	Pittsburgh	MH	99,700	$0.1312	11	Providence		MH	103,700	$0.0754
12	Dallas	MH	93,130	$0.1678	12	Tampa	●	SH	89,660	$0.3605
13	Los Angeles	LH	77,830	$0.0832	13	Pittsburgh	●	MH	84,960	$0.1061
14	Atlantic City	MH	68,470	$0.1075	14	Dallas	●	MH	84,880	$0.1238
15	Charlotte	SH	63,820	$0.2366	15	Las Vegas		LH	80,320	$0.0567
16	Denver	MH	60,490	$0.0992	16	Buffalo		MH	72,800	$0.0718
17	Tampa	SH	56,430	$0.5362	17	Charlotte	●	SH	69,590	$0.1970
18	Providence	MH	54,500	$0.0952	18	Albany		MH	65,500	$0.0789
19	Cleveland	MH	53,040	$0.1331	19	Houston	●	MH	64,770	$0.1500
20	Las Vegas	LH	51,360	$0.0726	20	Cincinnati	●	MH	62,860	$0.1334
	Other O&D Markets		1,560,140			Other O&D Markets			1,739,950	
	O&D Passengers		5,542,270			O&D Passengers			6,703,820	
	Total Passengers		5,871,635			Total Passengers			7,012,908	
	O&D % of Total Passengers		94.4%			O&D % of Total Passengers			95.6%	
Average					Average					
Airport [3]		1,103		$0.1200	Airport [3]			1,087		$0.0982
United States		800		$0.1403	United States			862		$0.1131

1 (SH) Short Haul = 0 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles
2 February 6, 2006 through February 12, 2006.
3 Average calculated for all of the Airport's O&D markets.

Source: O&D Survey of Airline Passenger Traffic, U.S. DOT
Prepared by: Ricondo & Associates, Inc.

Table 2.6
Nonstop Markets

Market	Weekly Nonstop Flights	Number of Airlines	Airline(s)
Atlanta	90	2	AirTran (34), Delta (56)
Atlantic City	7	1	Spirit
Baltimore	28	1	Southwest
Boston	42	3	American (7), Delta/Song (14), JetBlue (21)
Charlotte	42	1	US Airways
Chicago	28	2	American (14), United/Ted (14)
Cincinnati	13	1	Comair
Cleveland	7	1	Continental
Dallas	20	1	American
Detroit	22	2	Northwest (15), Spirit (7)
Freeport, Bahamas	8	1	Gulfstream
Hartford	7	1	Delta/Song
Houston	27	2	Continental (14), ExpressJet (13)
Islip	21	1	Southwest
Marsh Harbour, Bahamas	21	2	Bahamasair (5), Gulfstream (16)
Montreal	2	2	Air Canada (1), CanJet (1)
Nassau, Bahamas	32	2	Bahamasair (2), Gulfstream (30)
New York	221	4	American (21-LGA), Continental (57-EWR), Delta/Song (20-JFK/28-LGA), JetBlue (14-EWR/60-JFK/21-LGA))
Philadelphia	46	2	Southwest (7), US Airways (39)
Pittsburgh	7	1	US Airways
Tallahassee	16	1	Gulfstream
Tampa	37	2	Gulfstream (11), Southwest (26)
Toronto	7	1	Air Canada
Washington	21	1	US Airways (DCA)
TOTAL	772		

Source: Official Airline Guide, Inc., March 6, 2006 through March 12, 2006
Prepared by: Ricondo & Associates, Inc.

Table 2.7
Historical Aircraft Operations

Fiscal Year	Majors/Nationals Legacy	Majors/Nationals Low-Cost	Majors/Nationals Total	Regionals/ Commuters	Airline Total	General Aviation	All Cargo	Other Air Taxi	Military	Total
2000	46,038	5,449	51,487	19,379	70,866	120,292	1,886	15,133	1,064	209,241
2001	44,151	11,014	55,165	16,213	71,378	125,920	1,876	22,783	1,449	223,406
2002	36,152	10,883	47,035	11,922	58,957	101,211	1,833	23,544	1,614	187,159
2003	36,018	13,893	49,911	12,904	62,815	105,942	1,846	25,203	1,325	197,131
2004	37,780	16,482	54,262	13,516	67,778	100,784	1,864	26,154	1,403	197,983
2005	38,307	17,453	55,760	12,090	67,850	98,368	1,887	29,744	1,031	198,880
Compounded Annual Growth Rate										
2000 - 2005	-3.6%	26.2%	1.6%	-9.0%	-0.9%	-3.9%	0.0%	14.5%	-0.6%	-1.0%

Sources: Airport Management Records
FAA
Prepared by: Ricondo & Associates, Inc.

aviation and other air taxi operators accounting for the majority of this increase. This increase was followed by a 16.2 percent decrease in FY 2002 due to the effects of September 11 and the economic slowdown. As discussed earlier, the Airport quickly recovered from these events by the end of FY 2003, with total operations increasing 5.3 percent during this period, followed with moderate increases in FY 2004 and FY 2005. Total aircraft activity reached 198,880 operations in FY 2005. Specific points concerning trends in operational activity by major user category at the Airport are discussed below:

- **Majors/Nationals.** Major/national activity increased 7.1 percent in FY 2001 from FY 2000 levels, from 51,487 operations in FY 2000 to 55,165 in FY 2001. This increase was primarily due to low-cost carriers JetBlue and Southwest initiating service at the Airport in FY 2001; however the impact of these carriers was offset by the loss of legacy Trans World activity following its acquisition by American in FY 2001. Due to the effects of September 11 and the economic slowdown, major/national activity decreased 14.7 percent in FY 2002 from FY 2001 levels, with the largest decrease occurring in legacy US Airways activity (a cutback of approximately 6,500 operations by this carrier in FY 2002); with low-cost carrier activity remaining relatively stable during this period. The initiation of service by low-cost carrier AirTran in FY 2003, its first full fiscal year of activity in FY 2004, and general increases by various majors/nationals at the Airport resulted in their activity to increase from 47,035 in FY 2002 to 55,760 in FY 2005 (a compounded annual growth rate of 5.8 percent during this period).
- **Regionals/Commuters.** Regionals/commuters are passenger air carriers having the majority of its scheduled and/or nonscheduled service using aircraft with 90 seats or less. Activity by this major user group at the Airport decreased from 19,379 operations in FY 2000 to 16,213 in FY 2001, primarily due to cutbacks in service by US Airways' code-share partners Air Midwest and Henson at the Airport during this period. Due to the effects of September 11 and the economic slowdown, regional/commuter activity decreased 26.5 percent in FY 2002 from FY 2001 levels, with the largest decreases occurring in Gulfstream, Air Midwest, and Henson activities during this period. Due to the recovery from the effects of September 11 and the economic slowdown, regional/commuter activity increased from 11,922 in FY 2002 to 13,516 in FY 2004 (a compounded annual growth rate of 6.5 percent during this period). Operations by regionals/commuters at the Airport decreased 10.6 percent in FY 2005 from FY 2004 levels, primarily due to the elimination of nonstop service to Orlando by Chautauqua in early FY 2005.
- **General Aviation.** Activity by this user group increased 4.7 percent in FY 2001 from FY 2000 levels, from 120,292 operations in FY 2000 to 125,920 in FY 2001. Following the effects of September 11 and the economic slowdown, general aviation activity subsequently decreased 19.6 percent in FY 2002 to 101,211 operations and generally remained at that level through FY 2005. Through FY 2005, general aviation activity at the Airport has not recovered to pre-September 11 levels; nor is it expected to in the short term due to recent increased costs in tie down fees and other general aviation-related costs charged by the fixed base operators. As a result, a portion of the general aviation activity at the Airport has been diverted to other nearby facilities such as Palm Beach County Park and North County General Aviation Airport, both facilities designated as reliever airports to the Airport.
- **All Cargo.** All-cargo activity at the Airport was relatively stable between FY 2000 and FY 2005, averaging 1,865 operations during this period. This activity was provided solely by UPS during this period, utilizing predominantly B-757 aircraft.
- **Other Air Taxi.** Other air taxi activity at a commercial service airport typically includes activity by for-hire charters, fixed base operators, and other miscellaneous operators; and their combined annual activity usually ranges from 3,000 to 5,000 operations. However, fractional ownership (companies owning contractually defined shares of aircraft owned and operated by fractional ownership providers) has a large presence at the Airport compared to most other commercial service airports. According to FAA data, the Airport was ranked second behind Teterboro Airport (a general aviation reliever facility) in fractional ownership aircraft operations in FY 2004. As a result, other air taxi operations at

the Airport are considerably higher compared to other commercial service airports. As shown, other air taxi activity increased from 15,133 operations in FY 2000 to 22,783 in FY 2001, primarily due to the initiation of service by certain fractional ownership providers at the Airport during this period. As also shown, this activity has steadily increased from 22,783 operations in FY 2001 to 29,744 in FY 2005, a compounded annual increase of 6.9 percent during this period.

- **Military.** Military activity at the Airport ranged from a high of 1,614 operations in FY 2002 to a low of 1,031 in FY 2005; and averaged approximately 1,300 operations during this period.

2.4.2 Landed Weight by Airline

Table 2.8 presents the share of landed weight by passenger airlines and UPS at the Airport between FY 2001 and FY 2005. Similar to enplanements, Delta/Song maintained the highest share of landed weight at the Airport during this period, ranging from a high of 38.6 percent in FY 2002 to a low of 33.3 percent in FY 2004. US Airways' share of landed weight at the Airport decreased from 20.2 percent in FY 2001 to 15.1 percent in FY 2002 due to a cutback in its mainline service nationwide, and generally maintained that share through FY 2005. Excluding Independence Air, the combined shares of landed weight for the low-cost carriers steadily increased from 12.1 percent in FY 2001 to 24.0 percent in FY 2005. Landed weight at the Airport is spread over a large number of carriers. Delta/Song's 33.7 percent share of landed weight in FY 2005 was followed by four other airlines accounting for an additional 43.3 percent of landed weight. UPS accounted for 4.4 percent of landed weight at the Airport in FY 2005.

2.5 Factors Affecting Aviation Demand

The projections included herein were prepared on the basis of measurable factors (e.g., socioeconomic variables) that determine aviation activity at the Airport. This section discusses qualitative factors that could influence future aviation activity at the Airport.

2.5.1 National Economy

Air travel demand is directly correlated to income. As consumer income and business profits increase, so does air travel. Economic indicators in the nation prior to September 11 were beginning to show signs of a recession. On November 2001, the National Bureau of Economic Research officially announced that the U.S. economy had entered its 10th recession since the end of World War II in March 2001. The loss of household wealth dampened consumer confidence and significantly reduced consumer spending. According to the Bush Administration's Council of Economic Advisers (Council), business investment slowed sharply in late 2000 and remained soft for more than 2 years. Also according to the Council, the U.S. economy lost over 900,000 jobs from December 2000 to September 2001, and then lost almost another 900,000 jobs in the three months following September 11.[8] The effects of September 11 accelerated the downturn in consumer spending on consumer goods and services, including spending on air travel.

According to the Council, economic conditions improved substantially in 2003 due to faster growth in household consumption, significant gains in residential investment, and strong growth in investment in equipment and software by businesses. Payroll employment experienced its low in July 2003 and began to show net gains in the latter part of the year.[9] Also according to the Council, the recovery of the national economy became a full-fledged expansion in 2004, with strong output growth and steady improvement in the labor market. In 2004, the economy (real gross domestic product) expanded 4.4 percent for the year as a whole compared to 2003 levels; and payroll employment increased by 2.2 million jobs (the largest annual gain since 1999). Such continued growth indicated to the Council that the economy has shifted from a policy-supported recovery to a self-sustaining healthy expansion.[10] The expected strong growth in the economy, considered recovered from the effects of September 11 and the economic slowdown, is a factor included in the assumptions underlying the projections included herein.

[8] *Economic Report of the President*, February 2005.
[9] *Economic Report of the President*, February 2004.
[10] *Economic Report of the President*, February 2005.

Table 2.8
Historical Landed Weight by Airline [1]
(Weight in 1,000 Pound Units)

	FY 2001		FY 2002		FY 2003		FY 2004		FY 2005	
Airline	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share	Landed Weight	Share
Delta/Song	1,558,084	36.3%	1,471,960	38.6%	1,463,509	35.9%	1,407,737	33.3%	1,532,740	33.7%
US Airways	868,496	20.2%	573,857	15.1%	545,450	13.4%	513,810	12.2%	591,531	13.0%
Southwest	373,905	8.7%	417,194	11.0%	429,628	10.5%	442,124	10.5%	483,384	10.6%
Continental	472,397	11.0%	381,764	10.0%	404,656	9.9%	426,442	10.1%	467,547	10.3%
JetBlue	53,894	1.3%	198,369	5.2%	270,322	6.6%	335,450	7.9%	427,595	9.4%
American [1]	216,464	5.0%	172,770	4.5%	205,363	5.0%	287,060	6.8%	240,443	5.3%
United Parcel Service	195,043	4.5%	193,746	5.1%	194,824	4.8%	208,728	4.9%	198,212	4.4%
AirTran	-	-	-	-	93,669	2.3%	155,272	3.7%	140,088	3.1%
Northwest	119,529	2.8%	127,772	3.4%	112,293	2.8%	105,015	2.5%	117,918	2.6%
Gulfstream	70,174	1.6%	47,495	1.2%	44,178	1.1%	50,860	1.2%	51,037	1.1%
United	68,374	1.6%	59,852	1.6%	80,406	2.0%	77,012	1.8%	48,877	1.1%
Spirit	93,999	2.2%	55,770	1.5%	38,329	0.9%	36,140	0.9%	40,312	0.9%
Bahamasair	9,441	0.2%	3,720	0.1%	9,080	0.2%	13,600	0.3%	24,670	0.5%
Air Canada	19,635	0.5%	26,720	0.7%	24,083	0.6%	25,407	0.6%	22,957	0.5%
Comair	25,553	0.6%	39,453	1.0%	93,577	2.3%	30,300	0.7%	16,080	0.4%
CanJet	-	-	-	-	-	-	3,675	0.1%	4,000	0.1%
Other [2]	152,003	3.5%	38,816	1.0%	64,010	1.6%	108,291	2.6%	140,152	3.1%
AIRPORT TOTAL [3]	4,296,991	100.0%	3,809,258	100.0%	4,073,377	100.0%	4,226,923	100.0%	4,547,543	100.0%

1 Includes data for Trans World Airlines prior to their merger.
2 Consists of airlines no longer serving the Airport and/or charter airlines.
3 Columns may not add to totals shown because of rounding.

Source: Airport Management Records
Prepared by: Ricondo & Associates, Inc.

2.5.2 State of the Airline Industry

Overall

The U.S. aviation industry has been significantly affected by a number of events that occurred earlier this decade (e.g., September 11, the economic slowdown, the outbreak of SARS in Asia and Canada, and the Middle East conflicts). These events contributed to substantial financial losses for the aviation industry between 2001 and 2005 year-to-date. At this time, escalating fuel prices and lowered fares continue to prevent U.S. legacy carriers from being profitable on an annual basis.

Since the events of September 11 and the nationwide economic slowdown, numerous U.S. passenger airlines filed for bankruptcy court protection:

- US Airways filed for bankruptcy court protection under Chapter 11 on August 11, 2002. US Airways and seven subsidiaries subsequently emerged from Chapter 11 on March 31, 2003. US Airways again filed for Chapter 11 bankruptcy court protection on September 12, 2004. On May 19, 2005, US Airways and America West announced a merger agreement, which was subject to approval by the U.S. Bankruptcy Court overseeing US Airways' pending Chapter 11 case and transaction closing. On September 16, 2005, US Airways received final approval from the U.S. Bankruptcy Court to exit bankruptcy court protection and merge with America West. On September 27, 2005, US Airways completed its merger with America West.
- United filed for bankruptcy court protection under Chapter 11 on December 9, 2002. United emerged from Chapter 11 on February 1, 2006.
- Hawaiian filed for bankruptcy court protection under Chapter 11 on March 21, 2003. Hawaiian emerged from Chapter 11 on June 1, 2005.
- Midway was placed into Chapter 7 liquidation by a U.S. bankruptcy court judge on November 30, 2003.
- ATA filed for bankruptcy court protection under Chapter 11 on October 26, 2004. On December 21, 2004, the U.S. Bankruptcy Court granted approval for Southwest to acquire lease rights to six gates and a maintenance hangar at Midway for $40 million, to provide $47 million in financing, and to make an investment of $30 million in ATA once it emerges from Chapter 11. The agreement created the first significant code-share arrangement for both airlines, which became effective on February 4, 2005. ATA emerged from Chapter 11 on February 28, 2006.
- Aloha filed for bankruptcy court protection under Chapter 11 on December 30, 2004. Aloha emerged from Chapter 11 on February 17, 2006.
- Delta filed for bankruptcy court protection under Chapter 11 on September 14, 2005.
- Northwest filed for bankruptcy court protection under Chapter 11 on September 14, 2005.
- Mesaba filed for bankruptcy court protection under Chapter 11 on October 13, 2005.
- Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005; and ceased operations nationwide on January 6, 2006.

According to the FAA, aviation activity nationwide was already in a weakened state even before the events of September 11 and headed toward one of its worst years in over a decade. Also according to the FAA, passenger demand began to decline in February 2001 and air carrier finances turned negative in the first quarter of CY 2001, primarily due to declining high-yield business traffic and rapidly escalating labor costs. In response to weak demand following September 11, airlines were forced to reduce fares to stimulate demand, creating a further reduction in airline revenues. According to the Air Transport Association, the financial condition of the U.S. airline industry remains poor and has a long way to go before it can be declared healthy. This organization estimates that in 2005 the industry will add over $9 billion to the $32.3 billion in losses incurred between 2001 and 2004; however, those losses are expected to be $1 billion to $2 billion in 2006, which could transition the aviation industry into profits in 2007. The airlines have responded to the changing nature of the industry by furloughing employees, negotiating significant wage reductions, deferring aircraft deliveries, streamlining operations, and improving productivity. However, high fuel prices coupled with intense fare competition, as well as massive debt and large unfunded pension obligations, will make the industry's financial recovery difficult in the short term.

The way airlines do business has dramatically changed over the last four years. Faced with the growth of low-cost airlines and evolving business technology, U.S. legacy airlines have been forced to change business practices. Carriers that once structured their services around the business traveler during the economic boom in the 1990s found that more and more businesses were either switching to low-cost carriers or significantly reducing or eliminating business travel. U.S. legacy carriers were therefore forced to reduce, eliminate, or switch service to smaller regional jets on unprofitable routes, reduce work force and implement pay cuts, and reduce fares in order to compete with low-cost carriers.

A major tangible change in the airline industry has been the significantly increased use of smaller, regional jets. According to the U.S. DOT, scheduled flights on regional jets increased from 91,960 departures in July 2000 to 294,698 in July 2005, a compounded annual growth rate of 26.2 percent during this period. As the U.S. airline industry continues to recover from the effects of September 11 and other factors cited earlier, other trends that have emerged include (1) more widespread use of simplified fare structures, (2) the growth of competition by low-cost carriers in long haul markets, (3) increased efficiency and productivity, and (4) declining real fares.

Most industries have one or more of three inherent structural weaknesses: labor intensive, capital intensive, and/or vulnerability to cost and supply of a key commodity (e.g., aviation fuel). Airlines have all three weaknesses. As indicated above, four of the six U.S. legacy carriers have undergone or are currently undergoing reorganization under Chapter 11 since the events of September 11. Chapter 11 protection enables these carriers the ability to pursue cuts in wages, as well as pension and health benefits for workers and retirees. American and Continental are the two U.S. legacy carriers that have not filed for bankruptcy protection since the events of September 11, which may or may not become an issue during the projection period.

2.5.3 Factors Directly Affecting the Airline Industry

Cost of Aviation Fuel

According to the Air Transport Association, the high price of fuel is preventing the U.S. airline industry from being profitable. As industry fundamentals go, the price of fuel is the most significant force affecting the industry today.[11] With the price of fuel today, compared to the price of fuel in 2000, the airlines are struggling to make a profit. The average price of jet fuel was $0.81 per gallon in 2000 compared to $1.15 in 2004. Based on approximately the same amount of consumption, the airlines paid $5.0 billion dollars more in 2004 then they did in 2000. According to the Air Transport Association, every one-cent increase in the price per gallon increases annual airline operating expenses approximately $190 million.

Also according to the Air Transport Association, the airline industry will pay approximately $6.8 billion more for fuel in 2005 than in 2004. The price of jet fuel has forced some airlines to find ways of becoming more fuel efficient, and some airlines have found ways to save millions of dollars by taking many steps including using newer, more fuel-efficient airplanes, using only a single engine for taxi, lowering cruise spends, onboard weight reduction, more direct routes, and other measures. In the initial years following the events of September 11 and the nationwide economic slowdown, some U.S. airlines attempted to pass the higher fuel costs on to consumers by increasing the fuel surcharge; however, some of these attempts were unsuccessful as many airlines, particularly low-cost carriers, refused to match the increase in a number of instances. With the

11 *Statement for the Record Before the Committee on Commerce, Science & Transportation Subcommittee on Aviation, United States Senate, Hearing on Airline Financial Stability*, Air Transport Association, July 13, 2005.

significant increases in fuel prices in recent months, airlines are more consistently matching fuel surcharges by other airlines.

Industrywide, airlines still spend more on labor than fuel; however, the gap is narrowing as fuel has increased to more than $2.00 per gallon in recent months and airlines have aggressively cut or restrained labor costs. According to Air Transport Association, labor accounted for 31 percent of industry expenditures while fuel accounted for 17 percent in 2004. In 2003, these percentages were 36 percent and 13 percent, respectively. AirTran, America West, JetBlue, and US Airways reported paying more for fuel than for labor during the second quarter of 2005.

Airlines have hedged fuel prices through the purchase of oil futures contracts; however, the amount of hedged fuel cost has varied tremendously by airline and is limited by an individual airline's financial condition. The substantial increase in fuel prices has had a significant impact on profitability and future increases or sustained higher prices could affect airfares and airline service.

Airport Security

With enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created, which established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. To finance these federal security services, the ATSA provides for payment by the airlines of approximately $700 million, estimated to be the cost of providing such services prior to the events of September 11, and imposes a passenger fee of $2.50 for each flight segment, not to exceed $5.00 per one-way trip.

In November 2002, Congress enacted the Homeland Security Act, which created the Department of Homeland Security (DHS) to accomplish several primary goals: (1) prevent terrorist attacks within the United States, (2) reduce the nation's vulnerability to terrorism, (3) minimize the damage of and assist in the recovery from terrorist attacks that do occur, (4) and monitor connections between illegal drug trafficking and terrorism and coordinate efforts to sever such connections. The TSA is now a part of the DHS.

The Homeland Security Act extended the federal government's guarantee of war-risk insurance to airlines through at least August 31, 2006 and, at DHS's option, through December 31, 2006. The Homeland Security Act caps the total premium paid by any airline for war-risk insurance at no more than twice the premium the airline was paying the U.S. DOT for its third-party policy as of June 19, 2002. The Homeland Security Act also requires that carriers include methods of self-defense within their security training programs for flight attendants. The Act also requires DHS to establish a program for arming pilots, though participation in the program remains voluntary.

Threat of Terrorism

As has been the case since September 11, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Tighter security measures have restored the public's confidence in the integrity of U.S. and world aviation security systems. Any terrorist incident aimed at aviation would have an immediate and significant impact on the demand for aviation services.

Impact of the Airline Industry on the Airport

Continued increases to the cost of aviation fuel and/or an aviation-related terrorist incident during the projection period would negatively impact activity at the Airport. Higher fuel prices may delay or seriously hinder Delta's and Northwest's plans for emerging from bankruptcy court protection; and may hasten the need for other carriers serving the Airport to seek bankruptcy court protection. An aviation-related terrorist incident would further erode the health of the aviation industry and require the airlines to refine their business plans further to remain viable, which certain airlines may not be able to implement to survive. The strong and diverse economic base of the Air Trade Area, however, would insulate the Airport from a portion of the impact of one or both of these factors occurring during the projection period. In addition, the large number of airlines serving the Airport would mitigate the impact of losing service from those airlines not surviving another challenge to the aviation business model.

2.6 Projections of Aviation Demand

Projections of aviation demand were analyzed on the basis of local socioeconomic and demographic factors, the Airport's historical shares of U.S. enplanements, and anticipated trends in air carrier usage of the Airport.

