

**CLERK'S SUMMARY OF AGENDA ACTION
AND OFFICIAL MINUTES
MIAMI-DADE AVIATION AD HOC COMMITTEE
MEETING OF MAY 21, 2003**

The Miami-Dade Aviation Ad Hoc Committee met in the County Commission Chambers on the second floor of the Stephen P. Clark Government Center, 111 N.W. First Street, Miami, Florida at 4:00 p.m., May 21, 2003, there being present upon roll call, Ad Hoc Committee Chairperson Neisen Kasdin, and members William Alexander, Mario Artecona, Councilman Leslie Bowe, Raymond Cain, Terry A. Coble, D. Wayne Darnell, Allan Harper, George Siggins and Mayor Don Slesnick, (Michelle Austin, Dorothy Baker, Charlotte Gallogly, Dr. Jorge Salazar-Carillo and Gene Prescott were absent); also in attendance were Angela Gittens, Aviation Department Director; Ana Sotorrio and Tony Quintero, Aviation Governmental Affairs; Assistant County Attorney Abigail Price-Williams and Deputy Clerk Diane Del Carpio.

I. Roll Call

Ms. Angela Gittens, Aviation Department Director, announced that Ms. Austin and Ms. Gallogly would not be able to attend today's meeting.

II. Minutes – April 23, 2003 meeting

It was moved by Mr. Artecona that the minutes of the Aviation Ad Hoc Committee meeting of April 23, 2003 be approved. This motion was seconded by Councilman Bowe, and upon being put to a vote, passed by a unanimous vote of those members present.

**III. Review of Blue Ribbon Panel Analysis and Recommendations –
Ed Bell, Blue Ribbon Panel Vice Chair**

Chairperson Kasdin introduced Mr. Ed Bell, Blue Ribbon Panel Vice Chair.

Mayor Slesnick requested that Mr. Bell address the reasons that lead to the Blue Ribbon Panel's conclusion that an aviation authority would be the best form of governance for the Airport.

Mr. Ed Bell, former Blue Ribbon Panel Vice Chair, appeared before the committee and presented an overview of the Blue Ribbon Panel's analysis and recommendations. He presented background information on the panel, the options considered and its recommendation for the creation of an Independent Airport Authority.

Mr. Bell recommended the committee review the Tew-Beasley report that addressed the legal issues pertaining to the creation and structure of an Airport Authority. He noted this

report provided information on the type of authority needed to issue bonds and defeasance of existing debt at the Aviation Department, and was a key factor in the panel's recommendations.

Mr. Bell stated the panel concluded that an Airport Authority would be the best form of governance for the Airport because it would be a focused operation, would be less political and could make informed decisions. He noted there was considerable debate by the panel on why the Airport Authority should be independent. Mr. Bell stated the panel recommended that the Authority be created by charter amendment for financing purposes as well as to prevent the authority from being abolished by the commission in the future.

Mr. Bell noted the panel recommended that the Board of County Commissioners continue to approve the long-term plan for the Aviation Department, including its long-term capital improvement plan, and require annual reports from the Aviation Director.

Upon conclusion of Mr. Bell's presentation members of the committee inquired regarding the ability of the authority to issue tax-exempt bonds, the number of members, and whether there were any comprehensive arguments in opposition to an independent aviation authority.

Mr. Bell noted that the county commission's Office of Legislative Analysis had prepared a report that was negative to the panel's conclusions.

Mayor Slesnik inquired whether the Airport was in as poor condition as it was in 1999.

Mr. Bell stated he felt that there had been improvements at the Airport, however, he felt creation of an independent airport authority was the best way to compete at the highest and best level and be the best aviation facility management organization in the country.

Councilman Bowe asked Mr. Bell if he would recommend any changes to the Blue Ribbon Panel's recommendations today.

Mr. Bell stated in his opinion an airport authority with an appropriate level of independence and improved budgeting, procurement and staff management could be achieved without creation by charter amendment. He recommended the committee focus on getting an authority in place that had the operating autonomy recommended by the Blue Ribbon Panel.

Mr. Bell commented on the minority report submitted by Blue Ribbon Panel member Captain Flowers, which expressed concern regarding minority participation in the creation of an aviation authority. Additionally, he noted Blue Ribbon Panel member Mayor Slesnick had submitted a concurrent comment with the Blue Ribbon Panel's report.

In response to Mr. Cain's inquiry regarding references to other authorities throughout the country that were not working, Mr. Bell expressed that with the proper structure and

membership, an authority would work. In connection with opportunities for minorities and minority businesses, Mr. Bell recommended that any ordinance creating an airport authority have strong provisions that assured aggressive minority business recruitment.

Mr. Bell noted the panel concluded there were not sufficient provisions that could be put in place to put the airport in a competitive posture under the county managed alternative.

Upon conclusion of the foregoing, Chairperson Kasdin asked for comments from those committee members who had served on the Blue Ribbon Panel.

Mayor Slesnick, former panel member, addressed his concurrent comment submitted with the Blue Ribbon Panel's report. He noted that although he concurred with the panel's recommendation that they needed to move forward and that the current system could not be fixed, he felt that the panel may be moving forward too fast and too far, and that in order to be accepted, the panel should look at a less drastic proposal.

Mr. Siggins, former panel member, noted after observing the positive changes that had been made at the airport since the hiring of a professional manager, he did not feel it was as important to have a totally independent authority. However, he expressed that the Aviation Director's operation of the airport could be improved by separating her from the political arena.

Mayor Slesnick requested the committee be provided with a copy of the Legislative Analysis of the Blue Ribbon Panel's report.

IV. Ad-Hoc Committee Workplan

- . **Technical issues**
- . **Transition issues**
- . **Subcommittees**
- . **Discussion with stakeholders**

The Committee concurred to include the following in their workplan:

- . hold an invited public forum,
- . hear a presentation by Mr. Plavin, President, Airports Council International - North America
- . receive an update from the Airport's Financial Advisor on financial aspects that may impact an airport authority

Chairperson Kasdin asked that the committee members submit names of those persons they wished to invite to the public forum to the Aviation Director.

Members of the committee suggested Mr. Plavin's presentation include an analysis of several authorities and why they were successful and that he comment on the legislative

analysis previously prepared regarding the Blue Ribbon Panel's recommendation on the creation of an independent aviation authority.

The committee concurred to utilize the Aviation Governance Proposal Matrix in determining the elements of the ordinance it would be proposing.

Ms. Coble spoke in support of holding a public forum at which any concerned citizens could speak.

Mr. Artecona suggested the members of the committee be provided with a copy of the Board of County Commissioners' meeting of April 8, 2003, at which Chairperson Carey-Shuler's resolution creating the Aviation Ad Hoc Committee was adopted, in order to get an understanding of the various board member's positions relating to creation of an airport authority.

V. Administrative Support

Chairperson Kasdin recommended that the committee retain an independent scrivener to prepare its report, analyses, summaries and recommendations. He estimated the cost for this service would be approximately \$15,000 to \$20,000.

The committee concurred to discuss the foregoing proposal further at its next meeting.