In particular to the market share and socioeconomic regression methodologies for projecting enplanements at the Airport:

- **Market Share Approach.** In this methodology, judgments were made as to how and to what extent the Airport's rate of growth would differ from that projected for the nation by the FAA. On a macro scale, the U.S. projection provides a growth base reflecting how industry traffic in general is anticipated to grow in the future. The growth rate used for the Airport can be reflected as an increase or decrease in its future share of the market.
- **Socioeconomic Regression Approach.** Statistical linear regression modeling was used in this methodology, with local socioeconomic factors as the independent variable and enplaned passengers as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, per capita income, and employment. Of interest in the analyses, among other factors, was how well each socioeconomic variable explained the annual variations in enplaned passengers at the Airport (i.e., the model's coefficient of determination).

The resultant projections were based on a number of underlying assumptions, including:

- Activity at the Airport has recovered from the events of September 11 and the economic slowdown. As a result, long-term activity at the Airport will increase as a result of expected growth in population and continued strong economic conditions in the Air Trade Area.
- The Airport will continue to provide nonstop service to the majority of its primary O&D markets. The composition of its air carrier base will also continue to foster competitive pricing and scheduling diversity. In addition, O&D passengers will continue to account for a high percentage of enplaned passengers at the Airport.
- Low-fare service will continue to be an important component of air service at the Airport, providing continued increases in passenger air travel demand during the projection period.
- Continued high fuel prices in the short term will likely have an adverse impact on airline profitability, as well as hamper the recovery plans and cost-cutting efforts of certain airlines. Higher fuel prices may cause changes in air service at the Airport; however, the passenger demand for its major O&D markets will continue to be served during the projection period.
- Airline consolidation/mergers that may occur during the projection period are not likely to negatively impact passenger activity levels at the Airport due to its high percentage of O&D passengers. New airline alliances, should they develop, will be restricted to code sharing and joint frequent flyer programs, and will not reduce airline competition at the Airport.
- Individual airline bankruptcies or liquidations may occur during the projection period; however, they will not adversely impact passenger activity levels projected herein. It is assumed that other carriers will fill the demand left by the specific bankrupt or liquidated carrier.

- The number of airlines serving the Airport being signatory to the Airline – Airport Use and Lease Agreement (Airline Agreement) during the projection period will not affect the activity projections provided herein either in a negative or positive way.
- For these analyses, and similar to the FAA's nationwide projections, it is assumed that there will not be terrorist incidents against either domestic or world aviation during the projection period.
- No acts of nature that southern Florida is susceptible to (i.e., hurricanes) will negatively affect long-term growth in activity at the Airport during the projection period.
- Economic disturbances will occur during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.

Many of the factors influencing aviation demand cannot necessarily or readily be quantified; and any projection is subject to uncertainties. As a result, the projection process should not be viewed as precise. Actual future numbers of enplaned passengers, aircraft operations, or landed weight at the Airport may differ from the projections presented herein because events and circumstances do not occur as expected, and those differences may be material.

2.6.1 Enplanement Projections

Table 2.9 presents historical and projected enplanements for the Airport's majors/nationals and regional/commuters. As shown, total passenger airline enplanements are projected to increase from 3.5 million in FY 2005 to 4.6 million in FY 2015. This increase represents a compounded annual growth rate of 2.7 percent during this period, compared to the 3.0 percent growth projected nationwide by the FAA. It is expected that low-cost carriers operating at the Airport will continue to impact the business model of the legacy carriers, which in turn will provide enplanement growth during the projection period, although at growth rates lower than that experienced between FY 2003 and FY 2005. As also shown, major/national and regional/commuter enplanements are expected to increase at a compounded annual growth rate of 2.6 and 4.1 percent, respectively, between FY 2005 and FY 2015. It is anticipated that services at the Airport will continue to be oriented primarily toward the major/national carriers, with these carriers accounting for approximately 95 percent of total enplanements during the projection period.

2.6.2 Operations Projections

Table 2.10 presents historical and projected aircraft operations for passenger airline, general aviation, all-cargo carrier, other air taxi, and military activity. As shown, total aircraft activity at the Airport is projected to increase from 198,880 operations in FY 2005 to 222,050 in FY 2015. This increase represents a compounded annual growth rate of 1.1 percent during this period, compared to 2.0 percent growth projected nationwide by the FAA. This relatively low growth in total operations at the Airport compared to nationwide projections can be attributed primarily to projected moderate growth in general aviation activity, which represented 49.5 percent of total operations at the Airport in FY 2005.

Passenger airline activity at the Airport is projected to increase from 68,068 operations in FY 2005 to 80,860 in FY 2015. This increase represents a compounded annual growth rate of 1.7 percent during this period, compared to 2.7 percent projected nationwide for air carriers and air taxis combined by the FAA. In general, the passenger airline projections were developed based on historical relationships between enplaned passengers, load factors, and average seating capacities of aircraft utilized at the Airport. Specifically, average seats for the majors/nationals are projected to increase from approximately 153 seats in FY 2005 to approximately 158 seats in FY 2015, while percentage load factors range between high 70s and low 80s during this period. Average seats for the regionals/commuters are projected to increase from approximately 34 seats in FY 2005 to approximately 42 seats in FY 2015, while percentage load factors stay relatively stable in the mid to high 70s. Although it is expected that some shifting from the 50-seat regional jet to the 70/90-seat regional jet will occur during the projection period, it is not expected to shift as much at the Airport as that projected nationwide by the FAA.

Table 2.9
Enplanement Projections

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Total
Historical			
1995	2,622,226	134,390	2,756,616
1996	2,704,285	163,968	2,868,253
1997	2,697,524	171,253	2,868,777
1998	2,784,384	167,758	2,952,142
1999	2,711,489	168,480	2,879,969
2000	2,802,619	143,566	2,946,185
2001	2,940,949	113,406	3,054,355
2002	2,613,764	80,450	2,694,214
2003	2,827,103	110,578	2,937,681
2004	3,095,524	121,248	3,216,772
2005	3,367,670	153,691	3,521,361
Projected			
2006	3,500,000	162,200	3,662,200
2007	3,620,100	170,300	3,790,400
2008	3,717,200	177,400	3,894,600
2009	3,807,600	184,400	3,992,000
2010	3,898,300	191,500	4,089,800
2011	3,989,200	198,800	4,188,000
2012	4,080,300	206,100	4,286,400
2013	4,171,300	213,700	4,385,000
2014	4,262,400	221,300	4,483,700
2015	4,353,200	229,100	4,582,300
Compounded Annual Growth Rate			
1995 - 2001	1.9%	-2.8%	1.7%
2001 - 2002	-11.1%	-29.1%	-11.8%
2002 - 2005	8.8%	24.1%	9.3%
2005 - 2015	2.6%	4.1%	2.7%

Sources: Airport Management Records (Historical)
Ricondo & Associates, Inc. (Projected)
Prepared by: Ricondo & Associates, Inc.

Table 2.10
Operations Projections

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Airline Total	General Aviation	All Cargo	Other Air Taxi	Military	Total
Historical								
2000	51,487	19,379	70,866	120,292	1,886	15,133	1,064	209,241
2001	55,165	16,213	71,378	125,920	1,876	22,783	1,449	223,406
2002	47,035	11,922	58,957	101,211	1,833	23,544	1,614	187,159
2003	49,911	12,904	62,815	105,942	1,846	25,203	1,325	197,131
2004	54,262	13,516	67,778	100,784	1,864	26,154	1,403	197,983
2005	55,760	12,090	67,850	98,368	1,887	29,744	1,031	198,880
Projected								
2006	57,600	12,460	70,060	98,200	1,920	30,000	1,300	201,480
2007	59,200	12,740	71,940	98,400	1,950	30,400	1,300	203,990
2008	60,200	12,940	73,140	99,100	1,960	30,800	1,300	206,300
2009	61,200	13,100	74,300	99,700	1,990	31,200	1,300	208,490
2010	62,200	13,260	75,460	100,800	2,000	31,700	1,300	211,260
2011	63,200	13,420	76,620	101,400	2,010	32,200	1,300	213,530
2012	64,200	13,580	77,780	102,000	2,030	32,700	1,300	215,810
2013	65,000	13,760	78,760	103,000	2,050	33,200	1,300	218,310
2014	66,000	13,900	79,900	103,100	2,070	33,700	1,300	220,070
2015	66,800	14,060	80,860	103,600	2,090	34,200	1,300	222,050
Compounded Annual Growth Rate								
2000 - 2001	7.1%	-16.3%	0.7%	4.7%	-0.5%	50.6%	36.2%	6.8%
2001 - 2002	-14.7%	-26.5%	-17.4%	-19.6%	-2.3%	3.3%	11.4%	-16.2%
2002 - 2005	5.8%	0.5%	4.8%	-0.9%	1.0%	8.1%	-13.9%	2.0%
2005 - 2015	1.8%	1.5%	1.8%	0.5%	1.0%	1.4%	2.3%	1.1%

Sources: Airport Management Records (Historical)
Ricondo & Associates, Inc. (Projected)
Prepared by: Ricondo & Associates, Inc.

General aviation activity at the Airport is projected to increase moderately from 98,368 operations in FY 2005 to 103,600 in FY 2015. This increase represents a compounded annual growth rate of 0.5 percent during this period, compared to 1.2 percent projected nationwide by the FAA. It is expected that the general aviation users diverted from the Airport to nearby alternative facilities will continue to be diverted, with the higher performance general aviation turboprops and corporate jets continuing to utilize the Airport. Although moderate growth in general aviation activity is expected during the projection period, this activity will continue to account for a relatively high percentage of total operations at the Airport.

All-cargo activity at the Airport is projected to increase moderately from 1,890 operations in FY 2005 to 2,090 in FY 2015. It is expected that only UPS (or an equivalent replacement carrier) will provide all-cargo air transportation services at the Airport during the projection period, utilizing large capacity aircraft (e.g., B-757).[12]

It is expected that fractional ownership aircraft will continue to be a viable component of activity at the Airport during the projection period. As a result, activity by other air taxi operators is projected to increase from 29,523 operations in FY 2005 to 34,200 in FY 2015. This increase represents a compounded annual growth rate of 1.5 percent during this period, compared to 3.9 percent growth projected for air taxi/commuter activity nationwide by the FAA. Although fractional ownership activity is expected to increase during the projection period, no additional fractional ownership providers are expected to initiate service at the Airport during this period.

Future military activity at the Airport will be influenced by U.S. Department of Defense policy, which largely dictates the level of military activity at an airport. Military activity at the Airport is projected to remain constant at 1,300 operations each year during the projection period, comparable to its average activity level between FY 2000 and FY 2005.

2.6.3 Airline and All Cargo Landed Weight Projections

Table 2.11 presents historical and projected airline and all-cargo carrier landed weight at the Airport. As shown, passenger airline landed weight is projected to increase from 4,349,331 thousand pounds in FY 2005 to 5,615,936 thousand pounds in FY 2015. This increase represents a compounded annual growth rate of 2.6 percent during this period. As also shown, all-cargo landed weight at the Airport is projected to increase from 198,212 thousand pounds in FY 2005 to 228,216 thousand pounds in FY 2015. This increase represents a compounded annual growth rate of 1.4 percent during this period. In general, the increases in landed weight for both carrier groupings are expected as a result of anticipated use of larger aircraft and/or increased operations at the Airport during the projection period.

[12] By U.S. DOT definitions, UPS is a major U.S. all-cargo carrier based on its gross operating revenues for calendar year 2004.

Table 2.11
Landed Weight Projections
(Weight in Thousand Pounds)

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Airline Total	All Cargo	Airport Total
Historical					
2000	3,657,913	224,096	3,882,009	196,489	4,078,498
2001	3,932,628	169,320	4,101,948	195,043	4,296,991
2002	3,486,028	129,484	3,615,512	193,746	3,809,258
2003	3,675,708	202,845	3,878,553	194,824	4,073,377
2004	3,819,894	198,301	4,018,195	208,728	4,226,923
2005	4,117,393	231,938	4,349,331	198,212	4,547,543
Projected					
2006	4,272,712	242,891	4,515,602	202,188	4,717,790
2007	4,424,676	253,257	4,677,933	206,189	4,884,122
2008	4,533,257	262,218	4,795,475	208,094	5,003,568
2009	4,642,962	270,507	4,913,469	212,138	5,125,607
2010	4,753,791	278,919	5,032,710	214,068	5,246,779
2011	4,865,745	287,454	5,153,199	216,007	5,369,207
2012	4,978,823	296,113	5,274,936	219,034	5,493,970
2013	5,077,402	305,339	5,382,741	222,077	5,604,818
2014	5,192,616	313,800	5,506,417	225,138	5,731,555
2015	5,293,107	322,829	5,615,936	228,216	5,844,152
Compounded Annual Growth Rate					
2000 - 2001	7.5%	-24.4%	5.7%	-0.7%	5.4%
2001 - 2002	-11.4%	-23.5%	-11.9%	-0.7%	-11.4%
2002 - 2005	5.7%	21.4%	6.4%	0.8%	6.1%
2005 - 2015	2.5%	3.4%	2.6%	1.4%	2.5%

Sources: Airport Management Records (Historical)
Ricondo & Associates, Inc. (Projected)
Prepared by: Ricondo & Associates, Inc.

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The Capital Improvement Program

This chapter presents a review of the existing Airport facilities and summarizes the Capital Improvement Program (CIP) for FY 2006 through FY 2011 at the Airport. In addition, the capital project to be funded with Series 2006A Bond proceeds (the 2006 Project) is described.

3.1 Existing Airport Facilities

The Airport is situated on approximately 1,489 acres of land and is located three miles southwest of the City of West Palm Beach. The Airport is generally bound by Southern Boulevard (State Road 80), Military Trail (State Road 809), Belvedere Road, and Australian Avenue. It is one of four airports in Palm Beach County that is managed and operated by the Department of Airports (DOA), a County Department, and is the only air carrier airport in the County that fulfills the commercial transportation needs of Palm Beach County, Martin County, Indian River County, and St. Lucie County.

The Airport possesses the airfield infrastructure and supporting facilities needed to accommodate commercial air service operations and passengers, general aviation activities, and cargo operations. The County maintains an ongoing capital improvement program for the Airport that focuses on proactive infrastructure and facility development that provide capacity improvements, as well as operational efficiency and passenger convenience while preserving financial stability and a competitive rate structure for the Airport's tenants, users, and operators. A brief overview of the existing facilities at the Airport is presented in the following paragraphs.

3.1.1 Airfield Facilities

The Airport currently has three runways, two of which, Runway 9L/27R and Runway 13/31, are 150 feet wide and designed to accommodate commercial aircraft operations.

Runway 9L/27R is the primary runway. It is 10,008 feet long and 150 feet wide. The Runway has displaced arrival thresholds: the 9L threshold is displaced 1,200 feet; and the 27R threshold is displaced 811 feet. Runway 9L/27R is the primary runway for large jet aircraft and the Airport's commercial (airline) operations. Runway 9L (representing the East Flow Operation) is the preferred runway for daytime operations (defined by the FAA for noise analysis purposes as 10:00 a.m. to 10:00 p.m.). Runway 27R (representing the West Flow Operation) is used during nighttime hours and when wind conditions require its use during daytime hours.

The second runway, Runway 9R/27L, is parallel to the primary air carrier runway and separated by 700 feet. This runway is used primarily for general aviation activity. Runway 9R/27L is 3,213 feet in length and 75 feet wide and has no published approach procedures for either runway end. This runway is used for single engine and light twin piston aircraft arrivals and departures in Visual Meteorological Conditions (VMC), when cloud ceilings are 1,000 feet above ground level (AGL), and there are three statute miles (SM) of visibility.

Lastly, Runway 13/31 is a crosswind runway, used primarily when winds do not favor the use of the primary runway. It is 6,931 feet long and 150 feet wide, and intersects main air carrier runway 9L/27R. The Runway 31 threshold is displaced 428 feet to provide clearance over Southern Boulevard. Runway 13 is used for some southbound departures during East Flow Operations. Similarly, Runway 31 is used for some northbound corporate jet departures during West Flow Operations.

Other airfield facilities include an aircraft rescue fire fighting building and FAA air traffic control tower.

3.1.2 Passenger Terminal Facilities

Commercial passenger flights operating in or out of the Airport use the passenger terminal facilities. The Airport's passenger terminal facilities, completed in 1988 and comprising approximately 574,500 square feet include a centralized, three-level terminal building and three concourses, designated as Concourses A, B, and C. A summary breakdown of the aggregate space in the Airport's terminal facilities is shown in **Table 3.1**.

Table 3.1
Summary of Terminal Areas

	Area (sq. ft.)
Airline Functions	
Ticket Counter	11,347
Airline Ticket Office	20,644
V.I.P. Rooms	8,498
Hold Rooms	56,866
Baggage Claim	30,557
Concourse Circulation Areas	38,518
Outbound Baggage	29,109
Operations, Curbside & Baggage Services Offices	50,868
Commuter Operating Areas	4,798
Tug Drive/Inbound Baggage	26,699
SUBTOTAL	277,904
Concessions	
Food/Beverage	27,098
News and Gift	13,308
Rental Car	3,012
Office/Storage	7,342
Other Revenue	1,012
SUBTOTAL	51,772
Federal Inspection Services	
FIS	28,170
Public Areas	
Unenclosed Areas	22,876
Public Areas – Non-Secure	126,376
SUBTOTAL	149,252
Non-Public Area	
Airport Administration	21,813
Mechanical/Electrical/Building Systems	45,615
SUBTOTAL	67,428
TOTAL ALL AREAS	574,526

Source: Palm Beach County

The first level of the main terminal, known as the arrival level, serves as the primary area for processing deplaning (arriving) passengers. It contains the bag claim and bag make-up facilities and provides access to the rental car agencies and other modes of ground transportation. In addition, the Federal Inspection Services (FIS) facility is located in the first level. The FIS facility encompasses a 28,170-square foot area to allow for the handling of commercial international arrivals. Sterile access for international passengers is available to the FIS facility from Concourses A and B.

The second level, known as the departure level, contains the concession facilities, including food and beverage, retail shops, and other services. This level provides access to the departure lounges located in each of the three concourses. The County has completed the construction of a security checkpoint that provides additional space and passenger / baggage screening in the areas adjacent to the Concourse B and Concourse C connectors. This project expands the areas used by TSA to provide for the security screening of passengers. Prior to this construction, the two screening areas could accommodate a maximum of 9 security screening lanes. After construction, the area accommodates up to 22 security lanes. The improvement also added area to provide for secondary screening and passenger convenience areas. This expansion was necessary to reduce security queues and maintain customer service. The project also provided for additional office and storage areas within the terminal. The DOA's operations offices and the a communications center are centrally located in the second level. Elevators and escalators allow for vertical passenger movements to the short-term parking garage and other levels of the main terminal building. Two pedestrian bridges, located along the eastern and western third of the building, provide access to the long term parking garage.

The third level of the main terminal consists of airline ticket counters and airline administration and support offices and serves as the primary area for processing enplaning (departing) passengers. The ticketing lobby parallels the departure roadway.

Concourse A, known as the commuter concourse, is located on the ground level, or ramp level. It has four joint use gates and holdrooms, providing access to the 10 aircraft parking positions comprising the commuter apron. Concourse A and the main terminal building are joined together by a connector containing two parallel corridors, one for domestic passengers and one for international passengers. The international passenger corridor provides sterile access for arriving passengers accessing the FIS facility from the commuter apron.

Concourses B and C provide enplaning and deplaning passenger facilities for commercial jet flights. Both concourses are similar in layout, each one providing preferential-use airline gates and having two levels. Concourse B is comprised of seven narrow body and six wide body aircraft gates. It is currently served by Southwest, JetBlue, US Airways, Northwest, and Continental. Concourse C has one narrow body and 11 wide body aircraft gates. The airlines presently using Concourse C include Delta, Delta Express, United, AirTran, Spirit, and American.

The second levels of Concourses B and C, or the public levels, have a central circulation corridor with departure lounges, food and beverage or retail concessions, building support spaces, or other airline facilities located on either side. The Delta Crown Room is located on the second level in Concourse C. The ground levels of Concourses B and C are restricted to airline employees and other authorized personnel. They are comprised of mostly airline operations spaces such as offices, storage rooms, locker rooms, and employee facilities. Some of the DOA's maintenance offices are also located in the ground level of Concourse B.

3.1.3 Parking Facilities

Parking areas are comprised of a four-level parking garage and ground level lots which provide approximately 8,000 spaces for parking, including the recent expansion of satellite facilities. On March 14, 2006, the Board of County Commissioners agreed to increase parking rates in the Short-Term, Long-Term and Park & Ride lots, effective May 1, 2006. The following table presents existing parking facilities at the Airport:

Type of Parking Lot	# of Spaces	Current Maximum Daily Charge	New (May 1, 2006) Maximum Daily Charge
Premium	152	$30	$30
Short-Term	1,073	$12	$16
Long-Term	2,686	$10	$12
Park & Ride	4,037	$5	$6

Source: Palm Beach County

3.1.4 Rental Car Facilities

Car rental facilities on airport property include seven individual reservation counter areas within the main terminal totaling approximately 3,010 square feet and 3 ready return facilities totaling approximately 19.5 acres, each with administrative facilities, service areas, and fuel pump areas. Car rental companies not on airport property, have constructed facilities directly adjacent to the airport.

3.1.5 Other Facilities

There are three general aviation Fixed Base Operators (FBOs) located at the Airport. These include Galaxy Aviation, Jet Aviation, and Signature Flight Support. Each FBO leases apron, hangar, and office space from the County.

There are also two air cargo facilities located at the Airport. One has airside access with approximately 10,050 square yards of apron for aircraft parking, cargo marshalling, and ground service equipment storage. This facility is referred to as the Air Cargo Facility. Adjacent to this apron is a 40,000-square foot building, which is used to transfer, consolidate, and warehouse inbound and outbound cargo. Tenants in this building include United Parcel Service and the United States Postal Service. The building is supported by a loading dock and a truck parking/staging area, both of which are located directly adjacent to the building.

The second facility is located in Building #1301-1311 and is referred to as the Air Freight Facility. This building is used by both freight forwarders and airlines. The building does not have any airside access for transferring cargo to and from aircraft. Cargo processed through this facility must be carted to and from the aircraft. This building provides approximately 29,349 square feet of space.

Exhibit 3.1 presents the existing facilities at the Airport.

3.1.5 The Airport System

Along with the Airport, three other airports comprise the Airport System.

Palm Beach County Park Airport (Lantana Airport) is located two miles west of the City of Lantana and seven miles south of the Airport. Lantana Airport serves the general aviation and recreational aviation public, with minor charter and some light cargo operations. A single fixed base operation provides general maintenance, management and servicing at this facility. This fixed base operation has hangar, and terminal facilities available with paved tie-down space for approximately 200 aircraft.

Palm Beach County Glades Airport (Pahokee Airport) serves the general aviation needs of western Palm Beach County. It is located near the City of Pahokee on the rim of Lake Okeechobee. It consists of a single fixed base operation providing minor maintenance, fueling, hangar and apron tie-down facilities. Pahokee Airport serves a mix of executive, pleasure, and commercial (crop dusting) operations located in the rural community of the County.

Source : Ricondo & Associates, Inc. March 2006
Prepared By : Ricondo & Associates, Inc., March 2006

0 1600 ft.

north

Exhibit 3.1

Existing Facilities

North Palm Beach County General Aviation Airport (NPBC General Aviation Airport) is located near Palm Beach Gardens, southwest of PGA National and serves as a general aviation reliever to the Airport. Constructed in 1994, NPBC General Aviation Airport comprises approximately 1,800 acres and possesses a 4,300 foot main runway, a 4,300 foot crosswind runway, and a 2,000 foot grass (turf) landing strip. Facilities include a terminal building, large executive hangars, individual t-hangars and corporate hangars, and fueling facilities on site.

3.2 The Capital Improvement Program

The CIP consists of projects initiated through FY 2011, at a total estimated cost of approximately $485.8 million, in current dollars or approximately $536.8 million, in escalated dollars, for which funding sources have been identified and the County believes can be expected to be secured including proceeds from the Series 2006A Bonds. **Table 3.2** presents the projects included in the CIP along with costs and anticipated funding sources. A subset of the CIP includes the 2006 Project expected to be funded with proceeds from the Series 2006A Bonds. The funding plan for the 2006 Project including assumptions incorporated into the issuance of the Series 2006A Bonds is presented in Section 4.2 of this report.

All project costs discussed in the next sections will refer to current dollars.

3.2.1 Airfield Projects

Approximately 64 percent, or $310.4 million, of the CIP is represented by the airfield improvement project described below (Airfield Improvement Project). The purpose for the Airfield Improvement Project is to reduce projected aircraft operational delay that is anticipated at the Airport as demand continues to grow. The Airfield Improvement Project was included in the update to the Airport's master plan, completed in 2001 (2001 Master Plan Update) and is shown on the current airport layout plan.

The Airfield Improvement Project will be funded through a combination of federal, state and County sources including FAA Airport Improvement Program (AIP) entitlement and discretionary grants, supplemented by state (FDOT) grants, Passenger Facility Charges (PFC's) and County funds. The Airfield Improvement Project is planned to be completed on or before 2013. This timing will allow the County to meet its goal to accommodate demand with a minimum of delay, and thus maintain a high level of passenger convenience.

The proposed Airfield Improvement Project components are described in **Table 3.3**, along with how they contribute to meeting the need, and which components are dependent on other components.

Table 3.2
Summary of FY 2006 - FY 2011 CIP and Funding Sources
(in Escalated Dollars)

Project	Cost Center	Estimated Costs 2005 Dollars	Year	Funding Source: AIP	Funding Source: State	Funding Source: PFC	Funding Source: Series 2006	Funding Source: Local	Estimated Costs Escalated Dollars
2006 Project - Parking Garage [1,2]	**GRND**	**$68,266,540**	**2006**	**0**	**0**	**0**	**68,266,540**	**0**	**$68,266,540**
Airfield Improvement Project:									
New Parallel Runway 9R-27L Environmental	AFLD	$3,000,000	2008	0	1,500,000	1,778,181	0	0	$3,278,181
Acquire land runway 9L-27R	AFLD	3,750,000	2009	3,000,000	375,000	845,658	0	0	4,220,658
Extend Runway 9R-27L Environmental & Design	AFLD	5,283,844	2009	0	2,641,872	3,305,141	0	0	5,947,013
Runway and Taxiway Lima Basic Services	AFLD	7,576,000	2008	2,292,000	2,642,000	3,344,500	0	0	8,278,500
Southside Demolition and GA Relocation Basic Services	AFLD	16,024,720	2008	12,018,540	2,003,090	0	0	3,489,014	17,510,644
Runway 9R Property Acquisition	AFLD	31,276,125	2008	23,457,094	3,909,516	6,809,656	0	0	34,176,266
Extend Runway 9R-27L	AFLD	5,550,000	2010	0	2,775,000	3,658,971	0	0	6,433,971
Extend Runway 9R-27L	AFLD	71,551,000	2011	53,663,250	8,943,875	22,828,511	0	0	85,435,636
Remainder of Golfview Apron and Utilities	AFLD	39,039,280	2009	29,279,460	750,000	13,909,594	0	0	43,939,054
Golfview Facilities	AFLD	94,500,000	2009	70,875,000	11,812,500	23,673,083	0	0	106,360,583
Relocate VOR	AFLD	3,500,000	2009	2,625,000	437,500	876,781	0	0	3,939,281
Demolition East of 13-31	AFLD	10,980,000	2011	10,431,000	274,500	2,405,194	0	0	13,110,694
Rehabilitation and Improvements to Runway 13/31	AFLD	3,360,000	2009	2,520,000	420,000	841,710	0	0	3,781,710
Demolition West of 13-31	AFLD	8,190,000	2011	7,780,500	204,750	1,794,038	0	0	9,779,288
Runway 13-31 and Taxiway F Extension	AFLD	5,600,000	2011	5,040,000	280,000	1,366,693	0	0	6,686,693
Runway 13-31 Pavement Removal	AFLD	1,200,000	2012	1,080,000	60,000	335,849	0	0	1,475,849
Total Airfield Improvement Project		$310,380,969		224,061,844	39,029,603	87,773,559	0	3,489,014	$354,354,020
Other Airfield Projects:									
Apron "A" Expansion	AFLD	$3,420,000	2007	0	1,220,000	0	0	2,408,278	$3,628,278
Construct Apron and Taxilanes - Golfview	AFLD	7,566,000	2009	6,052,800	756,600	0	0	1,706,200	8,515,600
Expand and Rehabilitate Overnight Parking Apron	AFLD	1,390,000	2007	750,000	125,000	0	0	599,651	1,474,651
Extension of Taxiway "L" (Lima)	AFLD	1,717,000	2008	0	858,500	0	0	1,017,712	1,876,212
Extension of Taxiway "L" (Lima)	AFLD	21,461,000	2009	0	10,730,500	0	0	13,424,045	24,154,545
Land Acquisition	AFLD	4,000,000	2010	3,000,000	500,000	0	0	1,137,096	4,637,096
Miscellaneous Taxiway Rehab	AFLD	5,250,000	2008	0	2,625,000	0	0	3,111,817	5,736,817
Miscellaneous Taxiway Rehabilitation	AFLD	1,090,000	2006	450,000	82,500	0	0	590,200	1,122,700
New Taxiway Connector, east end of RWY 9L-27R, south of TWY C7	AFLD	1,100,000	2008	0	880,000	0	0	322,000	1,202,000
Part 150 Study	AFLD	700,000	2011	560,000	70,000	0	0	205,837	835,837
Rehabilitate Overnight Parking Apron	AFLD	1,000,000	2009	750,000	125,000	0	0	250,509	1,125,509
Replace (2) Fire Rescue Vehicles	AFLD	2,000,000	2009	0	1,000,000	1,251,018	0	0	2,251,018
Taxiway Foxtrot, From 9L-27R to Runway 13	AFLD	10,500,000	2008	0	5,236,500	5,263,500	0	973,634	11,473,634
VOR Relocation Study	AFLD	300,000	2007	0	240,000	0	0	78,270	318,270
Subtotal Other Airfield Projects		$61,494,000		11,562,800	24,449,600	6,514,518	0	25,825,247	$68,352,165
Construct Maintenance Compound	AVTN	$1,000,000	2008	0	0	0	0	1,092,727	$1,092,727
Replace Fire Rescue Vehicles	CFR	700,000	2006	0	350,000	371,000	0	0	721,000
Concourse C Enhancement [2]	TERM	19,343,000	2006	0	1,000,000	18,343,000	0	0	19,343,000
Replace Terminal Loading Bridges [2]	TERM	12,625,000	2006	0	625,000	12,000,000	0	0	12,625,000
Administration Building [2]	TERM	12,000,000	2006	1,452,767	1,225,505	0	0	9,321,728	12,000,000
Total		$485,809,509		$237,077,411	$66,679,708	$125,002,076	$68,266,540	$39,728,716	$536,754,452
Total Capital Projects by Cost Center:									
Airfield	AFLD	$371,874,969		$235,624,644	$63,479,203	$94,288,076	$0	$29,314,261	$422,706,185
Terminal	TERM	43,968,000		1,452,767	2,850,505	30,343,000	0	9,321,728	43,968,000
Aviation	AVTN	1,000,000		0	0	0	0	1,092,727	1,092,727
Ground Transportation	GRND	68,266,540		0	0	0	68,266,540	0	68,266,540
Crash/Fire/Rescue	CFR	700,000		0	350,000	371,000	0	0	721,000
Total		$485,809,509		$237,077,411	$66,679,708	$125,002,076	$68,266,540	$39,728,716	$536,754,452

1 Parking Garage project costs include design. Construction costs are based on bid received by County on March 7, 2006.
2 Project costs in 2006 dollars.

Prepared by: Ricondo & Associates, Inc.

Table 3.3

Proposed Airfield Improvement Project Components

Project Component:	Contribution to Satisfying the Need:	Dependent On:
Extend and widen Runway 9R/27L to 8,000 feet long by 150 feet wide.	Accommodates projected demand by upgrading to serve commercial air-carriers.	FBO relocation; VOR relocation; Facility relocation
Increase runway separation to 800 feet between the parallel runways.	Accommodates projected demand and increases runway efficiency by allowing Taxiway L to accommodate Group IV aircraft, and by allowing for simultaneous VFR takeoffs and landings on the 9/27 runways.	FBO relocation
Shorten Runway 13/31 to approx. 4,163 feet and add standard RSAs (convert to GA runway).	Accommodates projected demand and increases runway efficiency by eliminating the runway crossing and decreasing dependency.	N/A
Construct two additional high-speed exits for each landing direction on Runway 9R/27L.	Enhances runway efficiency by enabling optimal runway utilization.	Runway 9R/27L extension
Widen existing Taxiway L to 75 feet for Airplane Design Group (ADG) IV/V design criteria. -Construct taxiway connectors (90-degree and high-speed)	Accommodates projected demand and increases runway efficiency by meeting safety standards for larger aircraft and enabling optimal runway utilization.	Runway 9R/27L extension
Construct Taxiways B extension to Runway 13 end.	Enhances runway efficiency by enabling optimal runway utilization and reduces taxiway congestion.	Runway 13/31 extension to the northwest
Construct additional 90-degree taxiway connectors north of Runway 9L/27R	Enhances runway efficiency by enabling optimal runway utilization and reduces taxiway congestion.	N/A
Relocate FBO (~32 acres) from the SE quadrant to NW quadrant (Golfview area)	Allows for Runway 9R/27L enhancements.	N/A
Relocate glide slope antennae for Runway 27R to the north	Allows for Taxiway L extension.	N/A
Relocate VOR	Allows for Runway 9R/27L extension.	N/A
Relocation facilities west of Runway 9R	Allows for Runway 9R to satisfy RSA/ROFA requirements.	N/A

Sources: *2005 PBI Airspace/Airfield Constraints Analyses,* CH2M HILL/Ricondo & Associates

Airport System Wide Master Plan Study Project*, PBI Airfield Improvement Project Presentation*, Jan. 2006

In addition to the Airfield Improvement Project, remaining Airfield projects included in the CIP total $61.5 million, and contain several taxiway rehabilitation projects needed to restore the surface and/or structural condition of the taxiway systems serving the Airport's existing runways and terminal areas. These taxiway rehabilitation projects were identified through a pavement condition assessment funded by the County as part of the Airport's annual facilities inspection program.

The expansion of Apron A has also been included as a CIP project. The scope of this apron expansion comprises the construction of additional airfield pavements west of Apron A (located along the western limits of the terminal area) in order to provide hardstand parking positions for aircraft remaining overnight at the Airport.

3.2.2 Terminal

Terminal projects included in the CIP are estimated to cost $44.0 million and include the replacement of the 25 existing loading bridges in Concourse B and C, construction of an administration building and enhancements to Concourse C (Concourse C Enhancement Program). The expansion of the Concourse C footprint represents one of the capacity enhancement projects identified in the 2001 Master Plan Update. Since the completion of the 2001 Master Plan Update, the County has sponsored the programming and design of the Concourse C Enhancement Program, but has not initiated the construction of these concourse enhancements. PFC funds are the primary sources of capital being used by the County for the construction of the Concourse C Enhancement Program. State grants have also been secured to fund the modifications to the aircraft parking areas required to comply with FAA design standards.

The Concourse C Enhancement Program comprises the re-categorization of the existing gates, plus the addition of three new gates. Currently, Concourse C possesses 11 wide-body gates (originally programmed with the L1011 as the design aircraft) and one narrow body gate (designed to serve B727 aircraft and smaller). Upon completion of the Concourse C Enhancement Program, Concourse C will have seven wide body gates (designed for the B767 aircraft and smaller) and eight narrow body gates (designed for modern narrow aircraft, like the B737 and the A320). The concourse building will be expanded as part of the Concourse C Enhancement Program scope to provide additional holdroom space, concessions space, restroom facilities, and public circulation space.

The Concourse C Enhancement Program provides the incremental passenger processing capacity that was recommended by the 2001 Master Plan Update, while also addressing some existing facility deficiencies in Concourse C. These deficiencies include the following:

- Disproportionate balance between the aircraft size/gage serving the Airport (e.g. narrow body versus wide body) and the Concourse C gate mix;
- Hold rooms that in some cases are undersized for the gate's design aircraft;
- Inadequate concessions space given the passenger volumes presently served by Concourse C.

In addition, the Concourse C Enhancement Program provides the potential for increased concessions revenues given the expanded facilities, resulting in increased non-airline revenues.

3.2.3 Other Projects and Capital Investments

Other projects and capital expenditures included in the CIP (excluding the 2006 Project) are estimated to total approximately $1.7 million and include the purchase of a new fire rescue vehicle and construction of a maintenance compound.

3.3 2006 Project

Ricondo & Associates prepared a parking study for the County in 2005 in which it estimated future demand for parking at the Airport, analyzed impacts of parking demand during peak periods and evaluated a proposed long-term parking garage. Preliminary results of the parking study included the following:

- Available long-term parking does not meet existing demand.

- Proposed long-term parking garage will meet demand over forecast period, given existing parking operating conditions.
- The proposed garage will give the Airport flexibility to serve overnight parking demand currently met at other lots.

The 2006 Project is expected to consist of the design, acquisition, construction, installation and/or equipping of certain facilities and improvements relating to the Airport System and the reimbursement to the County of certain costs related to such facilities previously incurred, all of which are located at the Airport as follows: (a) a new long-term parking garage with approximately 3,466 parking space parking spaces in approximately 1,368,950 square feet, (b) bridges connecting the existing long-term parking garage with the new garage, (c) an enclosed, air-conditioned pedestrian bridge connecting the new garage to the adjacent terminal, (d) three new lanes at the existing cashier plaza and two new exit lanes at the exit of the existing premium parking lot; and (e) the replacement of all existing cashier booths.

The 2006 Project is expected to total $68.3 million based on a bid received by the County on March 7, 2006, and Series 2006A Bond proceeds together with certain investment earnings thereon will be the sole funding source for the 2006 Project.

Financial Analysis

This chapter examines the financial structure of the Airport; cost and financial implications of the 2006 Project and other projects included in the FY 2006 – FY 2015 CIP; Operation and Maintenance (O&M Expenses) and Nonairline Revenue projections; airline rates and charges projections; airline cost per enplaned passenger projections; application of Revenues; and projected debt service coverage.

4.1 Financial Structure

This section discusses Airport accounting practices, including the cost center structure utilized for airline rate-setting purposes, the requirements and provisions of the Bond Resolution, and the rate-setting mechanism in place at the Airport.

4.1.1 Airport Accounting

Expenses and revenues of the County are categorized into Direct Cost Centers and Indirect Cost Centers as defined in the Airline Agreement. Direct Cost Centers include those areas or functional activities of the Airport System used for the purposes of accounting for Revenues, O&M Expenses, and Debt Service. Indirect Cost Centers do not generally have revenues associated with them and include those areas or functional activities of the Airport System used for the purposes of accounting for O&M Expenses and Debt Service. The expenses included in Indirect Cost Centers are allocated to the Direct Cost Centers as defined in the Airline Agreement.

Direct Cost Centers defined in the Airline Agreement include, but are not necessarily limited to:

- **Airside -** Includes all Debt Service, all Direct and Indirect O&M Expenses, Capital Expenditures, and Operating Revenues for the Airside. The Airside includes the Landing Area and Ramp Area.
- **Terminal** - Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for the Terminal, which consists of airline terminal facilities at the Airport.
- **Tenant Equipment** - Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues related to loading bridges, aircraft supply systems, holdroom furnishings, and certain bag makeup and bag claim equipment.
- **Ground Transportation** - Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for terminal access roadways (including the enplanement/deplanement drives), all Airport roads, Airport parking facilities and other areas and facilities accommodating ground transportation.
- **Aviation -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for air cargo, general aviation, flight kitchen, and military activities.
- **Non-Aviation** - Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for Airport areas related to non-aviation purposes that provide support functions (e.g., rental car maintenance areas, and miscellaneous ground areas and facilities leased by Airport tenants).
- **Terminal FIS -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for Airport areas related to areas in the Terminal, and/or elsewhere on the Airport, to be used by agencies of the United States Government for the inspection of passengers and their baggage, and for the exercise of the responsibilities of said agencies with respect to the movement of persons and property to and from the United States.
- **Lantana Airport -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for all activities and facilities at Lantana Airport.

- **Glades Airport -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for all activities and facilities at Glades Airport.
- **North County Airport -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for all activities and facilities at North County Airport.
- **Air Cargo Building -** Includes all Debt Service, all Direct and Indirect O&M Expenses, and Operating Revenues for all activities at and facilities surrounding the Air Cargo Building.

Indirect Cost Centers defined in the Airline Agreement include, but are not necessarily limited to:

- **Administrative and Operations -** Includes all Direct O&M Expenses for all administration activities and facilities, including charges for County administrative services provided on behalf of the Airport System (e.g. accounting, finance, data processing services). Administration O&M Expenses are allocated based on each direct Cost Center's share of O&M Expenses attributable to all direct cost centers.
- **Maintenance -** Includes all Direct O&M Expenses for maintenance activities and facilities of the Airport System. Maintenance O&M Expenses are allocated to direct Cost Centers to the extent possible based on actual man-hours charged to each respective direct Cost Center, and other O&M Expenses that can be directly charged.
- **Fire Department -** Includes all Direct O&M Expenses for fire, and rescue activities and facilities, including those required under FAR Part 139. Fire Rescue O&M Expenses are allocated to direct Cost Centers to the extent possible based on actual man-hours charged to each respective direct Cost Center, and other O&M Expenses that can be directly charged.

4.1.2 Bond Resolution

The Bond Resolution authorizes the issuance of Airport System Revenue Bonds by the County. The requirements of the Bond Resolution and the methodology contained in the Airline Agreement were utilized to develop the application of revenues included in these financial analyses. The principal funds and accounts created in the Bond Resolution are presented in **Exhibit 4.1.** Sections of the Bond Resolution as they pertain to this report are summarized below:

- Revenues (or "Operating Revenues") as defined in the Bond Resolution, include, generally, all revenue due and payable to the County from the ownership or operation of the Airport System, including all rentals, concession revenue, use charges, and landing fees.
- An O&M Reserve requirement was established in an amount equal to one-sixth of the amount appropriated in the annual budget for O&M Expenses for the then current fiscal year.
- Pursuant to the Bond Resolution, the County covenants that it will fix, charge and collect rates, fees, rentals and charges for the use of the Airport System, and shall revise such rates, fees, rentals and charges as often as may be necessary or appropriate to produce Revenues in each Fiscal Year at least equal to the sum of Operation and Maintenance Expenses, including reserves therefore provided for in the Annual Budget, plus the greater of (A) an amount equal to the sum of 1.25 times the Aggregate Debt Service for such Fiscal Year, or (B) the sum of (i) the amount to be paid during such Fiscal Year into the Debt Service Account, plus (ii) the amount, if any, to be paid during the Fiscal Year into the Debt Service Reserve Account (including amounts payable to the issuer of any Debt Service Reserve Account Facility and excluding amounts required to be paid into such account out of the proceeds of Bonds), plus (iii) the amount, if any, to be paid into the Renewal and Replacement Fund as provided in the Annual Budget, plus (iv) all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, plus (v) to the extent not otherwise provided for, all amounts payable on Subordinated Indebtedness.

Flow of Funds under the Bond Resolution

Required Fund Deposits	Applications of Monies
Revenue Fund *	
• Deposit of all Airport Revenues • Payments of Annual Operating Expenses	• Funds Applied Monthly to Respective Funds/Accounts
* Includes Operation and Maintenance (O&M) Reserve (1/6th of annual Budgeted O&M Expenses)	
Debt Service Fund Debt Service Account	
• Deposit Principal, Interest and Sinking Fund Installment Requirements on Airport Revenue Bonds	• Payment of Debt Service on Airport Revenue Bonds
Debt Service Reserve Account	
• Deposit Debt Service Reserve Requirement on Airport Revenue Bonds	• Payment of Debt Service in Event of Shortfall in Debt Service Fund
Renewal and Replacement Fund	
• Deposit Renewal and Replacement Requirement • Payment of O&M Expenses in the event of a shortfall in Revenue Fund	• Payment of costs of equipment, major repairs, and capital renewals, replacements, additions, betterments, improvements and disposals
Subordinate Bond Fund	
• Deposit Principal and Interest Requirements of Subordinated Indebtedness • Deposit of Amount Necessary to Maintain Required Reserve	• Payment of all Requirements on Subordinated Indebtedness
Improvement and Development Fund	
• Deposit all Remaining Revenues	• Available for any Lawful Airport Purpose

Prepared by: Ricondo & Associates, Inc.

Exhibit 4.1

A summary of certain provisions of the Bond Resolution may be found in Appendix A, "Summary of Certain Provisions of the Bond Resolution," of the Official Statement.

4.1.3 Rate-Setting Mechanism

The Airline Agreement between the County and the airlines that have executed the Airline Agreement (the Signatory Airlines) expired at the end of FY 2005. The County extended the Airline Agreement by one year and is currently negotiating a new agreement that is expected to be executed by the end of FY 2006. The County anticipates that essentially the same rate-making structure will be incorporated into the new agreement and therefore, the rate-making structure for FY 2007 through FY 2015 will be the same as the structure currently in place and includes the following key elements:

- A "compensatory" average terminal rental rate for the Terminal using total rentable square feet as the divisor. Differential Terminal rental rates are calculated for the purpose of differentiating space by location and function.
- A "residual" landing fee rate for the Airside using total landed weight as the divisor.
- A revenue sharing provision which transfers a portion of Funds Remaining equivalent to 50 percent to the Signatory Airlines in the subsequent year.
- There is no majority in interest provision in the Airline Agreement for any capital projects at the Airport.

Although a new agreement is currently under negotiation, the County believes all airlines that are signatory to the Airline Agreement will also become signatory to the new agreement. Approximately 95 percent of total enplanements in FY 2005 were contributed by Signatory Airlines, which currently includes the following:

- AirTran
- American
- Continental
- Delta
- JetBlue
- Northwest
- Southwest
- United
- US Airways

4.2 Financing Plan

As discussed earlier, the proceeds of the Series 2006A Bonds together with certain investment earnings thereon will be the sole funding source for the 2006 Project as described in Chapter 3. A list of the estimated sources and uses of funds for the Series 2006 Bonds is presented in **Table 4.1**.

The County's managing underwriter for the Series 2006 Bonds, based on costs as determined in the final bid accepted by the County, provided the required bond issue size and debt service estimates based on the following assumptions:

- In May 2006 two series of fixed rate Airport Revenue Bonds will be issued.
- The Series 2006A Bonds will be issued to fund the 2006 Project and will be subject to the alternative minimum tax ("AMT").
- The Series 2006B Bonds will be issued to refund portions of the outstanding Series 2001 and Series 2002 Bonds.

Table 4.1
Sources and Uses - Series 2006 Bonds [1]

Sources:	Series 2006A [1] T/E AMT New Money	Series 2006B Taxable Partial Ref. of 2001 Bonds	Series 2006B Taxable Partial Ref. of 2002 Bonds	Total
Bond Proceeds:				
Par Amount	$69,010,000.00	$235,000.00	$15,525,000.00	$84,770,000.00
Premium	$1,035,993.20	$0.00	$0.00	$1,035,993.20
Other Sources of Funds:				
DSRF Liquidation Value	$0.00	$14,612,149.63	$0.00	$14,612,149.63
	$70,045,993.20	**$14,847,149.63**	**$15,525,000.00**	**$100,418,142.83**

Uses:	Series 2006A T/E AMT New Money	Series 2006B Taxable Partial Ref. of 2001 Bonds	Series 2006B Taxable Partial Ref. of 2002 Bonds	Total
Project Fund Deposits:				
Project Fund	$68,266,540.00	$0.00	$0.00	$68,266,540.00
Refunding Escrow Desposits:				
Cash Deposit	$0.00	$0.14	$0.66	$0.80
SLG Purchases	0.00	14,840,187.00	15,176,063.00	30,016,250.00
	$0.00	$14,840,187.14	$15,176,063.66	$30,016,250.80
Delivery Date Expenses:				
Cost of Issuance	$203,521.29	$693.05	$45,785.66	$250,000.00
Underwriter's Discount	414,060.00	1,410.00	93,150.00	508,620.00
Insurance Premium (60 bps)	963,442.35	2,570.79	164,117.95	1,130,131.09
Surety (2.5%)	195,301.98	665.06	43,936.58	239,903.62
	$1,776,325.62	$5,338.90	$346,990.19	$2,128,654.71
Other Uses of Funds:				
Additional Proceeds	$3,127.58	$1,623.59	$1,946.15	$6,697.32
	$70,045,993.20	**$14,847,149.63**	**$15,525,000.00**	**$100,418,142.83**

1 Assumptions reflected in Section 4.2 of the Report of the Airport Consultant.

2 To pay or reimburse cost of 2006 Project

Source: UBS Securities LLC (March 16, 2006).
Prepared by: Ricondo & Associates, Inc.

- The Series 2006B Bonds will be structured with principal amortization beginning October 1, 2015 and ending October 1, 2020, thereby reducing the annual debt service requirements in fiscal years 2006 through 2014 associated with the Series 2001 and 2002 Bonds being refunded. The estimated interest rate for the Series 2006B Bonds is 6.35 percent.

- The Series 2006A Bonds will be wrapped around the unrefunded portions of the outstanding Series 2001 and 2002 Bonds and the Series 2006B refunding bonds with principal amortization beginning October 1, 2021 and ending October 1, 2036. The estimated interest rate for the Series 2006A Bonds is 5.45 percent.