VI. Other Business

In response to Mr. Cain's inquiry regarding the establishment of a communication protocol, Chairperson Kasdin stated each committee member had the right to communicate with the press, however, in order to ensure the integrity of the decision making process, he recommended that the members limit their comments until an analysis had been conducted.

Aviation Department Director Gittens invited the members of the committee to attend a tour of the Airport that would be conducted on May 23, 2003, at 10:30 a.m.

VII. Adjournment

There being no further business to come before them, the Aviation Ad Hoc Committee meeting was adjourned at 5:44 p.m.



Neisen Kasdin, Chairperson
Aviation Ad Hoc Committee



Miami-Dade Aviation Ad-Hoc Committee
Exhibits List
May 21, 2003

Prepared by: Abraham Sanchez

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I. Roll Call

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IV. Ad-Hoc Committee Workplan

- . **Technical issues**
- . **Transition issues**
- . **Subcommittees**
- . **Discussion with stakeholders**

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Neisen Kasdin, Chairperson
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Miami-Dade Aviation Ad-Hoc Committee
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MIAMI-DADE AVIATION AD HOC COMMITTEE

May 21, 2003 at 4:00 p.m.
Commission Chambers, 2nd Floor, Stephen P. Clark
Government Center, 111 N.W. 1st Street, Miami

MEETING AGENDA

Legal/Staff Support: Abigail Price-Williams, Assistant County Attorney; Angela Gittens, Director, Miami-Dade Aviation Department; Kay Sullivan, Clerk of the Board

I. Roll Call

Neisen O. Kasdin, **Chairman**, Beacon Council
Raymond Cain, **Vice-Chairman**, Florida Memorial College
Allan Harper, Greater Miami Chamber of Commerce
Charlotte Gallogly, World Trade Center-Miami
Councilman Leslie Bowe, Miami-Dade League of Cities
D. Wayne Darnell, Greater Miami Aviation Association
Dorothy Baker, Miami-Dade Chamber of Commerce
Dr. Jorge Salazar-Carillo, Florida International University
Gene Prescott, Greater Miami Visitors and Convention Bureau
George Siggins, Airport and Aviation Professionals, Inc.
Mario Artecona, Miami Business Forum
Mayor Don Slesnick, City of Coral Gables
Michelle Austin, Haitian-American Chamber of Commerce
Terry A. Coble, League of Women Voters
William Alexander, CAMACOL

II. Minutes - April 23, 2003 meeting

III. Review of Blue Ribbon Panel Analysis and Recommendations - Ed Bell, Blue Ribbon Panel Vice Chair

IV. Ad-Hoc Committee Workplan

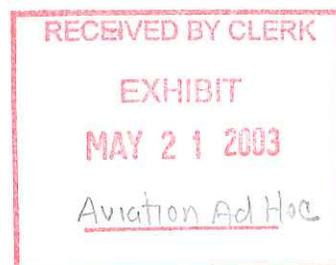
- Technical issues
- Transition issues
- Subcommittees
- Discussions with stakeholders

V. Administrative Support

VI. Other Business

- Confirm future meeting dates

VII. Adjournment



**CLERK'S SUMMARY OF AGENDA ACTION
AND OFFICIAL MINUTES
MIAMI-DADE AVIATION AD HOC COMMITTEE
MEETING OF APRIL 23, 2003**

The Miami-Dade Aviation Ad Hoc Committee met in the County Commission Chambers on the Second Floor of the Stephen P. Clark Government Center, 111 N.W. First Street, Miami, Florida at 4:00 p.m., April 23, 2003, there being present Ad Hoc Committee Members William Alexander, Mario Artecona, Michelle Austin, Dorothy Baker, Councilman Leslie Bowe, Raymond Cain, Terry A. Coble, D. Wayne Darnell, Charlotte Gallogly, Allan Harper, Neisen Kasdin, Gene Prescott, George Siggins and Mayor Don Slesnick, (the member to be designated by FIU was not present); also in attendance were Honorable Miami-Dade County Mayor Alex Penelas; Honorable Barbara Carey-Shuler, Chairperson, Board of County Commissioners; Angela Gittens, Aviation Department Director; Ana Sotorrio and Tony Quintero, Aviation Governmental Affairs; Assistant County Attorney Abigail Price-Williams and Deputy Clerk Diane Del Carpio.

I. Roll Call

II. Self-Introduction of Members

Presented.

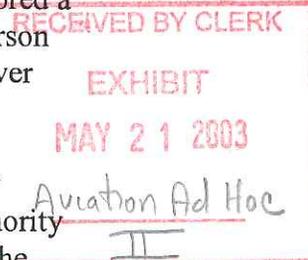
III. Opening Remarks – Honorable Barbara Carey-Shuler, Chairperson, Board of County Commissioners

Chairperson Carey-Shuler welcomed the members of the Aviation Ad Hoc Committee to today's meeting and noted their charge was to look at the critical issue of governance of the Miami International Airport.

Chairperson Carey-Shuler introduced Oscar Braynan, Marta Aleman and Gilbert Cabrera from her office staff, Hilda Fernandez from the Mayor's office staff and Gary Collins, Legislative Analyst, who were also present at today's meeting.

Chairperson Carey-Shuler referred to the Blue Ribbon Aviation Panel created by the Mayor several years ago to study aviation governance. She noted after the Panel submitted its recommendation for the creation of an aviation authority, she sponsored a proposal for the creation of an aviation authority that failed by one vote. Chairperson Carey-Shuler noted the Mayor had also sponsored a proposal, however, it was never voted on by the county commission.

Chairperson Carey-Shuler stated after being appointed Chairperson of the County Commission, she decided to readdress the issue of the creation of an aviation authority that would make major decisions pertaining to the airport. She noted the task of the



committee was not to determine whether there should be an authority, but to present a proposal for an aviation authority that was a public/private partnership.

Chairperson Carey-Shuler asked that the committee use the Blue Ribbon Aviation Panel recommendations and other research to come up with a proposal to present before the Transportation Committee and subsequently the full Board of County Commissioners for final approval. She expressed her commitment to support the proposal presented by the committee. She urged the committee to present a proposal for a new form of governance that would facilitate the effective and efficient operation of the airport, and serve the best interest of the community.

Honorable Mayor Alex Penelas appeared before the Ad Hoc Committee and recognized and thanked Chairperson Carey-Shuler for her leadership on this issue. He stated the role of the committee was to present a proposed ordinance that included the following basic premises:

- . the Authority must be free to make the decisions that were in the best interest of the airport
- . appointments to the Authority should be made thorough an independent nominating procedure
- . the Authority members must be devoid of any real or perceived conflict of interest
- . that the proposal clearly allow the Aviation Director to run the day-to-day affairs of the airport, including procurement

In closing, Mayor Penelas urged that the committee present a proposal that would receive the approval of as many commissioners as possible. He stated the elected officials should continue to have a role in the broad policy issues relating to aviation. Mayor Penelas advised the committee that the following efforts were currently underway:

- . a group of business leaders were preparing a petition drive relating to this matter
- . a bill was filed in Tallahassee that would by-pass the county and place the creation of an Aviation Authority directly on the ballot

Chairperson Carey-Shuler urged the committee address minority participation, procurement, day-to-day operations and consider other counties' initiatives.