- The debt service reserve requirement will be equivalent to the maximum annual debt service on all outstanding bonds. A debt service reserve surety in an amount sufficient to satisfy the Debt Service Reserve Requirement for the Series 2006 Bonds and portions of the Series 2001 and 2002 Bonds to remain outstanding after issuance of the Series 2006 Bonds will be procured and substituted for the current cash-funded debt service reserve. The cash from the debt service reserve will be deposited (net of the debt service reserve surety premium) to the Series 2006B refunding escrow.

Table 4.2 presents the annual estimated debt service requirements resulting from the issuance of the Series 2006 Bonds as well as the existing Airport debt service on the unrefunded Series 2001 and 2002 Bonds. As presented in Table 4.2, annual debt service requirement in FY 2007, the first full year of debt service, on the Series 2006A Bonds and the Series 2006B Bonds is estimated to be approximately $3.8 million and $1.0 million, respectively, from FY 2007 through FY 2014. Debt service on the Series 2006B Bonds is structured to increase in FY 2015 to coincide with the retirement of the balance of the Series 2001 and Series 2002 Bonds.

On March 15, 2006, the County issued its not exceeding $8 million in aggregate principal amount of Airport System Subordinated Indebtedness. Series 2006 (the 2006 Subordinated Indebtedness) of which $250,000 in aggregate principal amount is currently outstanding. Table 4.2 presents the projected drawdown required to finance the acquisition, construction and equipping of three additional aircraft gates, the repair and mitigation of damage caused by the 2004 and 2005 hurricanes, and the acquisition, construction and equipping of a new administrative building.

Table 4.2
Debt Service

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
SUBORDINATED INDEBTEDNESS		$3,750	$1,262,500	$40,000	$1,080,000	$1,040,000	0	0	0	0	0
Series 2001	11,691,763	8,191,413	8,205,813	8,267,363	8,288,363	8,313,938	0	0	0	0	0
Series 2002	3,458,625	2,611,075	2,611,075	2,611,075	2,611,075	2,611,075	12,881,075	13,015,550	13,033,338	13,218,750	0
Series 2006A [1]		1,897,775	3,795,550	3,795,550	3,795,550	3,795,550	3,795,550	3,795,550	3,795,550	3,795,550	3,795,550
Series 2006B [1]		493,070	986,141	986,141	986,141	986,141	986,141	986,141	986,141	986,141	3,231,141
TOTAL GARB DEBT SERVICE	$15,150,388	$13,193,333	$15,598,578	$15,660,128	$15,681,128	$15,706,703	$17,662,766	$17,797,241	$17,815,028	$18,000,441	$7,026,691
Allocation of GARB Debt Service:											
Airside	$1,471,103	$1,096,799	$1,146,074	$1,152,051	$1,154,090	$1,156,573	$1,346,507	$1,359,564	$1,361,291	$1,379,295	$313,744
Terminal	7,308,547	5,448,977	5,693,781	5,723,472	5,733,603	5,745,940	6,689,545	6,754,415	6,762,996	6,852,439	1,558,702
Tenant Equipment	1,495,343	1,114,872	1,164,959	1,171,034	1,173,107	1,175,631	1,368,694	1,381,967	1,383,722	1,402,023	318,914
Ground Transportation	3,375,506	4,414,425	6,425,265	6,438,978	6,443,657	6,449,355	6,885,166	6,915,127	6,919,090	6,960,400	4,515,448
Other	1,499,888	1,118,260	1,168,500	1,174,593	1,176,672	1,179,204	1,372,854	1,386,167	1,387,928	1,406,284	319,883
TOTAL DEBT SERVICE	$15,150,388	$13,193,333	$15,598,578	$15,660,128	$15,681,128	$15,706,703	$17,662,766	$17,797,241	$17,815,028	$18,000,441	$7,026,691

[1] Interest rates for the Series 2006A Bonds and the Series 2006B Bonds were assumed to be 5.45 percent and 6.35 percent, respectively, since bonds have not been priced and issued yet. Numbers are preliminary and subject to change, including par amounts of Series 2006 Bonds.

Source: UBS Securities LLC (March 16, 2006).
Prepared by: Ricondo & Associates, Inc.

4.3 O&M Expenses

The following table illustrates historical O&M Expenses from FY 2000 through FY 2005:

Historical O&M Expenses

Fiscal Year Ended	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Compounded Annual Growth Rate
Total O&M Expenses ($000) [1]	$26,257	$28,176	$29,966	$32,405	$34,800	$37,909	7.6%
Enplaned Passengers (000)	2,946.2	3,054.4	2,694.2	2,937.7	3,216.8	3,521.4	3.6%
O&M Expenses per Passenger	$8.91	$9.22	$11.12	$11.03	$10.82	$10.77	

[1] O&M expenses reflect chargeable expenses pursuant to the airline agreement and may not necessarily reflect all expenses (e.g. depreciation) disclosed in the Airport's audited financial statements.

Source: Palm Beach County

Historical O&M Expenses from FY 2000 to FY 2005 increased at a compounded annual growth rate of 7.6 percent, higher than inflationary impacts only. This significant annual increase can be partially attributed to O&M Expenses related to additional security resulting from September 11 as well as additional staffing required to support the compounded annual growth rate in enplanements of 9.3 percent from FY 2002 to FY 2005. The County also wrote off a bad debt of $1.1 million in FY 2005.

Table 4.3 presents O&M Expenses at the Airport System by Cost Center for budgeted FY 2006 and projected FY 2007 through FY 2015. As shown, O&M Expenses are budgeted to be approximately $40.7 million in FY 2006 and projected to grow to approximately $63.1 million by FY 2015. O&M Expenses projections are based on actual FY 2005 and budgeted FY 2006 results. The increase in O&M Expenses projected between FY 2006 and FY 2015 represents a compounded annual growth rate of 5.0 percent. Projections of future O&M Expenses are based on a review of historical trends, the anticipated impacts of inflation, and impacts due to capital improvements.

Table 4.3

O&M Expenses

Fiscal Year	Budget 2006	Projected 2007	2008	2009	2010	2011	2012	2013	2014	2015
O&M EXPENSES BEFORE ALLOCATION OF INDIRECT:										
Airside	$1,520,245	$1,596,257	$1,676,070	$1,759,873	$1,847,867	$1,940,260	$2,037,273	$2,139,137	$2,246,094	$2,358,399
Terminal	10,404,415	10,924,636	11,470,868	12,044,411	12,646,632	13,278,963	13,942,912	14,640,057	15,372,060	16,140,663
Ground Transportation	7,361,486	7,729,560	8,116,038	8,521,840	8,947,932	9,395,329	9,865,095	10,358,350	10,876,268	11,420,081
Aviation	1,357,170	1,425,028	1,496,280	1,571,094	1,649,648	1,732,131	1,818,737	1,909,674	2,005,158	2,105,416
Non-Aviation	652,560	685,188	719,447	755,420	793,191	832,850	874,493	918,217	964,128	1,012,335
GA & Terminal FIS	220,412	228,951	240,399	252,419	265,039	278,291	292,206	306,816	322,157	338,265
Lantana	390,724	410,261	430,774	452,312	474,928	498,674	523,608	549,788	577,278	606,142
Glades	555,154	582,912	612,058	642,661	674,794	708,533	743,960	781,158	820,216	861,227
North County Airport	1,245,118	1,307,374	1,372,743	1,441,380	1,513,449	1,589,122	1,668,578	1,752,006	1,839,607	1,931,587
Air Cargo Building	96,916	101,762	106,850	112,192	117,802	123,692	129,876	136,370	143,189	150,348
Tenant Equipment	1,236,161	1,297,969	1,362,867	1,431,011	1,502,561	1,577,689	1,656,574	1,739,402	1,826,372	1,917,691
TOTAL DIRECT O&M	$25,040,361	$26,289,898	$27,604,393	$28,984,612	$30,433,843	$31,955,535	$33,553,312	$35,230,978	$36,992,526	$38,842,153
INDIRECT EXPENSES:										
Admin and Operations	$7,571,201	$7,949,761	$8,347,249	$8,764,612	$9,202,842	$9,662,984	$10,146,133	$10,653,440	$11,186,112	$11,745,418
Maintenance Indirect	3,231,291	3,392,856	3,562,498	3,740,623	3,927,654	4,124,037	4,330,239	4,546,751	4,774,088	5,012,793
Net Fire Rescue	4,860,637	5,103,669	5,358,852	5,626,795	5,908,135	6,203,541	6,513,718	6,839,404	7,181,375	7,540,443
Medical Call										
TOTAL INDIRECT O&M	$15,663,129	$16,446,285	$17,268,600	$18,132,030	$19,038,631	$19,990,563	$20,990,091	$22,039,595	$23,141,575	$24,298,654
TOTAL O&M EXPENSES	$40,703,490	$42,736,183	$44,872,993	$47,116,642	$49,472,474	$51,946,098	$54,543,403	$57,270,573	$60,134,102	$63,140,807
TOTAL O&M AFTER ALLOCATION OF INDIRECT:										
Airside	$5,743,500	$6,030,836	$6,332,378	$6,648,997	$6,981,447	$7,330,519	$7,697,045	$8,081,897	$8,485,992	$8,910,292
Terminal	13,840,903	14,534,052	15,260,755	16,023,792	16,824,982	17,666,231	18,549,543	19,477,020	20,450,871	21,473,414
Tenant Equipment	1,609,927	1,690,460	1,774,983	1,863,732	1,956,918	2,054,764	2,157,502	2,265,377	2,378,646	2,497,579
Ground Transportation	12,507,082	13,131,749	13,788,336	14,477,753	15,201,641	15,961,723	16,759,809	17,597,799	18,477,689	19,401,574
Aviation	2,350,800	2,468,380	2,591,799	2,721,389	2,857,459	3,000,332	3,150,348	3,307,866	3,473,259	3,646,922
Non-Aviation	1,044,293	1,096,528	1,151,354	1,208,922	1,269,368	1,332,836	1,399,478	1,469,452	1,542,925	1,620,071
Terminal FIS	287,056	298,183	313,092	328,747	345,184	362,444	380,566	399,594	419,574	440,552
Lantana	654,682	687,429	721,800	757,890	795,785	835,574	877,352	921,220	967,281	1,015,645
Glades	771,617	810,215	850,725	893,262	937,925	984,821	1,034,062	1,085,765	1,140,054	1,197,056
North County Airport	1,767,411	1,855,819	1,948,610	2,046,041	2,148,343	2,255,760	2,368,548	2,486,975	2,611,324	2,741,890
Air Cargo Building	126,220	132,533	139,160	146,118	153,424	161,095	169,150	177,607	186,487	195,812
TOTAL O&M EXPENSES	$40,703,490	$42,736,183	$44,872,993	$47,116,642	$49,472,474	$51,946,098	$54,543,403	$57,270,573	$60,134,102	$63,140,807

Source: Palm Beach County Department of Airports

Prepared by: Ricondo & Associates, Inc.

4.4 Nonairline Revenues

Nonairline Revenues include all operating revenues of the Airport System except for landing fees, apron fees, and terminal rental revenues. The following table illustrates historical Nonairline Revenues from FY 2000 through FY 2005:

Historical Nonairline Revenues

Fiscal Year Ended	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Compounded Annual Growth Rate
Total Nonairline Revenues ($000)	$35,137	$41,284	$37,871	$35,477	$38,831	$39,550	2.4%
Enplaned Passengers (000)	2,946.2	3,054.4	2,694.2	2,937.7	3,216.8	3,521.4	3.6%
Nonairline Revenue per Passenger	$11.93	$13.52	$14.06	$12.08	$12.07	$11.23	

Source: Palm Beach County

Historical nonairline revenues from FY 2000 to FY 2005 increased at a compounded annual growth rate of 2.4 percent. As presented in the table, nonairline revenues were adversely impacted by September 11 but have increased over the last three years as enplanements have increased.

Table 4.4 presents nonairline revenues at the Airport by Direct Cost Center for budgeted FY 2006 and projected FY 2007 through 2015. As shown, nonairline revenues are budgeted to be approximately $42.3 million in FY 2006 and projected to be approximately $56.9 million in FY 2015. This increase represents a compounded annual growth rate of 3.4 percent for FY 2006 through FY 2015. Nonairline revenue projections are based on actual FY 2005 and budgeted FY 2006 levels. In general, projections of future nonairline revenues are based on a review of historical trends, the anticipated impacts of inflation, expected rate/revenue increases, impacts related to the 2006 Project and the projected growth in activity. Specific points concerning these projections are discussed below:

4.4.1 Airside

The major source of nonairline revenues in the Airside Cost Center is Aviation Fueling Revenues. The County implemented an additional fueling charge to general aviation FBOs that is expected to generate approximately $400,000 and $450,000 in FY 2006 and FY 2007, respectively. Total Airside revenues are expected to increase from approximately $1.3 million budgeted in FY 2006 to approximately $1.9 million in FY 2015. This increase represents a compounded annual growth rate of 4.2 percent during this period, and is the result of anticipated growth in aircraft activity and inflationary impacts during the projection period

4.4.2 Terminal

Nonairline revenues from the Terminal Cost Center are primarily comprised of concession rents and fees from news & gift and food & beverage operators, advertisers, and miscellaneous concessionaires as well as non-airline terminal rental revenues, airline reimbursements for tenant equipment and security charges and FIS facility fees. These revenues are expected to increase from approximately $7.3 million budgeted in FY 2006 to approximately $8.7 million in FY 2015. This increase represents a compounded annual growth rate of 2.1 percent during this period, and is the result of anticipated growth in enplanements and inflationary impacts during the projection period.

Table 4.4
Nonairline Revenues

	Budget	Projected								
Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airside:										
Airfield Services	$30,000	$30,900	$31,827	$32,782	$33,765	$34,778	$35,822	$36,896	$38,003	$39,143
Aviation Fueling	1,250,000	1,307,126	1,364,306	1,422,296	1,482,387	1,544,655	1,609,141	1,675,923	1,745,062	1,816,601
TOTAL AIRSIDE REVENUES	$1,280,000	$1,338,026	$1,396,133	$1,455,077	$1,516,152	$1,579,433	$1,644,963	$1,712,819	$1,783,065	$1,855,745
Terminal:										
Car Rental Terminal Rents	170,000	$175,100	$180,353	$185,764	$191,336	$197,077	$202,989	$209,079	$215,351	$221,811
Concession Fees	4,040,000	4,224,631	4,409,438	4,596,859	4,791,074	4,992,326	5,200,744	5,416,583	5,640,040	5,871,256
Tenant Equipment Charges	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Passenger Screening Revenues	500,000	0	0	0	0	0	0	0	0	0
Miscellaneous Revenues	312,000	321,360	331,001	340,931	351,159	361,694	372,544	383,721	395,232	407,089
FIS Facility Fees	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
TOTAL TERMINAL REVENUES	$7,252,000	$6,951,091	$7,150,792	$7,353,554	$7,563,569	$7,781,096	$8,006,278	$8,239,382	$8,480,623	$8,730,157
Ground Transportation:										
Automobile Parking	$15,820,000	$17,850,000	$18,095,353	$18,321,626	$18,546,057	$20,645,582	$20,888,123	$21,128,368	$21,366,152	$21,601,081
Ground Rental	565,000	581,950	599,409	617,391	635,912	654,990	674,640	694,879	715,725	737,197
On-airport Car Rental	10,200,000	10,666,147	11,132,740	11,605,932	12,096,276	12,604,386	13,130,592	13,675,532	14,239,706	14,823,468
Off-airport Car Rental	40,000	41,828	43,658	45,513	47,436	49,429	51,493	53,630	55,842	58,131
Taxi/Limo	215,000	224,826	234,661	244,635	254,971	265,681	276,772	288,259	300,151	312,455
Miscellaneous Revenues	60,000	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286
TOTAL GROUND TRANSPORTATION	$26,900,000	$29,426,551	$30,169,474	$30,900,660	$31,648,183	$34,289,624	$35,093,263	$35,914,459	$36,753,582	$37,610,619
Aviation:										
Building Rentals	$464,300	$478,229	$492,576	$507,353	$522,574	$538,251	$554,398	$571,030	$588,161	$605,806
Ground Rentals	950,000	978,500	1,007,855	1,038,091	1,069,233	1,101,310	1,134,350	1,168,380	1,203,432	1,239,535
Airline Catering	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Miscellaneous Revenues	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572
TOTAL AVIATION	$1,609,300	$1,652,179	$1,696,344	$1,741,835	$1,788,690	$1,836,950	$1,886,659	$1,937,859	$1,990,594	$2,044,912
Air Cargo Facility	$230,000	$236,900	$244,007	$251,327	$258,867	$266,633	$274,632	$282,871	$291,357	$300,098
Non-Aviation:										
Building Rentals	$353,000	$363,590	$374,498	$385,733	$397,305	$409,224	$421,500	$434,145	$447,170	$460,585
Ground Rentals	175,000	180,250	185,658	191,227	196,964	202,873	208,959	215,228	221,685	228,335
Miscellaneous Revenues	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Non-Aviation Section 6	1,157,000	1,191,710	1,227,461	1,264,285	1,302,214	1,341,280	1,381,519	1,422,964	1,465,653	1,509,623
TOTAL NON-AVIATION	$1,695,000	$1,745,850	$1,798,226	$1,852,172	$1,907,737	$1,964,970	$2,023,919	$2,084,636	$2,147,175	$2,211,591
Other Revenues:										
Lantana Airport	$99,300	$102,279	$105,347	$108,508	$111,763	$115,116	$118,569	$122,126	$125,790	$129,564
Glades Airport	3,600	3,708	3,819	3,934	4,052	4,173	4,299	4,428	4,560	4,697
North County Airport	995,500	1,025,365	1,056,126	1,087,810	1,120,444	1,154,057	1,188,679	1,224,339	1,261,070	1,298,902
Interest earnings - Budget 2006	2,176,000	0	0	0	0	0	0	0	0	0
Other	46,200	47,586	49,014	50,484	51,999	53,558	55,165	56,820	58,525	60,281
Investment Earnings	0	3,192,600	2,991,400	2,588,900	2,442,700	2,540,400	2,603,600	2,595,200	2,587,400	2,611,200
TOTAL OTHER REVENUES	$3,320,600	$4,371,538	$4,205,706	$3,839,635	$3,730,957	$3,867,305	$3,970,312	$4,002,914	$4,037,345	$4,104,643
TOTAL NONAIRLINE REVENUES	$42,286,900	$45,722,134	$46,660,682	$47,394,261	$48,414,156	$51,586,012	$52,900,025	$54,174,940	$55,483,743	$56,857,765

Prepared by: Ricondo & Associates, Inc.

4.4.3 Ground Transportation

Revenues from the Ground Transportation Cost Center are primarily comprised of auto parking revenues, taxi and limo parking fees and rental car concession fees. Total Ground Transportation revenues are expected to increase from approximately $26.9 million budgeted in FY 2006 to approximately $37.6 million in FY 2015. This increase represents a compounded annual growth rate of 3.8 percent during this period. It is expected that growth in enplanements and future parking rate increases as well as inflationary impacts will contribute to the projected increase in Ground Transportation revenues.

4.4.4 Aviation

Revenues from the Aviation Cost Center consist primarily of facility and ground rents and flight kitchen revenues. These revenues are expected to increase from approximately $1.6 million budgeted in FY 2006 to approximately $2.0 million in FY 2015. This increase represents a compounded annual growth rate of 2.7 percent during this period, and is the result of inflationary impacts during the projection period.

4.4.5 Air Cargo Facility

Revenues from the Air Cargo Facility are expected to increase from approximately $230,000 budgeted in FY 2006 to approximately $300,000 million in FY 2015. This increase represents a compounded annual growth rate of 3.0 percent during this period and is the result of inflationary impacts during the projection period.

4.4.6 Non-Aviation

Revenues from the Non-Aviation Cost Center consist of non-aviation ground and building rents. These revenues are expected to increase from approximately $1.7 million budgeted in FY 2006 to approximately $2.2 million in FY 2015. This increase represents a compounded annual growth rate of 3.0 percent during this period and is the result of inflationary impacts during the projection period.

4.4.7 Other Revenues

Revenues from these reliever general aviation airports and investment earnings are expected to increase by a compounded annual growth rate of 2.4 percent during this period, as a result of anticipated inflationary impacts and increasing fund balances during the projection period.

4.5 Airline Revenues

The remaining revenues generated at the Airport include terminal rentals, landing fees and apron fees payable by the airlines. In general, the airline rate-base for the terminal rental rate and landing fee calculations is comprised of the following elements:

- **O&M Expenses -** These expenses are attributed to the various rate-setting areas for Terminal and Airside and the allocated portion of indirect O&M Expenses.
- **O&M Reserve -** This requirement represents the amount necessary to fund and replenish the O&M Reserve Fund as required by the Bond Resolution equal to one-sixth of O&M Expenses.
- **Debt Service -** Debt service requirements attributable to the rate-setting areas resulting from all general airport revenue bonds and subordinate debt including the Series 2006 Bonds. Total debt service attributed to the individual cost centers was presented in Table 4.2.
- **Debt Service Coverage -** As required by the Bond Resolution and described in detail in section 4.1.2 of this document, the County must maintain rates, fees, and rental charges sufficient to meet the rate covenant in the Bond Resolution.
- **Debt Service Reserve Funding -** As required by the Bond Resolution, the amount, if any, required to replenish the debt service reserve fund to its minimum balance.

- **Amortization -** This amount represents the year's capital expenditures that were initially funded by the County and then amortized through the airline rate base over the useful life of the project.

Offsetting these rate base items are certain Terminal and Airside revenues.

As described previously, a portion of funds remaining from the previous year (known as the Transfer) is allocated to the Signatory Airlines to partially offset rates.

The rate-setting formulas for terminal rentals and landing fees are described in greater detail below.

4.5.1 Terminal Rental Rate

The terminal rental rate calculation combines terminal cost center-specific direct and indirect O&M Expenses and O&M Reserve requirement; total debt service, debt service coverage and debt service reserve requirement; and amortization; **less:** Concourse Security Reimbursements, Air Carrier FIS facility fees and a portion of airline catering revenues. This net requirement is divided by the sum of terminal rentable square feet to determine the average terminal rental rate. Currently, the County is assigning 80 percent of the Transfer to the terminal rental rate calculation. The Transfer reduces the average terminal rental rate to the Signatory Airline rental rate.

Table 4.5 presents the terminal rental rate for FY 2006 through FY 2015. As shown, the signatory terminal rental rate is projected to decrease from $57.88 per square foot in FY 2006 to $50.45 per square foot in FY 2007 as a result of increased parking revenues and decreasing debt service in FY 2006 that positively impact the airline transfer included in FY 2007 rate base. The signatory terminal rental rate is projected to increase to $77.61 per square foot in FY 2014 and then projected to decrease to $60.38 per square foot in FY 2015 as certain bonds are retired.

4.5.2 Landing Fee

The Signatory Airline landing fee calculation combines Airside cost center-specific direct and indirect O&M Expenses and O&M Reserve requirement; total debt service, debt service coverage and debt service reserve requirement; and amortization; **less:** non-signatory landing fees, Airside services revenues, aviation fueling, a portion of airline catering revenues, and 10% of the Airside requirement that is recovered from Apron fees. This net requirement is divided by the landed weight to determine the Signatory Airline landing fee rate. The non-signatory airlines are assessed a 25 percent surcharge on the Signatory Airline landing fee rate.

Table 4.6 presents Signatory Airline landing fees for FY 2006 through FY 2015. As shown, the signatory landing fee is projected to decrease from $1.06 per thousand pounds landed weight budgeted in FY 2006 to $0.89 per thousand pounds landed weight in FY 2007 as a result of increased parking revenues and decreasing debt service in FY 2006 that positively impact the airline transfer included in FY 2007 rate base. The landing fee is projected to increase to $1.18 per thousand pounds landed weight in FY 2014 and then projected to decrease to $1.00 per thousand pounds landed weight in FY 2015 as certain bonds are retired

4.6 Cash Flow

Combining Operating Revenues, O&M Expenses, O&M Reserve requirements, capital expenditures, and debt service estimates developed and presented earlier in this report, **Table 4.7** presents the cash flow for the Airport System for FY 2006 through FY 2015. Specific points regarding the application of revenues are presented below:

- All Airport System Revenues, including investment earnings on Airport Funds, are combined to develop total revenues available in each year.
- Net revenues equal total revenues less O&M Expenses.

Table 4.5
Terminal Rates

	Budget	Projected								
Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TERMINAL RENTAL RATES:										
Operating Expenses	$13,840,904	$14,534,052	$15,260,755	$16,023,792	$16,824,982	$17,666,231	$18,549,543	$19,477,020	$20,450,871	$21,473,414
O&M Reserve (1/6 annual)	182,474	140,779	147,990	155,390	163,159	171,317	179,883	188,877	198,321	208,237
Debt Service	7,308,234	5,693,781	5,723,472	5,733,603	5,745,940	6,689,545	6,754,415	6,762,996	6,852,439	1,558,702
Debt Service Coverage (25%)	1,827,058	1,423,445	1,430,868	1,433,401	1,436,485	1,672,386	1,688,604	1,690,749	1,713,110	389,676
Debt Service Reserve Requirement	(314)	0	0	0	0	0	0	0	0	0
Amortization Charges	461,484	461,484	697,593	697,593	697,593	692,348	611,238	611,238	611,238	438,912
Total Terminal Requirement	$23,619,840	$22,253,541	$23,260,678	$24,043,778	$24,868,159	$26,891,827	$27,783,683	$28,730,880	$29,825,978	$24,068,941
Less:										
Concourse Security Reimbursements [1]	500,000	0	0	0	0	0	0	0	0	0
Air Carrier FIS Facility	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Applicable Direct Revenue and Reimburs:										
Airline Catering (25%)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
True-up	89,599	0	0	0	0	0	0	0	0	0
NET REQUIREMENT	$22,955,241	$22,178,541	$23,185,678	$23,968,778	$24,793,159	$26,816,827	$27,708,683	$28,655,880	$29,750,978	$23,993,941
Rentable Terminal Area	329,677	329,766	348,339	348,339	348,339	348,339	348,339	348,339	348,339	348,339
Average Terminal Rental Rate	$69.63	$67.26	$66.56	$68.81	$71.18	$76.98	$79.55	$82.26	$85.41	$68.88
Total Airline Terminal Space	274,525	274,613	288,843	288,843	288,843	288,843	288,843	288,843	288,843	288,843
Signatory Airline Leased Terminal Space	253,595	231,340	241,340	241,340	241,340	253,407	253,407	253,407	266,077	266,077
Airline Share of Net Requirement	$17,657,673	$15,558,848	$16,063,739	$16,606,294	$17,177,450	$19,508,484	$20,157,284	$20,846,343	$22,725,146	$18,327,659
Less Transfers	2,979,340	3,888,908	2,113,455	2,295,294	1,580,017	1,379,777	2,425,501	2,269,411	2,074,332	2,261,288
Signatory Airline Requirement	14,678,333	11,669,940	13,950,283	14,311,000	15,597,434	18,128,707	17,731,783	18,576,931	20,650,813	16,066,371
Signatory Airline Leased Terminal Space	253,595	231,340	241,340	241,340	241,340	253,407	253,407	253,407	266,077	266,077
Signatory Terminal Rental Rate	$57.88	$50.45	$57.80	$59.30	$64.63	$71.54	$69.97	$73.31	$77.61	$60.38
Terminal Revenue by Type:										
Type 1	$757,843	$581,012	$664,360	$681,538	$742,803	$863,350	$844,448	$884,696	$983,462	$765,135
Type 2	5,595,197	3,759,024	4,578,077	4,696,454	5,118,624	5,949,314	5,819,055	6,096,408	6,776,996	5,272,515
Type 3	4,233,270	3,756,220	4,295,063	4,406,122	4,802,194	5,581,531	5,459,325	5,719,532	6,358,046	4,946,572
Type 4	3,580,702	3,119,985	3,893,999	3,994,688	4,353,775	5,060,340	4,949,545	5,185,454	5,764,345	4,484,671
Type 5	511,321	453,700	518,784	532,199	580,039	674,172	659,411	690,841	767,964	597,478
Total Terminal Revenue	$14,678,333	$11,669,940	$13,950,283	$14,311,000	$15,597,434	$18,128,707	$17,731,783	$18,576,931	$20,650,813	$16,066,371

[1] Effective October 1, 2006, the County intends to discontinue a separate passenger screening charge.

Prepared by: Ricondo & Associates, Inc.

Table 4.6
Landing Fees

Fiscal Year	Budget 2006	Projected 2007	2008	2009	2010	2011	2012	2013	2014	2015
Landing Fees:										
Operating Expenses	$5,743,500	$6,030,836	$6,332,378	$6,648,997	$6,981,447	$7,330,519	$7,697,045	$8,081,897	$8,485,992	$8,910,292
O&M Reserve (1/6 annual)	26,662	20,570	21,624	22,705	23,840	25,032	26,284	27,598	28,978	30,427
Debt Service	1,471,040	1,146,074	1,152,051	1,154,090	1,156,573	1,346,507	1,359,564	1,361,291	1,379,295	313,744
Debt Service Coverage (25%)	367,760	286,519	288,013	288,522	289,143	336,627	339,891	340,323	344,824	78,436
Debt Service Reserve Requirement	(63)	0	0	0	0	0	0	0	0	0
Amortization Charges	84,018	84,018	84,018	84,018	77,169	77,169	77,169	77,169	77,169	18,073
Total Airside Requirement	$7,692,916	$7,568,017	$7,878,083	$8,198,332	$8,528,172	$9,115,853	$9,499,953	$9,888,278	$10,316,257	$9,350,971
Less:										
Applicable Direct Revenue and Reimburse:										
Nonsignatory Landing Fee Revenue	$80,000	$76,948	$88,428	$91,602	$98,762	$107,667	$107,990	$113,528	$119,808	$102,744
Airside Services	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143
Aviation Fueling	1,250,000	1,307,126	1,364,306	1,422,296	1,482,387	1,544,655	1,609,141	1,675,923	1,745,062	1,816,601
Airline Catering (25%)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Apron Fees (10%)	769,292	756,802	787,808	819,833	852,817	911,585	949,995	988,828	1,031,626	935,097
True-up	(2,398)	0	0	0	0	0	0	0	0	0
ADJUSTED REQUIREMENT	$5,516,227	$5,351,242	$5,560,713	$5,786,819	$6,015,441	$6,472,168	$6,752,004	$7,028,104	$7,336,758	$6,412,385
Less: Transfers	744,835	972,227	528,364	573,823	395,004	344,944	606,375	567,353	518,583	565,322
NET REQUIREMENT	$4,771,392	$4,379,015	$5,032,349	$5,212,996	$5,620,437	$6,127,223	$6,145,629	$6,460,751	$6,818,175	$5,847,063
Signatory Landed Weight (1,000 pounds)	N/A	4,807,150	4,928,695	5,049,693	5,169,868	5,291,309	5,415,078	5,529,116	5,655,400	5,767,365
Nonsignatory Landed Weight (1,000 pounds)	N/A	78,165	80,141	82,109	84,063	86,038	88,050	89,904	91,958	93,778
Total Landed Weight (1,000 pounds)	4,513,000	4,885,315	5,008,837	5,131,802	5,253,930	5,377,346	5,503,128	5,619,020	5,747,358	5,861,143
Landing Fee Rate	$1.06	$0.89	$1.00	$1.01	$1.07	$1.14	$1.11	$1.15	$1.18	$1.00
Nonsignatory Surcharge	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Nonsignatory Landing Fee Rate	$1.16	$0.98	$1.10	$1.12	$1.17	$1.25	$1.23	$1.26	$1.30	$1.10
Signatory Landing Fee Revenue	$4,691,392	$4,302,067	$4,943,921	$5,121,393	$5,521,675	$6,019,557	$6,037,639	$6,347,223	$6,698,367	$5,744,319
Nonsignatory Landing Fee Revenue	80,000	76,948	88,428	91,602	98,762	107,667	107,990	113,528	119,808	102,744

Prepared by: Ricondo & Associates, Inc.

Table 4.7
Cash Flow / Coverage Calculation / Cost Per Enplanement

Fiscal Year	Budget 2006	Projected 2007	2008	2009	2010	2011	2012	2013	2014	2015
Airline Revenues:										
Landing Fees	$5,303,466	$4,379,015	$5,032,349	$5,212,996	$5,620,437	$6,127,223	$6,145,629	$6,460,751	$6,818,175	$5,847,063
Landing Fee Rebate	(532,074)	0	0	0	0	0	0	0	0	0
Apron Fees	769,292	756,802	787,808	819,833	852,817	911,585	949,995	988,828	1,031,626	935,097
Terminal Rentals	14,678,333	11,669,940	13,950,283	14,311,000	15,597,434	18,128,707	17,731,783	18,576,931	20,650,813	16,066,371
Tenant Equipment Charges	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Passenger Screening Revenues	500,000	0	0	0	0	0	0	0	0	0
FIS Revenues	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Airline Revenues	$22,949,016	$19,035,756	$22,000,441	$22,573,829	$24,300,687	$27,397,515	$27,057,407	$28,256,510	$30,730,614	$25,078,532
Nonairline Revenues[1]	39,556,900	43,492,134	44,430,682	45,164,261	46,184,156	49,356,012	50,670,025	51,944,940	53,253,743	54,627,765
Subtotal Revenues	$62,505,916	$62,527,890	$66,431,123	$67,738,090	$70,484,844	$76,753,527	$77,727,433	$80,201,450	$83,984,357	$79,706,296
Prior Year Transfer	4,098,011	5,234,971	3,015,655	3,242,953	2,348,857	2,098,557	3,405,712	3,210,600	2,966,751	3,200,446
TOTAL REVENUES	$66,603,927	$67,762,861	$69,446,778	$70,981,043	$72,833,700	$78,852,084	$81,133,145	$83,412,050	$86,951,108	$82,906,742
Less: O&M Expenses	40,703,490	42,736,183	44,872,993	47,116,642	49,472,474	51,946,098	54,543,403	57,270,573	60,134,102	63,140,807
NET REVENUES	$25,900,437	$25,026,678	$24,573,786	$23,864,401	$23,361,226	$26,905,986	$26,589,742	$26,141,477	$26,817,007	$19,765,936
Less: O&M Reserve	438,267	338,782	356,135	373,942	392,639	412,271	432,884	454,528	477,255	501,118
Debt Service	13,193,333	15,598,578	15,660,128	15,681,128	15,706,703	17,662,766	17,797,241	17,815,028	18,000,441	7,026,691
Debt Service Reserve Requirement	(377)	0	0	0	0	0	0	0	0	0
Subordinated Debt Repayment	3,750	1,262,500	40,000	1,080,000	1,040,000	0	0	0	0	0
FUNDS REMAINING	$12,265,465	$7,826,818	$8,517,523	$6,729,331	$6,221,884	$8,830,950	$8,359,617	$7,871,921	$8,339,311	$12,238,128
Coverage Calculation:										
Net Revenues less O&M Reserve	25,462,170	24,687,896	24,217,651	23,490,459	22,968,587	26,493,716	26,156,858	25,686,949	26,339,752	19,264,818
Debt Service	13,193,333	15,598,578	15,660,128	15,681,128	15,706,703	17,662,766	17,797,241	17,815,028	18,000,441	7,026,691
Coverage	1.93	1.58	1.55	1.50	1.46	1.50	1.47	1.44	1.46	2.74
Cost per Enplaned Passenger:										
Airline Revenues	$22,949,016	$19,035,756	$22,000,441	$22,573,829	$24,300,687	$27,397,515	$27,057,407	$28,256,510	$30,730,614	$25,078,532
Enplanements	3,675,000	3,790,400	3,894,600	3,992,000	4,089,800	4,188,000	4,286,400	4,385,000	4,483,700	4,582,300
Cost Per Enplaned Passenger	$6.24	$5.02	$5.65	$5.65	$5.94	$6.54	$6.31	$6.44	$6.85	$5.47

[1] Does not include Tenant Equipment Charges, Passenger Screeing Revenues and FIS Revenues.

Prepared by: Ricondo & Associates, Inc.

Estimated Rate Covenant calculations are also presented for the projection period. As required in the Bond Resolution and described in section 4.1.2 of this document, the County is required to fix rates, fees, rentals and charges for use of the Airport System to produce Revenues in each year sufficient to meet the Rate Covenant in the Bond Resolution. For purposes hereof, it has been assumed that the Rate Covenant is met by establishing Revenues at least equal to the sum of O&M Expenses, including required reserves plus an amount equal to 1.25x Aggregate Debt Service for such Fiscal Year. Adjusted Net Revenues are required to be at least 1.25 times the amount required to be paid for total capital charges in that year. As shown in the table, debt service coverage exceeds the 1.25 requirement in each year of the financial projection.

4.7 Cost per Enplanement

Table 4.7 presents airline cost per enplanement for FY 2006 through FY 2015. Based on the estimates and calculations described in the previous sections, the airline cost per enplanement is projected to decrease from $6.24 in FY 2006, to $5.02 in FY 2007, and then is projected to increase to $6.85 by FY 2014. The airline cost per enplanement decreases in FY 2015, as certain bonds are retired.

4.8 Application of Revenues

Table 4.8 presents the application of revenues projected for FY 2006 through FY 2015 and reflects the disposition of cash flow into the appropriate funds as described in the Bond Resolution.

Table 4.8
Application of Revenues

	Budget	Projected								
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue Fund:										
Beginning Balance [1]	$7,827,112	$8,265,379	$8,604,161	$8,960,296	$9,334,237	$9,726,876	$10,139,147	$10,572,031	$11,026,559	$11,503,814
DEPOSIT: Total Revenues	66,603,927	67,762,861	69,446,778	70,981,043	72,833,700	78,852,084	81,133,145	83,412,050	86,951,108	82,906,742
EXPEND: O&M Expenses	(40,703,490)	(42,736,183)	(44,872,993)	(47,116,642)	(49,472,474)	(51,946,098)	(54,543,403)	(57,270,573)	(60,134,102)	(63,140,807)
TRANSFER: Debt Service Account	(13,193,333)	(15,598,578)	(15,660,128)	(15,681,128)	(15,706,703)	(17,662,766)	(17,797,241)	(17,815,028)	(18,000,441)	(7,026,691)
TRANSFER: Debt Service Reserve Account	377	0	0	0	0	0	0	0	0	0
TRANSFER: Renewal and Replacement Fund	0	(540,799)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
TRANSFER: Subordinated Bond Fund	(3,750)	(1,262,500)	(40,000)	(1,080,000)	(1,040,000)	0	0	0	0	0
TRANSFER: Improvement and Development Fund	(12,265,465)	(7,286,019)	(7,267,523)	(5,479,331)	(4,971,884)	(7,580,950)	(7,109,617)	(6,621,921)	(7,089,311)	(10,988,128)
Ending Balance (O&M Reserve)	$8,265,379	$8,604,161	$8,960,296	$9,334,237	$9,726,876	$10,139,147	$10,572,031	$11,026,559	$11,503,814	$12,004,931
Debt Service Account:										
Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
DEPOSIT: Transfer From Revenue Fund	13,193,333	15,598,578	15,660,128	15,681,128	15,706,703	17,662,766	17,797,241	17,815,028	18,000,441	7,026,691
EXPEND: Revenue Bond Debt Service	(13,193,333)	(15,598,578)	(15,660,128)	(15,681,128)	(15,706,703)	(17,662,766)	(17,797,241)	(17,815,028)	(18,000,441)	(7,026,691)
Ending Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service Reserve Account:										
Beginning Balance [1]	$14,664,928	$0	$0	$0	$0	$0	$0	$0	$0	$0
DEPOSIT: Transfer From Revenue Fund	(377)	0	0	0	0	0	0	0	0	0
DEPOSIT: Bond Proceeds	0	0	0	0	0	0	0	0	0	0
TRANSFER: To Refunding [2]	(14,664,551)									
Ending Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Renewal and Replacement Fund										
Beginning Balance [1]	$3,209,201	$1,959,201	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
DEPOSIT: Transfer From Revenue Fund	0	540,799	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
EXPEND: Renewal and Replacement Expenditure	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)	(1,250,000)
Ending Balance	$1,959,201	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
Subordinated Bond Fund										
Beginning Balance [1]	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
DEPOSIT: Transfer From Revenue Fund	3,750	1,262,500	40,000	1,080,000	1,040,000	0	0	0	0	0
EXPEND: Subordinate Debt Service	(3,750)	(1,262,500)	(40,000)	(1,080,000)	(1,040,000)	0	0	0	0	0
Ending Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Improvement and Development Fund:										
Beginning Balance [1]	$32,965,921	$39,406,215	$40,590,379	$25,286,318	$13,036,039	$14,772,270	$18,741,672	$18,140,689	$17,295,858	$16,684,723
DEPOSIT: Transfer From Revenue Fund	12,265,465	7,286,019	7,267,523	5,479,331	4,971,884	7,580,950	7,109,617	6,621,921	7,089,311	10,988,128
EXPEND: Transfer to Airlines	(5,234,971)	(3,015,655)	(3,242,953)	(2,348,857)	(2,098,557)	(3,405,712)	(3,210,600)	(2,966,751)	(3,200,446)	(5,265,565)
EXPEND: Capital Equipment / Projects	(590,200)	(3,086,199)	(19,328,631)	(15,380,753)	(1,137,096)	(205,837)	(4,500,000)	(4,500,000)	(4,500,000)	(4,500,000)
Ending Balance	$39,406,215	$40,590,379	$25,286,318	$13,036,039	$14,772,270	$18,741,672	$18,140,689	$17,295,858	$16,684,723	$17,907,286

1 Balances as of 9/30/05 provided by Palm Beach County

2 A debt service reserve surety will be procured to comply with the debt reserve requirement for all the Series 2006 Bonds and the unrefunded Series 2001 and Series 2002 Bonds. The cash from the debt service reserve will be deposited (net of the debt service reserve surety premium) to the Series 2006B refunding escrow.

Prepared by: Ricondo & Associates, Inc.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE COUNTY'S DEPARTMENT OF AIRPORTS FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

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FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Palm Beach County Department of Airports
For the Years Ended September 30, 2005 and 2004

Palm Beach County Department of Airports

Financial Statements and
Other Financial Information

Years Ended September 30, 2005 and 2004

Contents

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Report of Independent Certified Public Accountants

The Honorable Board of County Commissioners
Palm Beach County, Florida

We have audited the accompanying financial statements of the Palm Beach County Department of Airports (the Department) as of and for the years ended September 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Palm Beach County Department of Airports' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Department's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the Department, an enterprise fund of Palm Beach County, Florida, and are not intended to present fairly the financial position of Palm Beach County, Florida, and the changes in its financial position and cash flows of its proprietary fund types, in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of September 30, 2005 and 2004, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2006, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Department's financial statements. The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

January 11, 2006

Palm Beach County Department of Airports

Management's Discussion and Analysis

September 30, 2005

The following Management's Discussion and Analysis (MD & A) of the Palm Beach County Department of Airports' (the Department) activities and financial performance provides the reader with an introduction to the financial statements of the Department for the fiscal year ended September 30, 2005. The information contained in this MD & A should be considered in conjunction with the information contained in the financial statements including the notes thereto which are essential to a full understanding of the financial statement data. In addition to the financial statements and accompanying notes, this section presents certain required supplementary information regarding debt service requirements to maturity and a schedule of Department payments to other governmental units for goods and services.

Airport Activities and Highlights

Fiscal year 2005 results showed a 9.25% increase in total passenger traffic. Enplanements for the fiscal year totaled 3,216,772, representing the largest enplanement activity in any fiscal year period.

The following table shows a summary of various activities:

	2005	**2004**	**2003**
Enplanements	**3,521,361**	3,216,772	2,937,681
% Increase/(Decrease)	**9.50%**	9.50%	9.04%
Air Carrier Operations	**69,737**	68,497	64,661
% Increase/(Decrease)	**1.81%**	5.90%	6.37%
Landed Weight	**4,547,543**	4,226,923	4,073,377
% Increase/(Decrease)	**7.59%**	3.77%	6.93%
Cargo Tons	**19,514**	20,175	20,905
% Increase/(Decrease)	**(3.27%)**	(3.49%)	7.14%
Parking (Transactions)	**1,393,944**	1,293,063	1,236,017
% Increase/(Decrease)	**7.80%**	4.62%	5.46%

Financial Operations Highlights

The overall financial position improved due to increased traffic and increased fees. Financial impacts are highlighted as follows:

- Operating revenues rose by 15.9%, increasing from $52.7 million to $61.1 million. Components include an increase in concession revenues of $4.1 million, which includes parking, car rental, and terminal concessions. Increased concessions revenue was due to increased passenger traffic. Rental revenue increased $2.7 million due to increased rental rates.

- Operating expenses increased by 5.8%, totaling $37.9 million in fiscal year 2005. Bad debt expense was recorded in fiscal year 2005 for $1.1 million to recognize the impact of airline bankruptcy filings, with the largest impact from Delta.

- Operating income before depreciation increased by 37.6%, totaling $23.2 million in fiscal year 2005 due to the significant increase in operating revenues.

- The change in net assets for fiscal year 2005 totaled $20.8 million, a decrease of $124,000 from fiscal year 2004. This decline is largely due to the write off of assets which were repaired or replaced in the aftermath of Hurricanes Frances and Jeanne. Additionally, depreciation expense increased due to the addition of new assets during the fiscal year.

Summary of Revenue and Expenses

	2005	**2004**	**2003**
Operating Revenues	**$ 61,061,150**	$ 52,652,831	$ 47,730,386
Operating Expenses	**37,908,547**	35,827,994	34,282,865
Operating Income Before Depreciation and Amortization and Other Non-Operating Income and Expenses	**23,152,603**	16,824,837	13,447,521
Depreciation and Amortization	**18,860,977**	15,720,084	15,785,313
Operating Income (Loss)	**4,291,626**	1,104,753	(2,337,792)
Other Non-Operating Income and Expenses, Net, Including Capital Contributions and Transfers	**16,556,182**	19,866,588	16,263,462
Change in Net Assets	**$ 20,847,808**	$ 20,971,341	$ 13,925,670

Financial Position Summary

Net assets may serve over time as a useful indicator of the Department's financial position. The Department's net assets exceeded liabilities by approximately $282 million at September 30, 2005 and $261 million at September 30, 2004. A condensed summary of the Department's net assets at September 30 is shown below:

	2005	2004	2003
Assets:			
Current and Other Assets	**$ 117,490,466**	$ 115,092,002	$ 109,695,544
Capital Assets	**299,949,563**	288,640,890	287,911,781
Total Assets	**417,440,029**	403,732,892	397,607,325
Liabilities:			
Current and Other Liabilities	**22,429,666**	20,641,185	23,384,908
Long-Term Debt Outstanding	**112,983,561**	121,912,713	134,014,764
Total Liabilities	**135,413,227**	142,553,898	157,399,672
Net Assets:			
Invested in Capital Assets, Net of Debt	**180,055,892**	159,336,201	143,034,391
Restricted	**52,576,285**	60,926,844	54,675,801
Unrestricted	**49,394,625**	40,915,949	42,497,461
Total Net Assets	**$ 282,026,802**	$ 261,178,994	$ 240,207,653

The largest portion of the Department's net assets each year (64% at September 30, 2005) represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Department uses these capital assets to provide services to its passengers and visitors to the Airport; consequently these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Department's net assets (19% at September 30, 2005) represents restricted assets that are subject to external restrictions on how they can be used under bond resolution covenants and Passenger Facility Charge regulations. The remaining unrestricted net assets (17% at September 30, 2005) may be used to meet any of the Department's ongoing obligations.

Significant Events-Hurricane Wilma

During the month of October 2005, the Department was impacted by Hurricane Wilma. Palm Beach International (PBI) and all three general aviation airports were impacted by hurricane force winds. As a result, PBI was closed to commercial activity for approximately 48 hours. Revenue losses were relatively insignificant.

Physical damage to airport facilities under the Department’s responsibilities is estimated at $4 million. Most of the damage was to PBI, with the largest single impact to concourse B roof areas. Complete roof repairs were made within 90 days of the event under emergency procurement provisions.

The Department anticipates 80% to 90% or more of hurricane damage costs to be reimbursed by insurance or Federal Emergency Management Agency (FEMA) payments.

Airline Signatory Rates and Charges

The Department and certain airlines negotiated an Airline-Airport Use and Lease agreement (the Agreement) effective October 1, 2000 for five years, which establishes how the signatory airlines will be assessed rates and charges for the use of PBI. This agreement has been extended for one year, expiring September 30, 2006. At that time it is anticipated a five-year Airline-Airport agreement will be in place using similar terms and conditions. Landing fees and terminal rental rates are calculated for each fiscal year. Signatory airlines receive a 10% rebate of landing fees for landing fees paid in the prior fiscal year.

The Agreement serves as the basis for calculating landing fees and terminal rental rates. All costs associated with operation, maintenance, and debt service of the airfield and terminal are recorded in the respective cost centers. Landed weight and rentable square footage serve as the units for landing fees and terminal rents, respectively. Certain airfield revenues are credited towards the Airline’s net requirement, i.e., residual rate setting methodology. The terminal cost center expenditure requirements is wholly payable by airline rents, i.e., compensatory rate setting methodology. A revenue sharing component of the methodology credits 50% of the prior year’s profitability to the two cost centers.

The Department also has the ability under the Agreement to adjust airline rates and charges at any time throughout the year if the Department determines a rate adjustment would result in a 10% or more increase. This insures the Department is in a position to meet all financial requirements of the Bond resolution regarding debt service coverage requirements.