In conclusion, Chairperson Carey-Shuler urged the committee to prepare a proposal that was reasonable and a true public/private structure.

IV. Election of Chairperson and Vice-Chairperson

It was moved by Mayor Slesnick that Mr. Neisen Kasdin be nominated as Chairperson of the Aviation Ad Hoc Committee. This motion was seconded by Councilman Bowe.

There being no further nominations, it was moved by Mr. Harper that the floor be closed to nominations for Chairperson. This motion was seconded by Mr. Artecona, whereupon the nomination of Mr. Neisen Kasdin as Chairperson, upon being put to a vote, passed by a unanimous vote of those members present.

It was moved by Mr. Siggins that Mr. Raymond Cain be nominated as Vice Chairperson of the Aviation Ad Hoc Committee. This motion was seconded by Councilman Bowe, and upon being put to a vote, passed by a unanimous vote of those members present.

V. Discussion Items

A. Review Mission Pursuant to Resolution No. R-295-03 and Public Records/Sunshine Law – Abigail Price-Williams

Assistant County Attorney Price-Williams reviewed the provisions of Resolution R-295-03. She noted the purpose of the committee was to evaluate how Miami International Airport was governed and recommend to the Board of County Commissioners a proposed aviation authority ordinance. Ms. Price-Williams reviewed the quorum requirements of the committee, and advised if an aviation authority was created, the committee members would not be eligible to serve on the authority, or lobby the county, the authority or any nominating committee, for three years.

Ms. Price-Williams advised the committee members of the provisions of the Sunshine law, noting all discussions by committee members regarding the business of the committee shall occur at publicly noticed meetings. She noted any documents generated or received by the committee were subject to review and inspection pursuant to the Public Records Law.

Chairperson Kasdin reviewed the following provisions of Resolution R-295-03:

- . the purpose of the committee was to evaluate how MIA was currently governed and to recommend to the Board of County Commissioners a proposed aviation authority ordinance
- . the committee shall submit its recommended aviation authority ordinance to the Board of County Commissioners within four months of the effective date of this resolution unless the Chairperson of the Board extends the deadline
- . the county manager shall assign the aviation director and other appropriate staff support to the committee to enable it to carry out its purposes

In response to Mr. Darnell's inquiry, Assistant County Attorney Price-Williams clarified that in addition to Miami International Airport, the aviation authority ordinance would encompass the entire airport system, including all other airports.

Assistant County Attorney Price-Williams noted the committee had four months from the effective date of Resolution R-293-03 to submit a proposed ordinance for adoption on first reading by the Board of County Commissioners. She noted after its adoption on first reading, the proposed ordinance would be reviewed by the Transportation Committee and then return to the full county commission for discussion and debate.

B. Work Plan

Ms. Angela Gittens, Miami-Dade Aviation Department Director, reviewed the following documents that were provided to the committee members:

- . matrix of prior aviation governance proposals
- . Final Report of the Blue Ribbon Aviation Panel
- . enabling legislation creating an aviation authority for the Pittsburgh International Airport which was enacted by Allegheny County
- . enabling legislation creating an aviation authority for the Detroit Metropolitan Airport, which was enacted by the State Legislature

Ms. Gittens recommended the committee consider transition issues and whether they would require public testimony. She asked that the members provide staff with contact information.

Following discussion among the members of the committee, Chairperson Kasdin requested the following matters be addressed at its next meeting:

- . an overview of airport operations, including the financial aspect of operations
- . an optional on-site tour of MIA
- . an overview of the current status of the aviation industry in terms of how it affects MIA
- . a comparative review at airports around the country

Chairperson Kasdin asked that the committee members provide the Aviation Director with any additional suggestions so they could be incorporated into the presentation. Mr. Kasdin noted the importance of the committee educating itself on the competing ideas regarding the operation of the airport. He suggested that at a future meeting the members of the county commission and/or other leaders in the community be invited to present their position and ideas on creation of an aviation authority. Mr. Kasdin noted that while the committee should take other positions into account, its recommendation should be for the best model for Miami-Dade County.

Chairperson Kasdin recommended the committee utilize the information gathered by the Blue Ribbon Aviation Panel, to the extent possible, in fulfilling its charge.

Ms. Austin recommended staff prepare a report on the perceived strengths and weaknesses of the current governance structure of the airport.

Ms. Gallogly recommended that the matrix submitted by staff be used as a guide of those issues that needed to be addressed by the committee. She noted the committee could add additional issues to the matrix. Ms. Gallogly noted the committee's recommendation needed to be feasible, practical and passable.

Ms. Coble requested additional model legislation be provided for the committee's review.

Mayor Slesnick requested that the Dade County Grand Jury report of January 2000 be provided for the committee's review.

Mayor Slesnick introduced Mr. Charles Flowers, a member of the Blue Ribbon Aviation Panel who had submitted a minority report. He recommended that the committee review the minority report.

C. Schedule of Future Meetings

The Committee scheduled an educational meeting and on-site tour at Miami International Airport on May 7, 2003, at 4:00 p.m.

(Note: On April 28, 2003, an educational meeting and on-site tour was held at Miami International Airport, at 12:00 p.m. for those committee members who could not attend the May 7, 2003, meeting.)

The Committee tentatively agreed to schedule its meetings on the first and third Wednesday of each month, from 4:00 p.m. to 6:00 p.m. in the commission chambers.

In response to an inquiry as to whether alternates could be designated to attend meetings in the place of a member, Assistant County Attorney Price Williams referred to Section 4 of the resolution creating the Ad Hoc Committee, which provided that the representative had to be either the chairperson or equivalent leader, and had to be a representative assigned by the designated organization listed in the resolution.

VI. ADJOURNMENT

There being no further business to come before them, the Aviation Ad Hoc Committee meeting was adjourned at 5:45 p.m.

Neisen Kasdin, Chairperson
Aviation Ad Hoc Committee

Blue Ribbon Aviation Panel Report

A Summary

Aviation Ad Hoc

III
Exhibit

RECEIVED BY CLERK

EXHIBIT

MAY 21 2003

Aviation Ad Hoc

Background

- Blue Ribbon Panel created in November, 1999
- Fifteen members appointed representing various community interests
- Met 12 times in 90 days
- Submitted report in March, 2000

Background

- Panel studied large volume of written material, including:
 - Grand Jury Report
 - 1996 KPMG Study
 - Tew-Beasley Report: Authority Related Legal Issues
 - MDAD Information (Financial Statement, CIP, Annual Reports, Procurement Report, Master Plan Verification Analysis, Aviation Revenue Bond Report, etc.)