Rates and charges for the past three fiscal years are as follows:

	2005	**2004**	**2003**
Landing Fee (per 1,000 lbs MGLW)	**$ 1.115**	$ 0.999	$ 0.834
Average Terminal Rate (per square foot)	**55.47**	42.03	39.98
Apron Fee Rental (per linear foot)	**194.07**	184.20	176.60
Loading Bridge Rental (annual rate)	**30,451**	31,177	31,129
Airline Cost per Enplanement	**6.54**	5.84	5.90

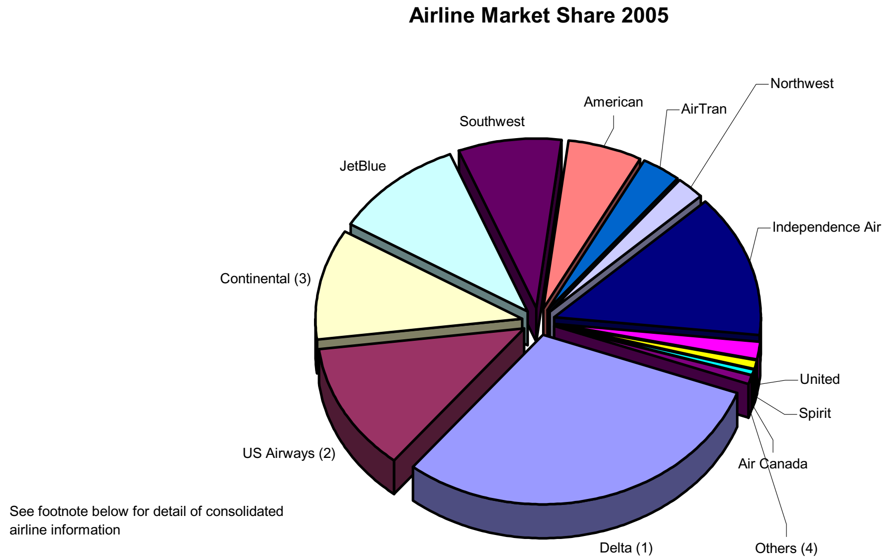
Airline Bankruptcy and Changing Market Share at PBI

Delta and Northwest Airlines filed for bankruptcy protection status in September of 2005. The Department has prepetition debts from these carriers amounting to $1.1 million. Delta accounts for approximately $1 million of this amount. The Department considers it unlikely that these prepetition debts will be paid, and therefore has chosen to charge this amount to bad debt expense. Under the terms and conditions of the Airline agreement, bad debt expense is to be calculated in rates and recovered from airline fees in the subsequent rate period. Independence Air ceased operations in December 2005. All prepetition debt from Independence Air is fully secured by letter of credit.

While Delta and US Airways have historically held a market share in excess of 50% at PBI, current trends show a diversity of market share which strengthens our position somewhat. December 2005 passenger traffic at PBI, set an all time high for the month; Delta accounted for 23% of this traffic (top carrier) and jetBlue accounted for almost 19% (second leading carrier). Continental, US Airways, and Southwest accounted for the next three positions, in that order. The Delta/US Airways combination accounted for 36% of December 2005 traffic. This trend towards diversity in market share is expected to continue.

Airline Market Share and Passenger Information

Total passenger traffic is presented below for fiscal year 2005 by airline, showing market share at Palm Beach International Airport and comparisons to fiscal year 2004.



Total Passengers by Airline

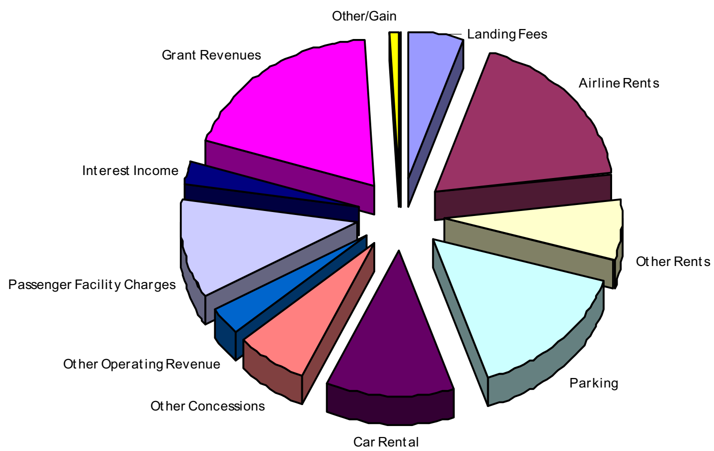
	2005	Change from 2004	% Change from 2004
Delta [1]	**2,393,207**	2,237,169	7%
US Airways [2]	**1,048,897**	949,650	10%
Continental [3]	**828,489**	786,640	5%
JetBlue	**813,021**	641,139	27%
Southwest	**740,200**	640,979	15%
American	**413,370**	452,320	-9%
AirTran	**232,529**	236,973	-2%
Northwest	**185,364**	175,121	6%
Independence Air	**109,041**	109,041	n/a
United	**91,485**	-29,426	-24%
Spirit	**78,139**	5,803	8%
Air Canada	**29,590**	-5,994	-17%
Others [4]	**49,576**	-20,513	-29%
Total	**7,012,908**	593,997	9%

Airline Consolidation Information:

(1) Delta includes Delta, Song, Comair, and Chataqua
(2) US Airways includes US Airways, Henson and Mesa
(3) Continental includes Continental and Gulfstream
(4) Others include Atlantic Southeast, Bahamas Air, Air Midwest, Planet Airways, and Canjet

Revenues

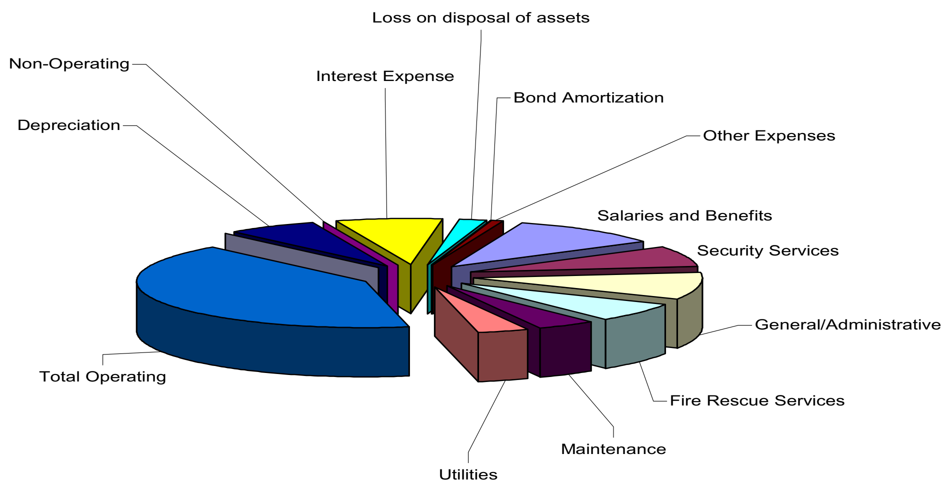
The following chart and table summarize revenues for the year ended September 30, 2005:



	2005	Percent of Total	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Operating:				
Landing Fees	**$ 5,404,755**	6%	$ 1,338,711	33%
Airline Rents	**16,105,820**	19%	2,060,752	14%
Other Rents	**5,928,366**	7%	627,796	14%
Parking	**14,718,885**	17%	2,429,989	20%
Car Rental	**10,373,459**	12%	1,215,003	13%
Other Concessions	**5,747,514**	7%	459,989	9%
Other Operating Revenue	**2,782,351**	3%	276,079	11%
Total Operating Revenues	**61,061,150**	70%	8,408,319	16%
Non-Operating:				
Passenger Facility Charges	**9,633,982**	11%	812,201	9%
Investment Income	**1,926,371**	2%	(98,361)	-5%
Capital Contributions and Grant Revenues	**14,257,136**	16%	(544,410)	-4%
Gain on Disposal of Assets	**–**	0%	(749,493)	-100%
Total Non-Operating Revenues	**25,817,489**	30%	(927,976)	-3%
Total Revenues, Capital Contributions and Transfers	**$ 86,878,639**	100%	$ 768,190	9%

Expenses

The following chart and table summarize expenses for the year ended September 30, 2005:



	2005	Percent of Total	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Operating:				
Salaries and Benefits	**$ 9,630,338**	15%	$ 302,273	3%
Security Services	**6,754,072**	10%	92,928	1%
General/Administrative	**8,746,476**	13%	1,174,220	16%
Fire Rescue Services	**5,778,078**	9%	399,231	7%
Maintenance	**4,125,849**	6%	(5,304)	0%
Utilities	**2,873,734**	5%	117,205	4%
Total Operating	**37,908,547**	57%	2,080,553	6%
Depreciation and Amortization	**18,860,977**	29%	3,140,893	20%
Non-Operating				
Interest Expense	**6,320,387**	10%	(420,500)	-6%
Loss on Disposal of Assets	**2,173,461**	3%	2,173,461	100%
Bond Amortization	**101,432**	0%	(33,298)	-25%
Other Expenses	**666,027**	1%	666,027	100%
Total Non-Operating	**9,261,307**	14%	2,382,430	35%
Total Expenses	**$ 66,030,831**	100%	$ 7,603,876	13%

Summary of Cash Flow Activities

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

	2005	**2004**	**2003**
Cash Flow from Operating Activities	**$ 24,478,456**	$ 15,477,803	$ 12,867,686
Cash Flow from Investing Activities	**2,394,970**	2,604,481	2,364,937
Cash Flow from Non-Capital Financing	**414,317**	358,500	524,711
Cash Flow from Capital and Related Financing Activities	**(24,566,982)**	(13,516,593)	(18,497,783)
Net Increase/(Decrease) in Cash and Cash Equivalents	**2,720,761**	4,924,191	(2,740,449)
Cash and Cash Equivalents:			
Beginning of Year	**84,005,368**	79,081,177	81,821,626
End of Year	**$ 86,726,129**	$ 84,005,368	$ 79,081,177

The Department's available cash and cash equivalents increased from $84 million to $86.7 million from September 30, 2004 to September 30, 2005.

Financial Statements and Reporting Entity

The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated in the United States by the Governmental Accounting Standards Board and the Financial Accounting Standards Board. Revenues are recognized when earned and expenses are recognized when incurred. The Department operates the Airports as an enterprise fund of Palm Beach County. An enterprise fund is used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges by users of such services. See the notes to the financial statements for a summary of the Department's significant accounting policies.

The County is a chartered political subdivision of the State of Florida and is granted the power of self-government by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners is the legislative and governing body of the County.

Capital Acquisitions and Construction Activities

During 2005, the Department expended $32.8 million on capital activities. During 2005, completed projects totaling $50.2 million were transferred from construction-in-progress to their respective capital accounts. The major completed projects and acquisitions were:

Security Checkpoint Expansion	$24.4 million
Taxiway L	6.6 million
Golfview Canal Relocation	5.1 million

In general, acquisitions are funded using a variety of financing sources, including Federal Grants, States Grants, Airport revenues, Passenger Facility Charges, debt issuance, and Revenue Bonds. No new debt or revenue holds were issued in fiscal 2005. The County is contemplating issuing revenue bonds during fiscal year 2006 to construct additional long-term parking facilities for customers. Required bond proceeds for construction are estimated to be $60 million.

Long-Term Debt

The Department had outstanding long-term debt of $111.9 million and $120.9 million as of September 30, 2005 and 2004. Both amounts are net of any current maturities, unamortized premiums, or unamortized discounts. The following table reflects the debt activities that occurred during Fiscal Year 2005:

	Total Outstanding 10/1/2004	Principal Paid	Total Outstanding 9/30/2005
Revenue Refunding Bonds:			
Series 2001	$ 68,320,000	$ 8,410,000	**$ 59,910,000**
Series 2002	60,150,000	–	**60,150,000**
	$ 128,470,000	$ 8,410,000	**$ 120,060,000**
Less Current Maturities			**$ 8,830,000**
Long-Term Portion			**111,230,000**
Add Unamortized Premium			**3,708,620**
Less Unamortized Loss on Refunding			**2,966,257**
Total			**$ 111,972,363**

Credit Ratings and Bond Insurance

On an underlying basis (i.e., uninsured) the Department's credit ratings currently stand at: Standard and Poor's A-, Fitch A, and Moody's Investors Service A3. The Airport's ratings have remained relatively stable due to its relatively strong cash position, improving airline competition, competitive airline fees, and diversified customer base. On an insured basis the rating are as follows: Moody's, S & P, and Fitch, Aaa, AAA, and AAA, respectively.

Passenger Facility Charges

The Department, as of September 30, 2005 has collected $99.6 million in Passenger Facility Charges (PFC) Revenues, including interest on PFC cash balances, since the inception of the program in April 1, 1994. The Department has capital expenditures totaling $78.3 million over the same time period. As of September 30, 2005, the Department was authorized to collect $110.9 million in PFC revenues.

Economic Factors and Next Year's Budgets and Rates

- Palm Beach County has seen significant growth in population and housing.

- The County has announced an agreement with Scripps, a bio-technology research concern, to base a significant portion of their research operations in Palm Beach County. It is expected significant investments by various bio-tech related companies will be made in subsequent years.

- Palm Beach County Tourism has remained strong and continues to show increased occupancy rates in local hotels. Completion of the Convention Center will likely attract more tourism/convention trade to the County. Average occupancy rates for calendar year 2005 were 72.9%; average room rates for calendar year 2005 were $149.30.

These factors should contribute to increased passenger traffic and market strength.

The Department of Airport's 2006 operating budget totals $41.2 million, an increase of 8% over the prior year budget. Budgetary changes impact airline rates for fiscal 2006. Fiscal 2006 terminal rates average $58.78 per square foot; landing fees are $1.147 per 1,000 lbs. of landed weight. Terminal rates increased due to increased costs; landing fees decreased due to a projected increase in landing operations. Airline cost per enplanement is expected to decrease to approximately $6.00.

Request for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning the information provided in this report can be addressed to Mike Simmons, Airport Fiscal Director, Palm Beach County Department of Airports, Palm Beach International Airport, Building 846, West Palm Beach, Florida, 33406 or email at msimmons@pbia.org.

Respectfully submitted,

Mike Simmons, CPA
Airport Fiscal Director

Palm Beach County Department of Airports

Statements of Net Assets

	September 30 2005	September 30 2004
Assets		
Current assets:		
Cash and cash equivalents	**$ 36,051,890**	$ 24,560,756
Accounts receivable, less allowance for doubtful accounts of $1,389,463 and $300,000 in 2005 and 2004, respectively	**1,034,135**	2,065,774
Government grants receivable	**969,056**	1,255,213
Current portion of other receivable	**90,512**	85,524
Inventories	**1,012,760**	905,434
Other current assets	**425,588**	55,488
Total current assets	**39,583,941**	28,928,189
Restricted assets:		
Cash and cash equivalents	**50,674,239**	59,444,612
Investments	**14,017,330**	14,401,413
Interest receivable	**209,332**	208,324
Accounts receivable, less allowance for doubtful accounts of $3,836 and $3,000 in 2005 and 2004, respectively	**11,591**	15,474
Total restricted assets	**64,912,492**	74,069,823
Capital assets:		
Land	**126,136,585**	124,771,003
Depreciable capital assets, net of accumulated depreciation	**169,139,606**	141,084,390
Construction in progress	**4,673,372**	22,785,497
Total capital assets	**299,949,563**	288,640,890
Other noncurrent assets:		
Deferred bond issuance costs	**1,008,693**	1,218,103
Other receivable, net of current portion and discount of $345,271 and $412,643 in 2005 and 2004, respectively	**1,016,729**	1,107,241
Intangible and other assets, net of accumulated amortization of $1,440,551 and $1,130,319 in 2005 and 2004, respectively	**10,968,611**	9,768,646
Total other noncurrent assets	**12,994,033**	12,093,990
Total assets	**$ 417,440,029**	$ 403,732,892

Palm Beach County Department of Airports

Statements of Net Assets (continued)

	September 30	
	2005	**2004**
Liabilities and net assets		
Current liabilities:		
Accounts and contracts payable	**$ 6,285,905**	$ 4,430,849
Compensated absences payable	**95,139**	94,315
Deferred revenue	**1,248,219**	225,220
Due to State of Florida	**1,624,400**	1,624,400
Current portion of loan payable	**100,000**	476,990
Other current liabilities	**739,796**	646,432
Total current liabilities	**10,093,459**	7,498,206
Liabilities payable from restricted assets:		
Accounts and contracts payable	**97,970**	404,619
Security deposits	**248,043**	232,456
Interest payable on revenue bonds	**3,160,194**	3,370,444
Current portion of loan payable	**–**	725,460
Current maturities of revenue bonds	**8,830,000**	8,410,000
Total liabilities payable from restricted assets	**12,336,207**	13,142,979
Long-term liabilities:		
Compensated absences payable	**1,011,198**	1,002,371
Revenue bonds payable (less current maturities and net of unamortized premium of $3,708,620 and $4,439,806 in 2005 and 2004, respectively, and unamortized loss on refunding of $2,966,257 and $3,589,464 in 2005 and 2004, respectively)	**111,972,363**	120,910,342
Total long-term liabilities	**112,983,561**	121,912,713
Total liabilities	**135,413,227**	142,553,898
Net assets:		
Invested in capital assets, net of related debt	**180,055,892**	159,336,201
Restricted:		
Passenger facility charges	**25,004,479**	28,698,088
Debt service	**15,300,697**	15,564,137
Renewal and replacement	**3,186,312**	6,908,849
Operation and maintenance	**6,152,100**	5,838,082
Capital outlay	**2,932,697**	3,917,688
	52,576,285	60,926,844
Unrestricted	**49,394,625**	40,915,949
Total net assets	**$ 282,026,802**	**$ 261,178,994**

Palm Beach County Department of Airports

Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended September 30	
	2005	**2004**
Operating revenues:		
Rentals	**$ 22,034,186**	$ 19,345,557
Concessions	**30,839,858**	26,734,958
Landing fees	**5,404,755**	4,066,044
Other	**2,782,351**	2,506,272
Total operating revenues	**61,061,150**	52,652,831
Operating expenses:		
Employee compensation and benefits	**9,630,338**	9,328,065
General and administrative	**8,746,476**	7,572,256
Maintenance	**4,125,849**	4,131,153
Contracted security services	**6,754,072**	6,661,144
Contracted fire-rescue services	**5,778,078**	5,378,847
Utilities	**2,873,734**	2,756,529
Total operating expenses before depreciation and amortization	**37,908,547**	35,827,994
Operating income before depreciation and amortization	**23,152,603**	16,824,837
Depreciation and amortization	**18,860,977**	15,720,084
Operating income	**4,291,626**	1,104,753
Nonoperating revenues (expenses):		
Investment income	**1,926,371**	2,024,732
Passenger facility charges	**9,633,982**	8,821,781
Operating grants	**414,317**	–
Interest expense	**(6,320,387)**	(6,740,887)
(Loss) Gain on disposal of assets	**(2,173,461)**	738,906
Impairment loss	**(253,973)**	–
Amortization of revenue bond costs	**(101,432)**	(134,730)
Other expenses	**(412,054)**	(3,260)
Total nonoperating revenues (expenses), net	**2,713,363**	4,706,542
Capital contributions	**13,842,819**	14,801,546
Transfers in	**–**	358,500
Change in net assets	**20,847,808**	20,971,341
Net assets at beginning of year	**261,178,994**	240,207,653
Net assets at end of year	**$ 282,026,802**	$ 261,178,994

The accompanying notes to the financial statements are an integral part of these statements.

Palm Beach County Department of Airports

Statements of Cash Flows

	Years Ended September 30	
	2005	**2004**
Operating activities		
Cash received from customers	**$ 63,135,258**	$ 51,656,915
Cash payments to vendors for goods and services	**(16,185,275)**	(14,742,809)
Cash payments to employees for services	**(9,614,402)**	(9,150,510)
Cash payments to other funds	**(12,445,071)**	(12,282,533)
Other disbursements	**(412,054)**	(3,260)
Net cash provided by operating activities	**24,478,456**	15,477,803
Noncapital financing activities		
Transfers from other County funds	**–**	358,500
Operating grants received	**414,317**	–
Net cash provided by noncapital financing activities	**414,317**	358,500
Capital and related financing activities		
Acquisition and construction of capital assets	**(33,105,210)**	(15,564,456)
Proceeds from sale of capital assets	**115,418**	768,704
Insurance proceeds from impairment loss	**702,939**	–
Repayment on loan payable	**(1,102,450)**	(7,697,431)
Principal repayment on revenue bonds	**(8,410,000)**	(8,010,000)
Passenger facility charges received	**9,633,982**	8,821,781
Receipt of capital grants and reimbursements	**14,128,976**	15,105,947
Interest and fiscal charges paid	**(6,530,637)**	(6,941,138)
Net cash used for capital and related financing activities	**(24,566,982)**	(13,516,593)
Investing activities		
Purchase of investments	**(10,040,449)**	(14,280,985)
Proceeds from sale and maturity of investments	**10,040,949**	14,370,352
Receipt of repayments on other receivables	**85,524**	80,811
Interest received on investments	**2,308,946**	2,434,303
Net cash provided by investing activities	**2,394,970**	2,604,481
Net change in cash and cash equivalents	**2,720,761**	4,924,191
Cash and cash equivalents at beginning of year (including $59,444,612 and $51,920,417 in restricted accounts)	**84,005,368**	79,081,177
Cash and cash equivalents at end of year (including $50,674,239 and $59,444,612 in restricted accounts)	**$ 86,726,129**	$ 84,005,368

Continued on next page.

Palm Beach County Department of Airports

Statements of Cash Flows (continued)

	Years Ended September 30	
	2005	2004
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 4,291,626**	$ 1,104,753
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**18,860,977**	15,720,084
Provision for doubtful accounts	**1,090,299**	4,908
Other expense	**(412,054)**	(3,260)
Changes in assets and liabilities:		
Accounts receivable	**(54,777)**	(725,837)
Inventories	**(107,326)**	(21,496)
Intangible and other assets	**(1,880,297)**	(1,112,872)
Accounts and contracts payable	**1,548,407**	851,497
Compensated absences payable	**9,651**	76,044
Deferred revenues	**1,022,999**	(288,621)
Other current liabilities	**93,364**	(141,031)
Security deposits	**15,587**	13,634
Total adjustments	**20,186,830**	14,373,050
Net cash provided by operating activities	**$ 24,478,456**	$ 15,477,803
Non-cash capital and related financing activities		
Amortization of intangible assets	**$ 310,232**	$ 272,477
Amortization of deferred issue costs	**209,410**	134,730
Amortization of premium on bonds	**731,186**	785,080
Contributions of capital assets	**13,842,819**	14,801,546
Disposition of fully depreciated capital assets	**–**	900,040
Change in fair value of investments	**(383,583)**	(389,000)

The accompanying notes to the financial statements are an integral part of these statements.

1. Significant Accounting Policies

Reporting Entity

Palm Beach County (the County) is a chartered political subdivision of the State of Florida and is granted the power of self-government by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners (the Board) is the legislative and governing body of the County.

Pursuant to the general laws of Florida, the County owns the Palm Beach International Airport and three general aviation airports, Palm Beach County Park Airport in Lantana, Palm Beach County Glades Airport in Pahokee and North County General Aviation Airport in Palm Beach Gardens (collectively, the Airports), all operated by the Palm Beach County Department of Airports (the Department of Airports).

Basis of Presentation

The Department of Airports operates the Airports as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the general public where all or most of the costs involved are recovered in the form of charges by users of such services. The Board is empowered to establish and fix rates and charges to the various users of airport facilities. Accordingly, the County has entered into agreements with certain airlines using Palm Beach International Airport and various other lease agreements with tenants doing business at the Airports.

The financial statements included in this report represent the operations of the four Airports.

Basis of Accounting

The accounts of the Department of Airports are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues or capital contributions. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

1. Significant Accounting Policies (continued)

Rental revenue includes revenue from terminal fees charged to airlines. Concession revenue includes car rental concessions and parking fees.

The Department of Airports follows all applicable pronouncements of the Governmental Accounting Standards Board (GASB), as well as certain pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Department of Airports has elected not to apply FASB pronouncements issued after November 30, 1989.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

The Department of Airports considers all highly liquid investments with maturities of three months or less when purchased, as well as its proportionate share of the County's investment pool, to be cash equivalents for purposes of the statement of net assets and the statement of cash flows.

Investments

Investments consist of U.S. Government and Agency obligations. All investments are stated at fair value, based on the last reported sales price for securities traded on a national exchange. Gain or loss on sales of investments is based on the specific identification method.

Accounts Receivable

Accounts receivable are composed primarily of monthly billings to airlines and concessionaires operating at Palm Beach International Airport for various rentals and other fees due under the Department of Airports operating leases. No collateral is required for accounts receivable. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables are written off when management has determined that the amount will not be collected. Collection on accounts previously written off is included in other revenues when received.