Background

- Panel listened to expert testimony
 - Airport officials
 - National aviation experts
 - Staff from other Airport authorities (*e.g. Allegheny County (Pittsburgh) Aviation Authority, Louisville & Jefferson County Regional Airport Authority, Metropolitan Washington Airports Authority*)
 - County legal, financial and budget staff
 - Representatives of minority businesses

Options Considered

- *Alternative One:*

Independent Airport Authority

- *Alternative Two:*

A Public Trust

- *Alternative Three:*

Status quo with improvements

- *Alternative Four:*

Privatization

Panel Recommendation

Independent Airport Authority

Why an Authority?

- Focused decision-making
 - Airport management and oversight are the only responsibility of the Authority
 - *Can direct its energies solely on process improvements, policy, management oversight, etc.*
 - *Do not have to worry about non-aviation agendas*
 - *Improvements would not be impacted by delays outside the airport system.*
 - *Less subject to political influences, electoral campaigns and the role of lobbyists.*

Why an Authority?

- Informed decision-making
 - Authority members are subject experts
 - *Knowledgeable of finance, aviation industry, etc*
 - *Better informed to run airport system as a business*
 - *Blue Ribbon Panel recommended a majority of Authority members be appointed from a pool nominated by community and business organizations, based on these qualifications.*

Why an Authority?

- Greater reliance on professional managers
 - Blue Ribbon Panel recommended procurement responsibility and operating authority be delegated to Aviation Director sufficient to fulfill the mission.
 - Panel did not attempt to specify Director's level of procurement authority.

Why “Independent”? (Created by Charter Amendment)

- Potential efficiencies
 - Debt structures, capacity, costs/operations would not be under current restraints
 - Defeasance could result in interest savings and operating efficiencies
 - These advantages need to be weighed against the process required to achieve them.

General Guiding Principles

- An authority must:
 - Operate totally in the Sunshine
 - Include disadvantaged businesses
 - Provide for competitive and timely procurement that incorporates an expanded “cone of silence”
 - Adhere to strict codes for conflict of interest by its members

General Guiding Principles

- Be subject to audit by the State Auditor General
- Address existing employee and collective bargaining agreements/relationships
- Have the ability to utilize existing Miami-Dade legal, public safety, fire service and other infrastructure as practical on a negotiated basis.
- The Blue Ribbon Panel addressed all of these issues.

Basic Structure

- Created by Charter Amendment
 - To allow defeasance of existing financing structures and issuance of new bonds the Authority could not be subject to revocation by the County and must be an independent entity capable of owning assets which secure debt.

Basic Structure

- Managed by an independent, professionally-qualified Board of Directors that are representative of the community and airport stakeholders
- Independent enough to meet IRS threshold test for issuance of tax-free bonds *(requires that a majority of members cannot be appointed by BCC or Mayor)*

Basic Structure

- Size
 - Nine Members (Allows for diversity while being manageable)
- Terms
 - Maximum six-year, staggered terms
- Appointments
 - One by Mayor; serves as Chair
 - Three by BCC
 - Five by Governor, from a slate developed by a Nominating Committee from the community. Governor can only appoint from community qualified candidates.

Basic Structure

- Eligibility and Qualifications
 - Must be residents of Miami-Dade County
 - Cannot be sitting, elected officials
 - Cannot be employees of Miami-Dade County
- Appointments must reflect a cross-section of constituent groups and diversity of the County

Basic Structure

- Members should have expertise and/or experience in relevant fields (*e.g. business, aviation, public affairs, law, construction, economics, finance, labor relations, etc.*)
- Members must not have any direct or indirect business relationship with the Authority

Continued Role of BCC

- Approve long-term plan
- Require Annual Reports

VI. OTHER BUSINESS



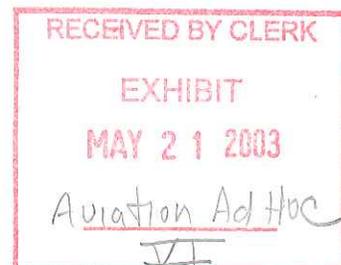
MIAMI-DADE AVIATION AD HOC COMMITTEE

May 21, 2003

PROPOSED FUTURE MEETING DATES

Legal/Staff Support: Abigail Price-Williams, Assistant County Attorney; Angela Gittens, Director, Miami-Dade Aviation Department; Kay Sullivan, Clerk of the Board

<u>DATE</u>	<u>LOCATION</u>	<u>TIME</u>
June 4, 2003	BCC Chambers	4:00-6:00 pm
June 18, 2003	BCC Chambers	4:00-6:00 pm
July 2, 2003	BCC Chambers	4:00-6:00 pm
July 23, 2003	BCC Chambers	4:00-6:00 pm
August 6, 2003	BCC Chambers	4:00-6:00 pm
August 27, 2003	BCC Chambers	4:00-6:00 pm



Aviation Ad Hoc Cmtee 5-21-03 Exhibit



MIAMI-DADE AVIATION AD HOC COMMITTEE

May 7, 2003 at 4:00 p.m.
Miami International Airport
Hotel MIA Executive Conference Center
Concourse 'E', 7th Floor, Rooms E & F

MEETING AGENDA

Legal/Staff Support: Abigail Price-Williams, Assistant County Attorney; Angela Gittens, Director, Miami-Dade Aviation Department; Kay Sullivan, Clerk of the Board

I. Roll Call

Neisen O. Kasdin, **Chairman**, Beacon Council
Raymond Cain, **Vice-Chairman**, Florida Memorial College
William Alexander, CAMACOL
Mario Artecona, Miami Business Forum
Michelle Austin, Haitian-American Chamber of Commerce
Dorothy Baker, Miami-Dade Chamber of Commerce
Councilman Leslie Bowe, Miami-Dade League of Cities
Terry A. Coble, League of Women Voters
D. Wayne Darnell, Greater Miami Aviation Association
Charlotte Gallogly, World Trade Center-Miami
Allan Harper, Greater Miami Chamber of Commerce
Gene Prescott, Greater Miami Visitors and Convention Bureau
Florida International University, Member T.B.A.
George Siggins, Airport and Aviation Professionals, Inc.
Mayor Don Slesnick, City of Coral Gables

II. General Overview of U.S. Airport System

III. Miami-Dade Airport System-County Organization

IV. Current Issues

V. Other Business

VI. Adjournment

VII. Tour (Optional)





MIAMI-DADE AVIATION AD HOC COMMITTEE

May 7, 2003
Miami International Airport

PROPOSED FUTURE COMMITTEE MEETINGS

Legal/Staff Support: Abigail Price-Williams, Assistant County Attorney; Angela Gittens, Director, Miami-Dade Aviation Department; Kay Sullivan, Clerk of the Board

V. Other Business

May 21, 2003	BCC Chambers	4:00-6:00 pm
June 4, 2003	BCC Chambers	4:00-6:00 pm
June 18, 2003	BCC Chambers	4:00-6:00 pm
July 2, 2003	BCC Chambers	4:00-6:00 pm
July 23, 2003	BCC Chambers	4:00-6:00 pm
August 6, 2003	BCC Chambers	4:00-6:00 pm
August 27, 2003	BCC Chambers	4:00-6:00 pm



IN THE CIRCUIT COURT OF THE ELEVENTH JUDICIAL CIRCUIT
OF FLORIDA IN AND FOR THE COUNTY OF MIAMI-DADE

FINAL REPORT
OF THE
MIAMI-DADE COUNTY GRAND JURY

INQUIRY REGARDING
THE MIAMI-DADE COUNTY CONTRACT PROCESS:
A CALL FOR THE RESTORATION OF FISCAL TRUST AND CONFIDENCE

SPRING TERM A.D. 1999

State Attorney
KATHERINE FERNANDEZ RUNDLE

Chief Assistant State Attorney
CHET J. ZERLIN

DOTTIE D. WILSON

CLERK

BARBARA J. KRAUSE FOREPERSON

FILED
January 19, 2000



Circuit Judge Presiding
JUDITH L. KREEGER

Officers and Members of the Grand Jury

DOTTIE D. WILSON
Foreperson

GLADYS MENDEZ
Vice Foreperson

JAMES L. HARRINGTON, JR.
Treasurer

BARBARA J. KRAUSE
Clerk

MICHELLE J. ADAMS

DEBBIE MARIE PENAFLO

GLORIA ALLINGTON

JOSE RIVERON

PATRICIA ANN BEASLEY

ANNETTE SANGSTER

ANTOLIN CABALLERO

FREDDIE SMITH

CARIDAD S. CACERES

PATRICIA VALDES-SUEIRAS

GODULA CASTILLO

ALIDA VAZQUEZ

JACQUELINE E. DUNN

JORGE A. VILLAVICENCIO

HOWARD HANTMAN

TILLMAN F. WOOD

NANCY MIDDLETON

Clerk of the Circuit Court
HARVEY RUVIN

Administrative Assistant
ROSE ANNE DARE

Bailiff
NELIDO GIL, JR.

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**INQUIRY REGARDING THE MIAMI-DADE COUNTY CONTRACT PROCESS:
A CALL FOR THE RESTORATION OF FISCAL TRUST AND CONFIDENCE**

I. INTRODUCTION

The people of Miami-Dade County are currently enduring a crisis of confidence in our elected officials and our government in general. This crisis pulls each of us in two, self-contradictory directions. For instance, we all perceive the need for more governmental services, yet we vehemently oppose any more taxes. We all see the need to improve our public transportation systems, yet we crushingly defeat the very bond issues needed to fund these improvements. The entire electorate seems to be waiting for an epiphany that will resolve such contradictions and restore our lost confidence. So, instead of improving and advancing our community, an emotional gridlock prevails, damning social needs to a governmental purgatory until some vague future date when the public trust can be restored.

At the request of our State Attorney, Katherine Fernandez Rundle, our grand jury chose to complete the inquiry begun by our predecessor, the Fall Term 1998 Miami-Dade County Grand Jury, into the manner by which our local county government awards and administers contracts with private businesses. Accordingly, we have spent the full period of our term listening to witnesses, examining videotapes of public hearings and reviewing several contracts, bidding documentation and procedures. This undertaking has left us with a feeling of anger at the uncaring way that our public money was handled. It has also left us with the impression that, while many steps are currently being undertaken to address and remedy the abuses and excesses we have found, the paradigm shift needed to restore our confidence in county government has simply not occurred. No matter how justifiable the cause nor how urgent the need, not a single dollar of public money will be willingly entrusted to a public official or government department that the public perceives is unwilling to manage that dollar as if it was their own personal funds. Our inquiry began with the intent of examining various contracts and procedures and recommending change. However, as our term progressed, we soon realized that the proper mission of our grand jury would not be to simply rehash the mismanagement and lack of oversight that had become well known. We decided instead to use what we have found to form the underpinnings for the more difficult task of examining why financial trust and confidence

in our government has been lost and recommend the methods we think are needed for it to be restored.

Distilled to its essence, our examination of government contracts has led us to reach certain conclusions that we believe to be true and that provide the foundation for the solutions we have recommended in this report. First, the various efforts currently underway within Miami-Dade County government to address many of the problems we will detail in this report serve to highlight the fact that the quality of the *people* running our government provides the best protection from corruption and misuse. Also, the willingness of those within the agencies of our government to expose wrongdoing, both negligent and malevolent, lies at the very heart of our ability to trust the government itself. Without this important core of ethical and responsible people we truly believe that no system of government, no matter how well organized and no matter how structured, will ever be truly safe from manipulation by unscrupulous, unethical persons operating within or overseeing that government.

We have also reached the conclusion that the strongest ally in our fight against public corruption is public exposure. Many times during our term we have watched questionable actions taken by elected officials or government employees called into question in the court of public opinion. Once exposed to this harsh spotlight, we have also watched the resulting reversal of many of these actions. The greater the chance of this public exposure, the less likelihood there is that corruption will take root. It is therefore an unfortunate fact that many voters simply do not have the time in their daily lives to regularly attend commission meetings or workshops or watch these events unfold on television. In fact, many of us on this grand jury found ourselves watching the meetings of the Miami-Dade County Board of County Commissioners for the first time simply as a result of our selection for grand jury service. This experience has altered many of the conceptions we had of our county government process. It has been an eye opening experience for us all. We find ourselves today ending our grand jury service more educated as citizens and more learned as voters. We also realize the unfortunate fact that, without the kinds of personal experience we have been privileged to acquire through our grand jury service, too many of us are forced to rely upon our perceptions, rather than actual experiences, when judging the moral nature and effectiveness of our government.

It is much harder to restore confidence in government than it is to destroy it. Public credibility is a thin sheet of ice upon which every governmental official must cautiously tread. Once lost, confidence in government can not be restored by any single elected official, no matter how popular or ethical. Only a concerted and consistent effort undertaken by all elected officials will have a true chance to succeed. The public's belief and trust in its government is the single most important asset upon which our community's future relies. It is our sincere hope that our report will provide the catalyst needed to restore that trust.

II. ACTIONS BY ELECTED COUNTY OFFICIALS RELATING TO CONTRACTS

Within the structure of our local governments, the power and authority to award a contract currently rests within the purview of the elected officials within that government. For instance, in Miami-Dade County, decisions to offer a contract to the public sector begin with the majority approval by the 13 members of the Board of County Commissioners, to determine the method of solicitation for that contract. The solicitation can be in the form of the issuance of a Request for Proposals (RFP), a Request for Qualifications (RFQ), an Invitation to Bid or a decision to enter into a sole source contract through a Waiver of Bid. For RFP's and RFQ's, this approval also triggers the beginning of an extensive evaluation and negotiation procedure ostensibly designed to obtain the best goods or the most efficient services for the lowest price. If the RFP or RFQ is for a revenue producing contract, the goal is to produce the highest revenues from the bidder who also has the greatest chance of business success. Regardless, the entire mission of the process is to present to that same Board of County Commissioners a proposal recommended by the County Manager indicating to whom that contract should be awarded. This recommendation is then put to a vote and awarded, if at least seven of the thirteen county commissioners agree.