1. Significant Accounting Policies (continued)

Inventories

Inventories, consisting mostly of materials and supplies, are stated at the lower of cost or market determined on the first-in, first-out basis or market value.

Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. Capital assets are defined as those assets with an initial, individual cost of over $1,000. Major renewals and betterments which significantly add to the productive capacity or extend the useful life of capital assets are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which are summarized as follows:

Buildings	10-40 years
Improvements other than buildings	5-20 years
Furniture, fixtures and equipment	4-12 years

Depreciation on capital assets acquired through contributions from developers, customers and other governments is recorded as an expense in the statements of revenues, expenses and changes in net assets.

The Department of Airports purchases certain residential parcels of land that are considered to be within the area designated as “noise-impacted” surrounding the Airports. The costs of acquisition, structure demolition and relocation of residents in this area are eligible under the Federal Aviation Administration (FAA) Noise Abatement Grant Program for reimbursement. The FAA funds approximately 80% of these costs with the remainder financed by the Department of Airports. The FAA retains a continuing interest in the properties equal to its original funding percentage and restricts the use of such properties to purposes which are compatible with noise levels associated with the operation of Airports. The total cost associated with acquiring these parcels of land are approximately $80,781,000 and $79,793,000 at September 30, 2005 and 2004, respectively, and is recorded under the caption “land” in the accompanying statements of net assets.

1. Significant Accounting Policies (continued)

Intangible Assets

The costs of various easement rights are capitalized as intangible assets and are amortized using the straight-line method over their remaining lives, which is determined to be 40 years.

Security Deposits

Security deposits represent cash deposits held by the Department of Airports pursuant to certain operating leases.

Deferred Revenue

Deferred revenue consists of lease payments received from airport tenants in advance of the due date under the operating leases.

Restricted Assets and Reserves

Certain assets are restricted in accordance with the provisions of the Bond Resolution (Resolution) and in accordance with FAA restrictions. Assets restricted under the Resolution are designated primarily for payment of debt service and the retention of the operation and maintenance reserve, all as defined in the Resolution. Assets subject to FAA restrictions include restricted cash and cash equivalents of approximately $2,387,000 and $4,589,000 at September 30, 2005 and 2004, respectively, and results from the sale of excess land previously contributed by the FAA and not required for aviation purposes. These assets are restricted until appropriated for FAA approved projects. In addition, the Department of Airports also has passenger facility charge revenues that are restricted by the FAA to capital projects.

Amortization

Bond discount or premium and expenses incurred in connection with the issuance or refunding of revenue bonds are deferred and amortized using the interest method over the life of the related debt issue.

1. Significant Accounting Policies (continued)

Interest

Interest costs are expensed or capitalized in accordance with the provisions of Statements of Financial Accounting Standards No. 34, Capitalization of Interest Cost, and No. 62, Capitalization and Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants. The amount of interest cost incurred was $6,320,387 and $6,740,887 for the fiscal years ended September 30, 2005 and 2004, respectively, all of which was charged to expense.

Compensated Absences

Department of Airports employees accumulate unused vacation and sick leave within certain limitations. Accumulated vacation and sick leave is payable to employees upon termination or retirement at their pay rate on that date. The Department of Airports accrues unused vacation and sick leave on the statement of net assets as compensated absences payable.

The Department of Airports does not provide any other post-employment benefits to employees.

Passenger Facility Charges

In 1994, the FAA began a program allowing Airports to collect a $3 Passenger Facility Charge (PFC) per enplaned passenger. The monies collected under this program must be used for capital related improvements to the Airport facilities and all expenditures of these funds must be pre-approved by the FAA. The Department of Airports was authorized to collect up to approximately $109.4 million through February 2007. PFC revenue is treated as nonoperating revenue in the financial statements.

Capital Contributions

Grants from other governmental agencies for the acquisition of capital assets are recorded as capital contributions when related costs are incurred.

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the following at September 30, 2005 and 2004:

	2005	**2004**
Equity in County pooled cash system	**$ 73,971,634**	$ 71,657,823
Deposits with financial institutions	**12,753,395**	12,346,445
Petty cash	**1,100**	1,100
Total	**$ 86,726,129**	$ 84,005,368
Unrestricted cash and cash equivalents	**$ 36,051,890**	$ 24,560,756
Restricted cash and cash equivalents	**50,674,239**	59,444,612
Total	**$ 86,726,129**	$ 84,005,368

The Department of Airports participates in the County's pooled cash system to maximize earnings and facilitate cash management. The County's pooled cash fund is a highly liquid investment pool of approximately $1.6 billion and $1.4 billion as of September 30, 2005 and 2004, respectively, of which approximately 91% and 88%, respectively, are invested in U.S. Government and Agency obligations. The County's investment policy for this pool requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least $500 million and a separate custody account at the Federal Reserve Bank that is restricted for the safekeeping of County owned securities. Almost all remaining amounts at September 30, 2005 and 2004 were invested in the Local Government Surplus Funds Trust Fund investment pool managed by the Florida State Treasurer (State Treasurer) and the Florida Local Government Investment Trust, both of which are considered 2a-7 like pools. The equity in the County pooled cash system is available to the Department of Airports on a demand basis.

2. Cash and Cash Equivalents and Investments (continued)

The deposits with financial institutions were entirely covered by a combination of Federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to at least 50% of the average daily balance of all government deposits in excess of any Federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of Federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured.

Investments

County ordinance and the Resolution authorize the Department of Airports to invest in obligations of the U.S. Government, U.S. Government Agencies and Instrumentalities, interest-bearing time deposits or savings accounts, the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust. The Department of Airports invested only in permissible securities during the year.

The Department of Airports carries its investments at fair value, except for the State Treasurer's Investment Pool, Guaranteed Investment Contracts (nonparticipating) and Money Market Mutual Funds, which are all reported at amortized cost, which approximates fair value. At September 30, 2005 and 2004, investments held outside of the County pool consisted of U.S. Government Agency obligations with a carrying value of $14,017,330 and $14,401,413 respectively. The Department of Airports anticipates holding these investments to maturity. In accordance with the County's investment policy, these are registered in the name of the County and are held by a third party custodial institution in a separate custody account. Investment income for the years ended September 30, 2005 and 2004 includes net realized and unrealized losses of approximately $384,000 and $389,000, respectively.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investments in U.S. Government Agency securities and County pooled cash are subject to interest rate risk as a function of the length of time to maturity. The County's

2. Cash and Cash Equivalents and Investments (continued)

investment policy limits the maturity of investments in U.S. Government Agency securities to 10 years or less. The breakdown of investments by maturity at September 30, 2005 and 2004 consists of the following:

		Maturity in Years		
September 30, 2005	Fair Value	Less Than 1 Year	1 Year but Less Than 3 Years	3 Years but Less Than 8 Years
U.S. Government Securities	80,614,211	8,663,020	44,881,356	27,069,835
Bank Deposits	12,774,385	12,774,385	-	-
Investment in State Treasurer's Investment Pool	5,765,106	5,765,106	-	-
Investment in Florida County Investment Trust	1,129,946	-	1,129,946	-
Corporate Bonds	458,711	458,711	-	-
Total Bank Deposits & Investments	100,742,359	27,661,222	46,011,302	27,069,835

		Maturity in Years		
September 30, 2004	Fair Value	Less Than 1 Year	1 Year but Less Than 3 Years	3 Years but Less Than 8 Years
U.S. Government Securities	76,908,294	161,179	58,437,298	18,309,817
Bank Deposits	12,388,089	12,388,089	-	-
Investment in State Treasurer's Investment Pool	7,393,759	7,393,759	-	-
Investment in Florida County Investment Trust	1,201,038	-	1,201,038	-
Corporate Bonds	514,501	-	514,501	-
Total Bank Deposits & Investments	98,405,681	19,943,027	60,152,837	18,309,817

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The County's investment policy addresses credit risk by limiting allowable investments in commercial paper and bankers acceptances with ratings of A-1 or P-1 or higher by Standard and Poor and Moody's, respectively. Investments in corporate securities are limited to ratings of AA or higher by Standard and Poor's and Moody's. Corporate securities are limited to no more than 20% of the total market value, excluding commercial paper, which is limited to 25% of the total market value.

2. Cash and Cash Equivalents and Investments (continued)

No-load money market mutual funds are allowable if they are rated in the highest rating category of the Nationally Recognized Statistical Rating Organization (NRSRO). The credit quality ratings and concentrations of securities held at September 30, 2005, and 2004 are as follows:

September 30, 2005	Fair Value	Percentage of Total Portfolio	Standard & Poor's Rating	Moody's Rating
U.S. Government Securities	80,614,211	80.0%	AAA	Aaa
Bank Deposits	12,774,385	12.7%	-	-
Investment in State Treasurer's Investment Pool	5,765,106	5.7%	A-1	P-1
Investment in Florida County Investment Trust	1,129,946	1.1%	AAAf	-
Corporate Bonds	458,711	0.5%	AAA	Aaa
Total Bank Deposits & Investments	100,742,359	100.0%		

September 30, 2004	Fair Value	Percentage of Total Portfolio	Standard & Poor's Rating	Moody's Rating
U.S. Government Securities	76,908,294	78.2%	AAA	Aaa
Bank Deposits	12,388,089	12.6%	-	-
Investment in State Treasurer's Investment Pool	7,393,759	7.5%	A-1	P-1
Investment in Florida County Investment Trust	1,201,038	1.2%	AAAf	-
Corporate Bonds	514,501	0.5%	AAA	Aaa
Total Bank Deposits & Investments	98,405,681	100.0%		

2. Cash and Cash Equivalents and Investments (continued)

Custodial Credit Risk: Custodial credit risk is defined as the risk that in the event of a failure of the counterparty, the government will not be able to recover the value of its investments that are in the possession of an outside party. The County's investment policy requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital surplus stock of at least $500 million and a separate custody account at the Federal

Reserve Bank be specifically designated as restricted for the safekeeping of the County's owned securities. All investments in U.S. Government Agency securities are considered fully insured or collateralized pursuant to the custodial credit risk categories of GASB Statement No. 3.

Concentration Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The County's investment policy limits investments in corporate securities to 2% of total investment value per single issuer.

3. Capital Assets

	Balance at October 1, 2004	Additions	Retirements	Transfers	Balance at September 30, 2005
Depreciable capital assets					
Buildings	$ 188,822,797	$ 1,795,771	$10,113,628	$27,971,423	**$ 208,476,363**
Improvements other than buildings	147,948,237	–	317,143	18,937,172	**166,568,266**
Furniture, fixtures and equipment	31,047,497	1,147,387	780,632	–	**31,414,252**
Total depreciable capital assets	367,818,531	2,943,158	11,211,403	46,908,595	**406,458,881**
Less accumulated depreciation					
Buildings	94,549,533	10,018,040	6,889,698	–	**97,677,875**
Improvements other than buildings	106,054,751	7,078,266	307,632	–	**112,825,385**
Furniture, fixtures and equipment	26,129,141	1,454,439	728,281	–	**26,816,015**
Total accumulated depreciation	226,734,141	18,550,745	7,965,611	–	**237,319,275**
Depreciable capital assets, net of accumulated depreciation	$ 141,084,390	$(15,607,587)	$ 1,365,582	$46,908,595	**$ 169,139,606**
Nondepreciable capital assets					
Land	$ 124,771,003	$ 1,365,582	$ –	$ –	**$ 126,136,585**
Construction in progress	22,785,497	28,796,470	–	(46,908,595)	**4,673,372**

3. Capital Assets (continued)

Capital assets consist of the following:

	Balance at October 1, 2003	Additions	Retirements	Transfers	Balance at September 30, 2004
Depreciable capital assets					
Buildings	$ 183,730,273	$ –	$ –	$ 5,092,524	$ 188,822,797
Improvements other than buildings	144,143,065	146,672	–	3,658,500	147,948,237
Furniture, fixtures and equipment	30,987,705	962,210	902,418	–	31,047,497
Total depreciable capital assets	358,861,043	1,108,882	902,418	8,751,024	367,818,531
Less accumulated depreciation					
Buildings	86,955,356	7,594,177	–	–	94,549,533
Improvements other than buildings	99,636,837	6,417,914	–	–	106,054,751
Furniture, fixtures and equipment	25,594,380	1,435,517	900,040	–	26,129,857
Total accumulated depreciation	212,186,573	15,447,608	900,040	–	226,734,141
Depreciable capital assets, net of accumulated depreciation	$ 146,674,470	$(14,338,726)	$ 2,378	$8,751,024	$ 141,084,390
Nondepreciable capital assets					
Land	$ 122,489,483	$ 2,308,940	$ 27,420	$ –	$ 124,771,003
Construction in progress	18,747,828	12,788,693	–	(8,751,024)	22,785,497

4. Leases

The Department of Airports leases a major portion of its property to airlines and concessionaires. Certain of the concessionaire leases provide for minimum rentals plus a contingency portion specified as a percentage of the tenants' gross revenues. Contingent rental income under such arrangements amounted to approximately $5,173,000 and $8,177,000 for the years ended September 30, 2005 and 2004, respectively. All Department of Airports' leases are operating leases.

Minimum future rentals, exclusive of contingent rentals under such leases, are approximately:

Year ending September 30	
2006	$ 31,808,000
2007	14,838,000
2008	14,491,000
2009	3,440,000
2010	3,160,000
Thereafter	30,237,000
	$ 97,974,000

A schedule of the carrying value of property held for lease, by major classification, as of September 30, 2005 and 2004, is as follows:

	2005	**2004**
Buildings	**$ 171,486,932**	$ 143,666,839
Less: accumulated amortization	**79,062,170**	72,967,964
	92,424,762	70,698,875
Land	**1,867,182**	1,867,182
Property held for lease, net	**$ 94,291,944**	$ 72,566,057

5. Due to State of Florida

The Department of Airports entered into joint participation agreements with the Florida Department of Transportation (FDOT) and received State financial assistance for the acquisition of land for the North County Airport. Pursuant to the terms of the Joint Participation Agreements and Florida Statutes, the FDOT advanced up to 75% of the cost of the land acquisition and is to be reimbursed for all amounts in excess of 50% of eligible project costs which are not funded by the Federal Government. Reimbursements are due to the FDOT when Federal funds are received or within ten years after the date of the land acquisition, whichever is earlier. At September 30, 2005 and 2004, the amount to be reimbursed to the FDOT related to the advanced funds is $1,624,400 because the ten-year period has expired. Management of the Department of Airports is currently in negotiations with the FDOT regarding the ultimate disposition of this advance.

6. Revenue Bonds and Loan Payable

Revenue bonds payable by the Department of Airports consist of the following as of September 30, 2005 and 2004:

	2005	**2004**
Series 2002 Revenue Refunding Bonds due in annual installments of $13,645,000 to $16,500,000 beginning October 1, 2011 through October 1, 2014, with interest at 5.75% payable semiannually on October 1 and April 1	**$ 60,150,000**	$ 60,150,000
Series 2001 Revenue Refunding Bonds due in annual installments of $7,635,000 to $11,215,000 through October 1, 2010, with interest from 4.0% to 5.5% payable semiannually on October 1 and April 1	**59,910,000**	68,320,000
	120,060,000	128,470,000
Less: current portion	**8,830,000**	8,410,000
	111,230,000	120,060,000
Net unamortized premium	**3,708,620**	4,439,806
Unamortized loss on refunding	**(2,966,257)**	(3,589,464)
Long-term portion	**$ 111,972,363**	$ 120,910,342

6. Revenue Bonds and Loan Payable (continued)

Series 2002

Series 2002, $60,150,000 Airport System Revenue Refunding Bonds, dated July 1, 2002; proceeds were used for the purpose of refunding the $90,690,000 Airport System Revenue Refunding Bonds, Series 1992, paying the swap termination fee related to the Series 2002 bonds, and paying the issuance costs of the Series 2002 bonds. The Series 2002 bonds are not subject to redemption prior to maturity.

This advance refunding resulted in a loss of approximately $2.9 million that is being deferred and amortized over the life of the new bonds. However, the Department of Airports reduced its aggregate debt service payments by approximately $3.7 million over the next 12 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $900,000.

Series 2001

Series 2001, $83,965,000 Airport System Revenue Refunding Bonds, dated July 1, 2001; proceeds were used for the purpose of refunding the $94,815,000 Airport System Revenue Refunding Term Bonds, Series 1991 (except for the sinking fund installment due October 1, 2001), paying the swap termination fee related to the Series 2001 bonds, and paying the issuance costs of the Series 2001 bonds. The Series 2001 bonds are not subject to redemption prior to maturity.

This advance refunding resulted in a loss of approximately $2.7 million that is being deferred and amortized over the life of the new bonds. However, the Department of Airports reduced its aggregate debt service payments by approximately $7.1 million over the next nine years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $4.2 million.

6. Revenue Bonds and Loan Payable (continued)

Loan Payable

In conjunction with the purchase of a parcel of property during the fiscal year ended September 30, 2003, the Airport is obligated to pay $9.5 million of the $14.5 million total purchase price over a period of approximately 2.5 years. The $9.5 million will be paid to the seller as the seller makes draws for construction on its new facility. The loan is non interest bearing. The current portion of the loan at September 30, 2005 was $100,000 which represents the final amount of retainage withheld on the project.

A summary of changes in long term liabilities for the years ended September 30, 2005 and 2004 is as follows:

	Balance at October 1, 2004	**Additions**	**Reductions**	**Balance at September 30, 2005**	**Due Within One Year**
Revenue refunding bonds:					
Series 2002	$ 60,150,000	$ –	$ –	**$ 60,150,000**	$ –
Series 2001	68,320,000	–	8,410,000	**59,910,000**	8,830,000
Loan payable	1,202,450	–	1,102,450	**100,000**	100,000
Compensated absences payable	1,096,686	17,500	7,849	**1,106,337**	95,139
	$ 130,769,136	$ 17,500	$ 9,520,299	**121,266,337**	$ 9,025,139
Less current maturities				**9,025,139**	
Long-term portion				**112,241,198**	
Add unamortized bond premium				**3,708,620**	
Less unamortized loss on refunding				**2,966,257**	
Total				**$ 112,983,561**	

6. Revenue Bonds and Loan Payable (continued)

	Balance at October 1, 2003	Additions	Reductions	Balance at September 30, 2004	Due Within One Year
Revenue refunding bonds:					
Series 2002	$ 60,150,000	$ –	$ –	$ 60,150,000	$ –
Series 2001	76,330,000	–	8,010,000	68,320,000	8,410,000
Loan payable	8,899,881	–	7,697,431	1,202,450	1,202,450
Compensated absences payable	1,020,642	112,505	36,461	1,096,686	94,315
	$ 146,400,523	$ 112,505	$ 15,743,892	130,769,136	$ 9,706,765
Less current maturities				9,706,765	
Long-term portion				121,062,371	
Add unamortized bond premium				4,439,806	
Less unamortized loss on refunding				3,589,464	
Total				$ 121,912,713	

The annual debt service requirements for all outstanding bonds are as follows:

	Principal	Interest	Total
Year ending September 30,			
2006	$ 8,830,000	$ 6,077,561	$ 14,907,561
2007	9,315,000	5,648,436	14,963,436
2008	9,960,000	5,195,661	14,885,661
2009	10,225,000	4,724,686	14,949,686
2010	10,635,000	4,227,724	14,862,724
2011-2015	71,365,000	10,885,881	82,250,881
	$ 120,060,000	$ 36,759,949	$ 156,819,949

7. Interest Rate Swap Agreements

In May 2001, the County entered into termination agreements with Merrill Lynch Capital Services (MLCS) to terminate its interest rate swap agreements. On July 3, 2002 the Department of Airports paid $2,477,800 to terminate the agreement related to the Series 2002 bonds. In conjunction with the termination of the swap agreement related to the Series 2002 bonds, MLCS agreed to pay the Department of Airports $76,488 on each October 1 and April 1 beginning October 1, 2002 and ending October 1, 2014. These future payments were discounted at 5.75% and the net amount of $1,312,000 (payments to be received totaling $1,912,200 less discount of $600,200) was recorded as a receivable and a reduction of the loss on swap termination. At September 30, 2005 and 2004 the net amount receivable was $1,107,241 (net of discount of $345,271) and $1,192,765 (net of discount of $412,643), respectively.

8. Defined Benefit Pension Plan

Plan Description

All regular full-time employees of the Department of Airports are required to participate in the Florida Retirement System (the System) administrated by the Florida Department of Management Services, Division of Retirement. The System is a cost-sharing, multiple-employer, defined benefit public employee retirement system that provides retirement, death and disability benefits to plan members and beneficiaries. Pension benefits of the System are established by Florida Statutes, Chapter 121, and may be amended by the Florida Legislature.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Florida Department of Management Services, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 1-850-488-5706.

Funding Policy

Plan members are not required to contribute to the System. The Department of Airports is required to contribute at an actuarially determined rate, which is presently 7.83% of annual covered payroll. The contribution requirement for plan members and participating governments is established by State Statute. The Department of Airports' contributions to the System for the years ended September 30, 2005, 2004 and 2003 were approximately $550,000, $517,000 and $413,000, respectively, and were equal to the required contributions for each year.

9. Related-Party Transactions

The Department of Airports reimburses the General Fund of Palm Beach County for an allocated portion of certain support department costs which include such services as legal, administrative, fiscal, engineering, purchasing, personnel, internal audit and communication costs. The Department of Airports is also charged for the cost of services provided by the Motor Pool, Casualty Self-Insurance, Workers' Compensation and Data Processing Internal Service Funds of the County. The total cost for the above services was approximately $3,505,000 and $4,192,000 for the years ended September 30, 2005 and 2004, respectively. In addition, the Department of Airports pays solid waste disposal fees to the Solid Waste Authority of Palm Beach County, a dependent special district and component unit of Palm Beach County, Florida. Fees paid to the Solid Waste Authority for the years ended September 30, 2005 and 2004 totaled approximately $165,000 and $162,000, respectively. At September 30, 2005 and 2004, there were no amounts receivable from other funds and departments of Palm Beach County and $352,062 and $265,364, respectively, was payable to other County funds and departments. These amounts are included in accounts and contracts payable in the statement of net assets.

The Department of Airports also contracts directly with the Palm Beach County Sheriff's Department for security services at Palm Beach International Airport. The cost of these services was approximately $6,344,000 and $6,661,000 for the years ended September 30, 2005 and 2004, respectively. The Department of Airports also contracts with the Fire-Rescue Department for fire-rescue services at Palm Beach International Airport. The cost of these services was approximately $5,778,000 and $5,389,000 for the years ended September 30, 2005 and 2004, respectively.

10. Major Customers

A significant portion of the Department of Airports' earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines operating out of Palm Beach International Airport.

The Department of Airports' earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations at Palm Beach International Airport and should the Department of Airports be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

10. Major Customers (continued)

Major airlines, based on this criterion, are as follows:

	Percent of Activity Based Upon Enplaned Passengers	
	Years Ended September 30	
	2005	**2004**
Airline		
Delta Airlines, Inc.	**32.80%**	33.01%
USAir, Inc.	**15.02**	14.79
Continental Airlines, Inc.	**10.85**	11.14
Southwest Airlines Company	**10.62**	9.99
Jet Blue Airways Corporation	**11.56**	9.99
American Airlines, Inc.	**5.77**	7.04
Others	**13.38**	14.04
	100.00%	100.00%

11. Commitments and Contingencies

Litigation

The Department of Airports is involved in various lawsuits arising in the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of management of the Department of Airports, based upon consultation with legal counsel, that the outcome of these lawsuits will not materially affect the financial position of the Department of Airports.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the State of Florida and the Federal Aviation Administration. Any disallowed claims, including amounts already received, might constitute a liability of the Department of Airports for the return of those funds.

11. Commitments and Contingencies (continued)

Self-Insurance

The Department of Airports participates in the County-wide self-insurance programs for casualty, health and workers' compensation risks and paid premiums of $1,387,757 and $1,712,086, for the years ended September 30, 2005 and 2004, respectively. While each of these programs is subject to potential losses in excess of the amounts that have been accrued and funded as of September 30, 2005 and 2004, management believes it is unlikely that the amounts of such potential losses, if any, would be material. In addition, the Department of Airports also has a commercial property policy that provides insurance in the event of wind damage.

Contract Commitments

The Department of Airports has several uncompleted design and construction contracts for improvements to the airport system. At September 30, 2005, the remaining commitment on these uncompleted contracts was $7,354,116, which is summarized as follows:

Contract Amount	Approved Payments	Retainage Payable	Remaining Contract Commitment
$ 50,311,086	$ 41,592,916	$ 1,364,054	$ 7,354,116

Other

During the month of September 2004, the Department was significantly impacted by hurricanes Frances and Jeanne. Palm Beach International (PBI) and all three general aviation airports were impacted by hurricane force winds. While all the necessary repairs to the Department's facilities were made during 2005, the Department has yet to receive insurance proceeds for approximately $1.5 million in filed claims. No amounts have been accrued pending approval of the claims.