The opportunity to do business with our county government is a privilege. In most instances, enormous benefits can result. In 1998, for example, more than *one billion dollars* in contracts were approved by the Miami-Dade County Board of County Commissioners. Considering the vast wealth that can be awarded, it is not surprising that a huge potential for abuses of the system to award government contracts exists. At its best, this system aims to fairly direct the usage of public funds in the best fashion, while

awarding the contract to the most highly qualified business entity. At its worst, it can be used as a bottomless money pit through which to “pay back” past political support by pinpointing specific vendors, suppliers or other entities to be awarded a county contract or by crafting a contract solicitation to favor a particular individual or company. It is clear from their testimony that our local elected officials certainly realize this concern. They also clearly recognize that a perception of corruption will continue to hang over the entire contract award process until public confidence in government is restored. More importantly, this will be true regardless of the actual motivation behind the actions involved in the awarding of contracts. Once the integrity of the process has been questioned, as it has been in recent times, our county officials must expend every effort to ensure that the public has every reason to believe that county government contracts are awarded not *rewarded*.

Sadly, we have observed a number of instances that give rise to exactly the opposite perception. During our term we have watched, somewhat bewildered, while a number of contracts were considered, debated and, sometimes awarded. Consider the following actions we have observed among many undertaken by our elected Miami-Dade County officials during our investigation and our grand jury term:

- A recommended entity far more experienced in the particular subject of a contract than the others competing for the contract, also offers a far higher revenue return to our community than the other bidders. Despite these facts, we watched the awarding of the contract be subjected to a vigorous debate by the Miami-Dade County Commissioners, to the obvious amazement of the department staff present who were involved in the evaluation of this recommendation. The contract is finally awarded to the recommended bidder by a simple majority.
- In another contract, the Miami-Dade County Manager’s recommendation is protested by one of the losing entities. Pursuant to county ordinance, this meant that the entire evaluation process was subjected to scrutiny in an evidentiary hearing before a retired Circuit Court judge, acting as a hearings officer. After hearing from all sides, including the protesting entity, a decision is rendered that upholds the manager’s recommendation. The matter is then brought before the commission for the first time. An attempt was made to override the manager’s recommendation and hearings officer’s decision. It failed due to the lack of a two-thirds majority vote in favor of the motion. A majority thereafter votes to throw out the entire bid. As a result, the entire RFP process, its advertisement, the submission and evaluation of proposals and (potentially) another evidentiary hearing if a bid protest is filed, has to occur once again. We could discern no debate about the extra time, costs or lost revenue this will cause while the contract evaluation period began anew. The vendor of the expired

contract (who had not been the winning bidder) is granted a month-to-month contract extension and thus "wins" the right to receive county payments under the contract while this entire process takes place once again.

- In a third contract, the evaluation of the bids submitted for a new contract intended to replace it had almost been completed. It becomes obvious that more time is needed to complete this process than remained in the original contract's term. The matter is placed before the commission *solely* for the purpose of obtaining permission to extend the existing contract on a month to month basis until the bid evaluation process could be completed. Somehow, the process is converted into an examination of the bid process itself. This occurs despite the fact that it is not yet complete and any debate of that issue by the commission is premature. Nevertheless, a decision is reached to interrupt the almost completed bidding process by deciding to "restudy" the bidding method. This delay allows the current contract holder, whose contract was about to expire, to retain the contract during the delay. It was clear that this company was not going to be the entity recommended for the new contract. The commission reversed some of these actions after these facts were brought to light by the local media.

Viewed by a suspicious, untrusting public, all of these instances appear tainted. Various unsavory and nefarious suggestions can be made to easily fit. For instance, how could any elected official vote against awarding a contract to the entity found to be the most qualified and offering the greatest financial revenues to the county? How could they take actions that they had to know were going to cause the county to lose time and money by requiring a process to begin yet again? If the actions they were taking were correct, then why reverse them after publicity ensues? Perhaps there were lobbyists, hired by the objecting party, who used past campaign fund-raising to sway a commissioner's vote. Perhaps this was an attempt to award the contract to friends, or business associates or even to a relative of a commissioner's staff member. Perhaps the discussion being played out from the dais was only the outward portrayal of a behind the scenes tug of war between various moneyed interests and their respective commissioners? Last, but certainly not least, perhaps all of these actions were completely innocent in nature and taken for all the best reasons and concerns. When questioned, all of the participants in these and other similar events have assured us they had only the best intentions of the public at heart. Some explain their actions by pointing to their responsibility to serve as the last check and balance on the contract award process. Others allude to a lack of trust for the fairness of the selection process itself. Still others raise concerns that certain

firms may have been unfairly removed from selection because of overly technical requirements.

We as grand jurors can not prove what the exact motivations were for the actions we saw being taken. But we feel it to be highly important that we comment upon their *effect*. We are unable to shake our strong perception that the politics that permeated these proceedings completely overwhelmed whatever public interests were involved. We are also left with many unanswered questions concerning the true nature of the conduct we observed. This is an important lesson for our elected officials to learn: without the perception of ethical behavior, it is extremely difficult for us to believe in ethical behavior. If we are to trust in the actions taken by any government, we must not be left with reason to ponder the motivations behind their actions.

a. Lack of Contractual Common Sense

Sometimes the simple characteristics of the contract awarded raised similar doubts in our minds. What could possibly have caused officials at the Miami International Airport (MIA), and a previous County Manager to recommend, with the result that the Miami-Dade County Board of County Commissioners approved on November 7, 1995, the sole source purchase of 625 toilet seats with a three year cost of over \$8,000 *each* for the Miami International Airport? Was this toilet seat purchase so important and so necessary to the operation of the airport that it required a specialty item only available (at that time) from one supplier and therefore not subject to a competitive bid? Was this the only method available to ensure the sanitary condition of these public toilets? Where was the analysis that compared these costs with other less expensive solutions? What would it cost for more janitors to clean the toilets on a more frequent basis? What would it cost to provide disposable paper covers for the existing toilet seats? Incredibly, none of these issues had been fully investigated before this contract was recommended by MIA officials and the County Manager to the county commission. Would they buy these expensive toilet seats for their own homes or businesses with their own money without even these most rudimentary evaluations? We suspect not. Regardless of the legitimate sanitary issues involved, our county government should not be recklessly spending money in this

fashion.¹ Again, everyone involved has assured us their motivations were either to improve sanitation in the restrooms or to promote the image of the airport for the traveling public and that nothing improper had occurred. To be fair, the agenda item was so innocuous that, without the detailed knowledge we now have, not one eyebrow would have been raised. Nevertheless, even this fact can look like deliberate deception if the truth is left to speculation. Did a political insider reap a windfall profit that will be repaid in future campaign fund-raisers? Was the award of this contract a pay back for past campaign assistance or some future quid-pro-quo? Was the Miami-Dade County Commission "tricked" into approving this contract by the way it lay buried in the agenda? Our elected officials and government agencies must remember that the public's speculation on this contract will be flavored by the apparent lack of common sense behind its approval. It will also reinforce the proposition that our county government simply can not be trusted with more of our money.

As we neared the end of our term, we watched with great interest the ongoing debate by the Miami-Dade County Commission over the course of two separate meetings concerning this contract. The original contract period had come to an end. Now the commission was faced with the decision of whether or not to continue to use these toilet seats (the 625 having been purchased by the County under the contract) and attempt to buy the plastic covering through a competitive bid process. To us, the embarrassment of many of the commissioners (some of whom had not been a part of the commission at the time the original contract was approved) and the current county manager (who also was not in office at the time the contract was approved) was readily apparent. Without saying it, they were all actually debating whether to now throw good money after bad.

In the first meeting, the manager's recommendation was to support a new competitive bid contract for the plastic covers. The commission needed more evaluations of this recommendation and tabled the decision for a later meeting. At the second public meeting, both the manager's recommendation and the commission's decision was to

¹ We were amazed at the number of witnesses who appeared before us this term and tried to make a distinction between tax dollars and the money collected from rents, landing fees or port fees at MIA or the Port of Miami as if that somehow provided justification for a different standard. Whatever their source, these are clearly *publicly managed* moneys and, as such, should be subject to the same scrutiny in their use, management and oversight as if these funds came directly from our pockets. In the final analysis, it is still the same Board of County Commissioners, or County Manager's Office, that is deciding the ultimate

“flush” the contract down the drain. The expensive toilet seats would be removed and “normal” toilet seats would be installed. Paper covers would be used to provide needed sanitation. While we applaud this decision as reasonable and appropriate, the simple difference in costs was so huge (\$101,692 per year for the paper covers against \$500,000 per year *plus* maintenance and other expenses for the plastic) we are left to again wonder exactly why it took so many years for this simple fact to be brought to light. As the manager’s memorandum accurately stated: “...this [paper] option will increase the amount of service (748 locations versus 625 locations) with an annual savings of \$1,220,108 compared to the current system.” This simple fiscal evaluation was all that was needed four years ago to avoid this costly mistake.

The market situation for these toilet seats has changed in a number of ways since 1995. Since there is now a competitive marketplace for these toilet seats, firms offer the type of toilet seats that the county purchased under this contract for free as an inducement for the purchase of the plastic covers. As a result, the decision to end this contract has necessitated throwing away the seats themselves (perhaps, as noted in the commission’s debate, to be dumped into the ocean and used to create a new artificial reef). We think this contract is a perfect example of a total disregard for the simple value of money beginning with the complete lack of evaluation of different solutions to the apparent indifference to the obscene cost of the seats themselves. Everyone associated with this contract should be ashamed of what has occurred here. Our county government officials have flushed over \$ 5,000,000 down the proverbial drain.

b. Social Engineering vs. Sound Business Practices

Many times in our review of the process by which government contracts are awarded, we observed a conflict arise between the desire to accomplish social goals and the need to follow sound business practices. We all recognize that, unlike private businesses, governments will sometimes award a contract based purely upon social needs. One example would be the desire to support the growth of small, local businesses. Another would be giving preference in awarding the contract to a business with a local nexus. In some of these instances, the contract awarded may not always be the absolute best financial deal for the county. The responsible use of government largess in this

disposition of these funds.

fashion is a legitimate and expected exercise of the authority of our elected officials to make policy decisions. However, based upon our evaluation of several contracts and the public debates relating thereto, there seems to be a lack of understanding on the part of many elected officials of the correct time, place and manner in which to engage in this conduct. For instance, an attempt to social engineer a contract after the RFP/RFQ has been publicly approved and advertised, after the firms have submitted their proposals, after a selection/evaluation committee has met, examined them, ranked them and submitted their findings to the manager and after the manager selects a recommended entity, will do nothing less than ensure that an aura of politics will permeate the entire process that follows. Whatever good that may have been originally intended by this debate will be lost. Such perceptions will give credibility to the possibility of favoritism or corruption; even if none in fact exists. Should the RFP favor smaller business or large? Should the contract be divided into different geographical regions of our community or not? Should there be an exemption to a particular legal requirement due to the nature of the services to be provided or the industry itself? These may be legitimate questions to be answered at the point when the solicitation of the contract is decided. These are clearly not legitimate questions to revisit after the entire evaluation process has been completed. Additionally, even when raised at the point when contract solicitations or specifications are being developed, great care must be taken to prevent that process from being converted into the "designing" of a contract to favor a particular company in any way. To accomplish this, our elected officials should engage in this social engineering only through resolutions or ordinances. This will help support the integrity of the process itself, by applying decisions such as this to all similar situations and not on an individual contract basis.

c. Politics vs. Sound Business Practices

Sometimes a public debate over a contract can turn into an opera of political intrigue. Armed with the knowledge we have gained from our grand jury service, we found ourselves to be interested spectators this term as the Miami-Dade County Commission debated circumstances surrounding the awarding of a telecommunications contract. On its face, the bid that had received the manager's recommendation would apparently result in a huge increase in revenue from the contract that was about to expire.

To us the monetary differences between the "winning" bid and the others were so great that it would seem a decision (from a simple dollars and cents point of view) would not be difficult to make. We were surprised to observe that this factor did not seem to carry as much weight in the debate as we thought it would. In fact, we watched what we believed to be totally unnecessary debates and discussions in two different commission meetings about this contract. First, when the contract had not yet received the recommendation of the manager (and therefore was not properly before the commission for approval or rejection) and then, in a second meeting, when the contract been approved by the manager but was in the process of a bid protest (and was therefore also not properly before the commission for approval or rejection).

In the final meeting we reviewed concerning this contract, the *sole* issue before the commission was a decision of whether or not to pay the hearings officer that was to hear the bid protest more than the usual amount of money to conduct what promised to be a lengthy and involved hearing. Surely this, being such a simple issue, would be quickly decided. Nevertheless we were treated to over two hours of commission debate about the terms of this contract solicitation, including the specter of watching two lobbyists on behalf of two different companies trying to argue their case before a commission that was (at that time) unable to vote on any of the issues they addressed. Despite a motion by one commissioner, made at the very beginning of this proceeding, to pay the extra money and get the process underway, it was not until these other issues were debated that the motion was finally approved unanimously. We wish to stress that we do not take great issue with some of the items brought out by the various commissioners in this debate; most concerning the fairness of the solicitation process on this contract. Clearly, the propriety of a change in certain requirements after bids had been received and thus the exclusion of some firms from bidding that might have otherwise been eligible, is a legitimate issue. But the time to debate these issues (as was pointed out by one of the lobbyists) is in the bid protest hearing and not before a commission that at the time and place had no legitimate authority to take action. The original contract this was to have replaced would have expired in January of 1999 but had to be extended so that services could continue to be provided while this Greek tragedy progressed. Now, almost one full year later, it is still being debated and the hearing over the bid protest has still not occurred. Because of

the differences between the new bid and the existing contract, we are apparently losing additional revenues in the amount of \$14,000 per month while this process grinds slowly on. Based upon our observations of these meetings and our new found understanding of the government contract award process we, sadly, have little faith that the actual award of this contract will occur anytime soon. We certainly hope we will be proven wrong. Nevertheless, the difficulty and undesirability of "doing business with the government" is, by this instance, made abundantly clear. Before seeking a contract that would be subjected to these debates or disputes, a company would certainly want to make sure that they had sufficiently deep pockets to financially survive undergoing the sheer length of the process itself.