12. Subsequent Events

During the month of October 2005, the Department was significantly impacted by Hurricane Wilma. PBI and all three general aviation airports were impacted by hurricane force winds. As a result, PBI was closed to commercial activity for approximately 48 hours. While revenue losses were relatively insignificant, physical damage to airport facilities is estimated at $4 million. Most of the damage was to PBI. The Department anticipates that 80% to 90% or more of the hurricane damage costs will be reimbursed by insurance or FEMA payments.

Subsequent to September 30, 2005, the County Commission authorized the sale of Department owned land to a local college for a selling price of $3 million. In addition, the Commission also approved the construction of a parking garage on airport property at a cost of approximately $55 million. Revenue bonds will be issued to finance the construction. As of the date of the financial statements, no contract has been signed nor have the bonds been issued.

Other Financial Information

Palm Beach Department of Airports

Schedule of Amounts on Deposit and Investments

September 30, 2005

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		$ 1,100	$ 1,100
Cash and cash equivalents:			
Equity in pooled cash (2)		9,377,076	9,377,076
		$ 9,378,176	$ 9,378,176
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 3,209,201	$ 3,209,201
Debt service fund—2001 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 21,318	$ 21,318
Bank of America – money market account (1)		10,365,676	10,365,676
		$ 10,386,994	$ 10,386,994
Debt service fund—2002 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 397,343	$ 397,343
Bank of America – money market account (1)		1,740,228	1,740,228
		$ 2,137,571	$ 2,137,571
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 60	$ 60
Bank of America – money market account (1)		647,491	647,491
U.S. Government and Agencies:			
FNMA, 2.65%, due 9/8/06 (3)		4,966,000	4,938,091
FHLMC, 5.125%, due 10/15/08 (3)		8,060,880	8,580,691
FHLB, 4.6%, due 8/22/08 (3)		503,359	498,595
		$ 14,177,790	$ 14,664,928

Continued on next page.

Palm Beach Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2005

Description	Par Amount	Cost	Fair Value
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		**$ 2,386,684**	**$ 2,386,684**
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		**$ 32,965,921**	**$ 32,965,921**
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		**$ 25,011,566**	**$ 25,011,566**
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		**$ 602,418**	**$ 602,418**

Notes:

(1) Held on deposit or as safekeeping agent by Bank of America, West Palm Beach, Florida with U.S. Bank, as Trustee.

(2) Investment represents amounts on deposit in the Palm Beach County pooled cash system. As of September 30, 2005, approximately 91% of funds held in this pooled system were invested in U.S. Government and Agency obligations and virtually all of the remaining funds were invested in the Local Government Surplus Funds Trust Fund investment pool managed by the Florida State Treasurer and the Florida Local Government Investment Trust.

(3) Held on deposit or as safekeeping agent by U.S. Bank.

Palm Beach Department of Airports

Schedule of Amounts on Deposit and Investments

September 30, 2004

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		$ 1,100	$ 1,100
Cash and cash equivalents:			
Equity in pooled cash (2)		7,951,054	7,951,054
		$ 7,952,154	$ 7,952,154
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 6,908,849	$ 6,908,849
Debt service fund—2001 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 55,194	$ 55,194
Bank of America – money market account (1)		10,087,562	10,087,562
		$ 10,142,756	$ 10,142,756
Debt service fund—2002 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 333,111	$ 333,111
Bank of America – money market account (1)		1,733,761	1,733,761
		$ 2,066,872	$ 2,066,872
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 58	$ 58
Bank of America – money market account (1)		525,122	525,122
U.S. Government and Agencies:			
FNMA, 2.65%, due 9/8/05 (3)	$ 4,966,000	4,966,000	4,970,668
FHLMC, 5.125%, due 10/15/08 (3)	8,415,000	8,060,880	8,927,810
FHLB, 3.0%, due 8/15/05 (3)	500,000	503,359	502,935
		$ 14,055,419	$ 14,926,593

Continued on next page.

Palm Beach Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2004

Description	Par Amount	Cost	Fair Value
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 5,239,278	$ 5,239,278
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 22,679,140	$ 22,679,140
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ 28,698,088	$ 28,698,088
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		$ (206,949)	$ (206,949)

Notes:

(1) Held on deposit or as safekeeping agent by Bank of America, West Palm Beach, Florida with U.S. Bank, as Trustee.

(2) Investment represents amounts on deposit in the Palm Beach County pooled cash system. As of September 30, 2004, approximately 88% of funds held in this pooled system were invested in U.S. Government and Agency obligations and virtually all of the remaining funds were invested in the Local Government Surplus Funds Trust Fund investment pool managed by the Florida State Treasurer and the Florida Local Government Investment Trust.

(3) Held on deposit or as safekeeping agent by U.S. Bank.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account

For the Year Ended September 30, 2005

	Total	Revenue Fund	Renewal and Replacement Fund	Debt Service Fund: 2002 Debt Service Refunding	Debt Service Fund: 2001 Debt Service Refunding	Debt Service Fund: Debt Service Reserve Account
Cash and investments on deposit, September 30, 2004	$ 98,406,781	$ 7,952,154	$ 6,908,849	$ 2,066,872	$ 10,142,756	$ 14,926,593
Cash receipts:						
Operating receipts	69,612,301	59,778,157	–	–	–	–
Florida state sales tax	1,686,772	1,686,772	–	–	–	–
Interest collected on investments	1,927,826	204,749	106,574	98,610	143,218	201,456
Net customer deposits received	18,368	18,368	–	–	–	–
Proceeds from grants	14,366,656	–	–	–	–	–
Sale of land	–	–	–	–	–	–
Other receipts	1,044,506	–	821,759	85,524	–	–
Transfers from:		–	–	–	–	–
Passenger facility charge fund	13,893,548	–	212,432	–	–	–
Noise abatement & mitigation fund	14,090,686	–	–	–	–	–
Operations fund	15,071,179	–	–	3,445,537	11,625,642	–
Capital projects fund	–	–	–	–	–	–
Renewal and replacement fund	2,865,532	115,532	–	–	–	–
Debt service fund – debt service reserve account	463,121	463,038	–	19	64	–
Debt service fund	131,368	131,368	–	–	–	–
Restricted assets fund	2,135,955	69,755	–	–	–	–
Improvement and development fund	5,778,734	5,778,734	–	–	–	–
Total cash receipts	143,086,552	68,246,473	1,140,765	3,629,690	11,768,924	201,456

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the Year Ended September 30, 2005

	Restricted Assets Fund	Improvement & Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash and investments on deposit, September 30, 2004	$ 5,239,278	$ 22,679,140	$ 28,698,088	$ (206,949)
Cash receipts:				
Operating receipts	–	–	9,641,070	193,074
Florida state sales tax	–	–	–	–
Interest collected on investments	62,806	547,923	565,956	(3,466)
Net customer deposits received	–	–	–	–
Proceeds from grants	–	11,606,842	–	2,759,814
Sale of land	–	–	–	–
Other receipts	14,100	100,454	–	22,669
Transfers from:	–	–	–	–
Passenger facility charge fund	–	13,681,116	–	–
Noise abatement & mitigation fund	–	14,090,686	–	–
Operations fund	–	–	–	–
Capital projects fund	–	–	–	–
Renewal and replacement fund	–	2,750,000	–	–
Debt service fund – debt service reserve account	–	–	–	–
Debt service fund	–	–	–	–
Restricted assets fund	–	1,316,200	–	750,000
Improvement and development fund	–	–	–	–
Total cash receipts	76,906	44,093,221	10,207,026	3,722,091

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the Year Ended September 30, 2005

	Total	Revenue Fund	Renewal and Replacement Fund	Debt Service Fund: 2002 Debt Service Refunding	Debt Service Fund: 2001 Debt Service Refunding	Debt Service Fund: Debt Service Reserve Account
Cash disbursements:						
Operating expenses	$ 36,563,768	$ 35,853,248	$ –	$ 4,240	$ 7,431	$ –
Capital expenditures	33,091,898	81,891	1,974,881	–	–	–
Bond interest expense	6,530,638	–	–	3,458,625	3,072,013	–
Bond issue costs	–	–	–	–	–	–
Florida state sales tax	1,723,447	1,723,447	–	–	–	–
Matured bonds/interest	8,410,000	–	–	–	8,410,000	–
Transfers to:		–	–	–	–	–
Operations fund	6,558,427	–	115,532	96,126	35,242	463,038
Improvement and development fund	31,838,002	14,090,686	2,750,000	–	–	–
Passenger facility charge fund	–	–	–	–	–	–
Debt service reserve account	–	–	–	–	–	–
Renewal and replacement fund	212,432	–	–	–	–	–
Debt service fund ser 02	3,445,556	3,445,537	–	–	–	19
Debt service fund ser 01	11,625,706	11,625,642	–	–	–	64
Restricted assets fund	–	–	–	–	–	–
Noise abatement and mitigation fund	750,000	–	–	–	–	–
Total cash disbursements	140,749,874	66,820,451	4,840,413	3,558,991	11,524,686	463,121
Cash and investments on deposit, September 30, 2005	$ 100,743,459	$ 9,378,176	$ 3,209,201	$ 2,137,571	$ 10,386,994	$ 14,664,928

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the Year Ended September 30, 2005

	Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash disbursements:				
Operating expenses	$ –	$ 698,849	$ –	$ –
Capital expenditures	793,545	27,328,857	–	2,912,724
Bond interest expense	–	–	–	–
Bond issue costs	–	–	–	–
Florida state sales tax	–	–	–	–
Matured bonds/interest	–	–	–	–
Transfers to:	–	–	–	–
Operations fund	69,755	5,778,734	–	–
Improvement and development fund	1,316,200	–	13,681,116	–
Passenger facility charge fund	–	–	–	–
Debt service reserve account	–	–	–	–
Renewal and replacement fund	–	–	212,432	–
Debt service fund Ser 02	–	–	–	–
Debt service fund Ser 01	–	–	–	–
Restricted assets fund	–	–	–	–
Noise abatement and mitigation fund	750,000	–	–	–
Total cash disbursements	2,929,500	33,806,440	13,893,548	2,912,724
Cash and investments on deposit, September 30, 2005	$ 2,386,684	$ 32,965,921	$ 25,011,566	$ 602,418

Note: The schedule herein has been prepared on a cash basis as required by the Resolution and does not reflect the adjustments which have been recorded to the accompanying financial statements necessary to amortize premiums or accrete discounts which are inherent in the purchase price of fixed rate investments.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account

For the Year Ended September 30, 2004

				Debt Service Fund		
	Total	Revenue Fund	Renewal and Replacement Fund	2002 Debt Service Refunding	2001 Debt Service Refunding	Debt Service Reserve Account
Cash and investments on deposit, September 30, 2003	$ 93,960,763	$ 5,588,743	$ 7,707,172	$ 1,620,195	$ 4,908,379	$ 20,710,155
Cash receipts:						
Operating receipts	60,629,606	51,609,712	–	–	–	–
Florida state sales tax	1,302,640	1,302,640	–	–	–	–
Interest collected on investments	2,047,819	200,628	175,486	84,094	52,412	295,356
Net customer deposits received	12,955	12,955	–	–	–	–
Proceeds from grants	15,105,946	–	–	–	–	–
Sale of land	665,000	–	–	–	–	–
Other receipts	640,447	–	111,136	80,811	–	–
Transfers from:	–	–	–	–	–	–
Passenger facility charge fund	3,577,028	–	–	–	–	–
Noise abatement & mitigation fund	–	–	–	–	–	–
Operations fund	22,360,400	–	–	3,451,446	11,650,024	–
Capital projects fund	–	–	–	–	–	–
Renewal and replacement fund	80,343	80,343	–	–	–	–
Debt service fund – debt service reserve account	752,542	752,543	–	–	–	–
Debt service fund	5,326,375	–	–	293,561	5,032,814	–
Restricted assets fund	101,966	101,966	–	–	–	–
Improvement and development fund	8,890,380	7,350,610	16,183	–	–	–
Total cash receipts	121,493,447	61,411,397	302,805	3,909,912	16,735,250	295,356

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the Year Ended September 30, 2004

	Restricted Assets Fund	Improvement & Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash and investments on deposit, September 30, 2003	$ 3,142,209	$ 27,159,660	$ 22,791,765	$ 332,485
Cash receipts:				
Operating receipts	–	–	8,821,781	198,113
Florida state sales tax	–	–	–	–
Interest collected on investments	109,035	519,694	637,983	(26,869)
Net customer deposits received	–	–	–	–
Proceeds from grants	–	12,747,369	–	2,358,577
Sale of land	665,000	–	–	–
Other receipts	–	448,500	–	–
Transfers from:	–	–	–	–
Passenger facility charge fund	–	3,368,666	–	208,362
Noise abatement & mitigation fund	–	–	–	–
Operations fund	–	7,258,930	–	–
Capital projects fund	–	–	–	–
Renewal and replacement fund	–	–	–	–
Debt service fund – debt service reserve account	–	–	–	–
Debt service fund	–	–	–	–
Restricted assets fund	–	–	–	–
Improvement and development fund	1,500,000	–	23,587	–
Total cash receipts	2,274,035	24,343,159	9,483,351	2,738,183

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the Year Ended September 30, 2004

				Debt Service Fund		
	Total	**Revenue Fund**	**Replacement**	**Service**	**Service**	**Reserve Account**
Cash disbursements:						
Operating expenses	$ 36,062,352	$ 35,392,702	$ –	$ 4,610	$ 8,360	$ –
Capital expenditures	23,650,041	–	1,020,785	–	–	–
Bond interest expense	6,941,138	–	–	3,458,625	3,482,513	–
Bond issue costs	–	–	–	–	–	–
Florida state sales tax	1,294,884	1,294,884	–	–	–	–
Matured bonds/interest	8,010,000	–	–	–	8,010,000	–
Transfers to:	–	–	–	–	–	–
Operations fund	8,285,462	–	80,343	–	–	752,543
Improvement and development fund	10,627,596	7,258,930	–	–	–	–
Passenger facility charge fund	23,587	–	–	–	–	–
Debt service reserve account	–	–	–	–	–	–
Renewal and replacement fund	224,525	–	–	–	–	–
Debt service fund Ser 02	3,745,007	3,451,446	–	–	–	293,561
Debt service fund Ser 01	16,682,838	11,650,024	–	–	–	5,032,814
Restricted assets fund	1,500,000	–	–	–	–	–
Noise abatement and mitigation fund	–	–	–	–	–	–
Total cash disbursements	117,047,430	59,047,986	1,101,128	3,463,235	11,500,873	6,078,918
Cash and investments on deposit, September 30, 2004	$ 98,406,781	$ 7,952,154	$ 6,908,849	$ 2,066,872	$ 10,142,756	$ 14,926,593

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the Year Ended September 30, 2004

	Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash disbursements:				
Operating expenses	$ –	$ 656,680	$ –	$ –
Capital expenditures	75,000	19,276,639	–	3,277,617
Bond interest expense	–	–	–	–
Bond issue costs	–	–	–	–
Florida state sales tax	–	–	–	–
Matured bonds/interest	–	–	–	–
Transfers to:	–	–	–	–
Operations fund	101,966	7,350,610	–	–
Improvement and development fund	–	–	3,368,666	–
Passenger facility charge fund	–	23,587	–	–
Debt service reserve account	–	–	–	–
Renewal and replacement fund	–	16,163	208,362	–
Debt service fund Ser 02	–	–	–	–
Debt service fund Ser 01	–	–	–	–
Restricted assets fund	–	1,500,000	–	–
Noise abatement and mitigation fund	–	–	–	–
Total cash disbursements	176,966	28,823,679	3,577,028	3,277,617
Cash and investments on deposit, September 30, 2004	$ 5,239,278	$ 22,679,140	$ 28,698,088	$ (206,949)

Note: The schedule herein has been prepared on a cash basis as required by the Resolution and does not reflect the adjustments which have been recorded to the accompanying financial statements necessary to amortize premiums or accrete discounts which are inherent in the purchase price of fixed rate investments.

Palm Beach County Department of Airports

Schedule of Bonds Issued, Paid, Purchased or Redeemed

For the Year Ended September 30, 2005

Airport System Revenue Refunding Bond	**Bonds Outstanding September 30, 2004**	**Bonds Issued**	**Bonds Paid, Purchased or Redeemed**	**Bonds Outstanding September 30, 2005**
Revenue refunding bonds:				
Series 2002	$ 60,150,000	$ –	$ –	**$ 60,150,000**
Revenue refunding bonds:				
Series 2001	68,320,000	–	8,410,000	**59,910,000**
	$ 128,470,000	$ –	$ 8,410,000	**$ 120,060,000**

Palm Beach County Department of Airports

Schedule of Bonds Issued, Paid, Purchased or Redeemed

For the Year Ended September 30, 2004

Airport System Revenue Refunding Bond	Bonds Outstanding September 30, 2003	Bonds Issued	Bonds Paid, Purchased or Redeemed	Bonds Outstanding September 30, 2004
Revenue refunding bonds:				
Series 2002	$ 60,150,000	$ –	$ –	$ 60,150,000
Revenue refunding bonds:				
Series 2001	76,330,000	–	8,010,000	68,320,000
	$ 136,480,000	$ –	$ 8,010,000	$ 128,470,000

Compliance Reports

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Report of Independent Certified Public Accountants on Bond Resolution Compliance

The Honorable Board of County Commissioners
Palm Beach County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States, the statements of net assets of the Palm Beach County Department of Airports as of September 30, 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated January 11, 2006.

In connection with our audit, nothing came to our attention that caused us to believe that the Palm Beach County Department of Airports failed to comply with the terms, covenants, provisions or conditions of Section 710 of the Palm Beach County Airport System Revenue Bond Resolution R-84-427, adopted April 3, 1984, which was amended in full by the Palm Beach County Airport System Revenue Bond Resolution R-84-1659 adopted on November 1, 1984 (as amended and supplemented) insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of County Commissioners of Palm Beach County, Florida, and management and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

January 11, 2006

Ernst & Young

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Board of County Commissioners
Palm Beach County, Florida

We have audited the accompanying statement of net assets of the Palm Beach County Department of Airports (the Department) as of September 30, 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated January 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Board of County Commissioners of Palm Beach County, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

January 11, 2006

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL]

[Preliminary, subject to change]

[Date of Delivery]

Board of County Commissioners
Palm Beach County, Florida
Palm Beach County Government Center
301 N. Olive Avenue
West Palm Beach, Florida, 33401

Re: $69,080,000 Palm Beach County, Florida Airport System Revenue Bonds, Series 2006A and $16,855,000 Palm Beach County, Florida Airport System Taxable Revenue Refunding Bonds, Series 2006B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Palm Beach County, Florida (the "County") of its $69,080,000 Palm Beach County, Florida Airport System Revenue Bonds, Series 2006A (the "Series 2006A Bonds") and $16,855,000 Palm Beach County, Florida Airport System Taxable Revenue Refunding Bonds, Series 2006B (the "Series 2006B Bonds" and, collectively with the Series 2006A Bonds, the "Series 2006 Bonds") pursuant to the Constitution and laws of the State of Florida, including particularly, Chapters 125 and 166, Florida Statutes, the Charter of Palm Beach County, Florida and other applicable law (collectively, the "Act") and the Palm Beach County Airport System Revenue Bond Resolution No. R-84-1659, adopted November 1, 1984, amending in full Palm Beach County Airport System Revenue Bond Resolution No. R-84-427 adopted April 3, 1984, as amended and supplemented by that certain First Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-84-1660, adopted November 1, 1984, Second Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-84-1661, adopted November 1, 1984, Third Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-84-1807, adopted November 27, 1984, Fourth Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-85-R-173, adopted January 29, 1985, Fifth Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-89-971, adopted June 6, 1989, Sixth Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-89-972, adopted June 6, 1989, Seventh Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-89-973, adopted June 6, 1989, Eighth Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-89-1179, adopted June 13, 1989, Ninth Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-92-169, adopted February 4, 1992, Tenth Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-98-286, adopted February 24, 1998, Eleventh Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-2001-0579, adopted April 17, 2001, Twelfth Supplemental Palm Beach County Airport System Revenue Bond Resolution, Resolution No. R-2006-0419 adopted on February 28, 2006 and Thirteenth Supplemental Palm

Beach County Airport System Revenue Bond Resolution, Resolution No. R-2006-0727 (the "Thirteenth Supplemental Resolution" and, collectively with such other aforedescribed resolutions, the "Bond Resolution"), including particularly the provisions of the Thirteenth Supplemental Resolution.

We have examined the Act, the Bond Resolution, and such certified copies of the proceedings of the County and such other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations and certifications of the County contained in the Bond Resolution and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such representations by independent investigation. Reference is made to the opinion of even date herewith of an Assistant County Attorney, on which we rely, as to the due organization and valid existence of the County, the due adoption of the Bond Resolution and the due authorization, execution and delivery of the Series 2006 Bonds and all documents associated with the issuance thereof.

All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Bond Resolution.

Based on the foregoing, we are of the opinion that:

1. The Bond Resolution has been duly adopted by the Board of County Commissioners of the County and constitutes a valid and binding obligation of the County enforceable against the County.

2. The issuance and sale of the Series 2006 Bonds has been duly authorized by the County.

3. The Series 2006 Bonds are valid and legally binding special limited obligations of the County, payable solely from the Net Revenues Available for Debt Service and the other moneys, securities, and funds pledged therefor in the manner and to the extent described in the Bond Resolution, on a parity with the Outstanding Bonds and any additional Bonds hereafter issued under the Bond Resolution. The Series 2006 Bonds shall not be or constitute an indebtedness of the County within the meaning of any constitutional, statutory or other limitation of indebtedness. No Owner or Owners of any Series 2006 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the County, or taxation in any form on any real property therein to pay the Series 2006 Bonds or the interest thereon.

4. Under existing statutes, regulations, rulings and judicial decisions, interest on the Series 2006A Bonds is excluded from gross income for federal income tax purposes, except for interest on the Series 2006A Bonds during any period such Series 2006A Bonds is held by a "substantial user" of the facilities financed with the proceeds of the Series 2006A Bonds or a "related person" within the meaning of Section 147(a) of

the Internal Revenue Code of 1986, as amended (the "Code"); however, interest on the Series 2006A Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Ownership of the Series 2006A Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Series 2006A Bonds.

The opinion set forth in the preceding paragraph assumes continuing compliance by the County with certain requirements of the Code that must be met after the date of the issuance of the Series 2006A Bonds in order for interest on the Series 2006A Bonds to be excluded from gross income for federal income tax purposes. The failure to meet these requirements may cause interest on the Series 2006A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2006A Bonds. The County has covenanted in the Bond Resolution to take the actions necessary to comply with such requirements.

5. Under existing law, interest on the Series 2006B Bonds will be treated as interest income for federal income tax purposes and will not be excluded from gross income for federal income tax purposes. We express no opinion regarding other federal income tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Series 2006B Bonds.

6. Pursuant to the Act, the Series 2006 Bonds and the interest thereon are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.

7. The Series 2006 Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification under the Trust Indenture Act of 1939.

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances or law that may adversely affect the exclusion from gross income of interest on the Series 2006A Bonds for federal income tax purposes after the date hereof.

This opinion is qualified to the extent that the rights of the holders of the Series 2006 Bonds and the enforceability of the Series 2006 Bonds and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, now or hereafter in effect, and by the exercise of judicial discretion in appropriate cases in accordance with equitable principles.

In rendering the opinions set forth herein we have not been requested to pass upon, and have not passed upon, the validity of any lease agreement or other agreements between the

County and air carriers, rental car companies, concessionaires or others relating to the Airport System or otherwise.

We have not been engaged or undertaken to review, confirm or verify and therefore express no opinion as to the accuracy, completeness, fairness or sufficiency of any of the statements in the Official Statement relating to the Series 2006 Bonds, including the appendices thereto (except to the extent stated in our supplemental opinion relating to the Series 2006 Bonds of even date herewith delivered to the Underwriters).

We express no opinion as to the statement of insurance printed on the Series 2006 Bonds referring to the municipal bond insurance policy issued by MBIA Insurance Corporation, or as to that insurance referenced in the statement of insurance.

Respectfully submitted,

RUDEN, McCLOSKY, SMITH,
SCHUSTER & RUSSELL, P.A.

APPENDIX E

SPECIMEN BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

COUNTERSIGNED:

Resident Licensed Agent

City, State

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-RCS-FL-7
01/05

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PALM BEACH COUNTY, FLORIDA • AIRPORT SYSTEM REVENUE BONDS, SERIES 2006A AND AIRPORT SYSTEM TAXABLE REVENUE REFUNDING BONDS, SERIES 2006B

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