d. A Part-Time Job With Full-Time Responsibilities

A side result of our term spent reviewing many of the meetings of our Board of County Commissioners was a realization of the tremendous amount of time each of these elected officials spend doing what is required by our Home Rule Charter to be a part-time, \$6,000 per year job. Because of this requirement, many commissioners are forced to engage in other professions as a means to acquire sufficient income to support their families and maintain their standard of living. This requirement also has the effect of narrowing the field of otherwise qualified individuals who would choose to seek election to this body. Many of the commissioners who appeared before us this term detailed the personal sacrifices, both financial and familial, they have made simply to perform the duties of their office. Obviously, the necessity of dual employment also reduces the time they can spend overseeing our county. In the current climate of suspicion, it can also be the source of speculation that private business interests are spilling over into public decisions. In 1957, when voters approved this charter our county government was much smaller and as a result this arrangement might have made sense. But today our County Commission oversees a budget in excess of three billion dollars. In fiscal terms, county contracts can rival those administered by Fortune 500 companies in both size and complexity. The many public issues our community has in addition to contracts deserve their full-time attention as well. We can no longer continue to retain the unrealistic expectation that part-time commissioners can perform the many roles we expect them to fulfill. The Board of County Commissioners should be composed of full-time,

adequately remunerated individuals with appropriate limitations placed upon outside employment.

e. Single Member Voting Districts

Last among our observations concerning actions taken by our elected county officials, relating to contracts, is an unintended effect that the otherwise hugely successful switch to single member voting districts has had. Required as a result of a Federal Court decision in 1992, our county was split up into 13 different districts, each individually electing a commissioner to represent their interests before the Board of County Commissioners. The intent of this decision was to increase minority participation in the local political process and government. By drawing the districts with a eye toward the composition of our population, minorities within the county as a whole could constitute majorities within their district and thus elect candidates more similar to themselves. This was, and is, a truly noble concept and it has worked beyond expectations. One has only to look at the current composition of the County Commission and compare it with what previously existed, to view that truth. However, since the entire commission does not have a single member that represents the entire community, we have observed a number of instances where their political vision seems to be similarly limited. For instance, many of the seemingly unnecessary debates we witnessed may have been directed, not to us, but solely to those residing within a particular commissioner's district. We suppose political pontificating has its place within the needs of the election process. We also know the political importance of making sure the message "I am representing your interests" gets through loudly and clearly to those whose votes really count when the election occurs. But we can't help but feel neglected and slighted when we see such bifurcation of purpose in *our* county's political governing body. This is especially so when decisions concerning *our* money are being made. We certainly do not wish to return to the way things were before single member districts. Unanimously, we believe the improvements in minority participation more than justify this unintended side effect. We merely wish to point out that, in addition to everything else we have described, this is just one more reason that trust in government is so low. We also wish to point out that this is a type of behavior that our elected officials have the power to individually correct.

f. Politics And Contracts Make Poor Bedfellows

Through our exhaustive review of contracts and the public debates about them, we have reached the inescapable conclusion that politics have no legitimate place in the development, solicitation or awarding of government contracts. At best, its inclusion seems to cloud the ability of elected officials to exercise due diligence and common business sense or results in further delays of an already too lengthy process. At worst, its inclusion will paint the entire process with a broad brush of corruption and support the currently easy to draw assumption that government is simply not to be trusted with our money or our property. We believe that finding a method to remove politics from the contract approval process could be the single most important change we could recommend to restore public confidence in the way our county government awards contracts. We also believe that providing reasonable limitations on the social engineering of contracts to be highly necessary as well. But, as we illustrate in the following section, if we decide instead to delegate these powers in some fashion to the county's administration, we must also ensure adequate safeguards over the use of that authority are put into place and strictly enforced.

III. ACTIONS ON CONTRACTS WITHIN COUNTY DEPARTMENTS

As we have previously described, the decision to award a county government contract is currently the sole province of our elected officials. However, once that contract is awarded, the role of managing and administrating that contract shifts to the particular department responsible for the subject matter of the contract itself. Our inquiry this term has led us to the examination of the administration of a large number of contracts within the agencies responsible for the operation of the Port of Miami, Miami International Airport (MIA) and the Water and Sewer Department. The examination of some of these contracts has been particularly horrific. Some of the contracts we reviewed are still under criminal investigation and have not yet been made public. For that reason, while we will draw general conclusions from them, we will not specifically describe them here. However, if there is a single "motherlode" of a contract still under investigation that exemplifies total misuse, exorbitant cost overruns, complete mismanagement and an extraordinary lack of concern by government officials for the value of our public funds, it is the Water and Sewer Department's Pavement and Sidewalk Repair contract number W-755. Accordingly, we devoted the greatest amount of our limited time this term to an

examination of the many issues and problems we found concerning this contract. As will be seen, this analysis will also highlight the absolute necessity that the current investigations of this contract, both civil and criminal, continue unabated.

In Miami-Dade County, the Public Works Department is the entity primarily responsible for the repair and paving of roadways throughout the county. For that purpose, the department uses contractors obtained through a series of competitively bid contracts. However, when areas of roadways or sidewalks are damaged as a result of repairs to the county's water and sewer lines, it is the responsibility of the Water and Sewer Department (WASD) and not the Public Works Department to patch those areas. Accordingly, WASD also uses a contractor obtained through a competitively bid contract to be on call when needed to provide these patchwork repairs. The most recent of these contracts, W-755, is simply a list of per unit costs for the commodities that would need to be supplied upon a work order being issued. For instance, if WASD issues a work order for a sidewalk repair, the amount of concrete used would be multiplied by the unit cost to determine the amount the county would pay. Included within these prices are the personnel and equipment costs associated with the job itself. Thus, one very important factor with these types of contracts is the recognition that, due to the costs associated with mobilization², the price of the particular commodity needed is controlled by the volume of that need. If a large volume is needed, the cost of mobilization will have a lesser effect upon the entire job and the per unit cost will be less. If a smaller volume is needed, the mobilization cost will constitute a greater part of the overall cost and will therefore cause the price per unit to be higher. These factors are well known within both WASD and the industry and are crucial to a company's bid since it will control the nature and size of any profit.

a. The Bid Specifications Development Process For W-755

To develop the specifications for W-755, WASD first determined the type of work they wanted to include in the contract as a "line item" and then estimated the quantity or volume that would be needed for each one. These specifications were then

² The costs of "mobilization" refers to the fact that a minimum amount of equipment and personnel is needed regardless of the size of the repair. Therefore, to bring the crew and equipment to the job site to pour concrete costs essentially the same regardless of the amount of concrete that will be poured. To cover these costs, it is standard in the industry to charge more per unit for smaller jobs than for larger ones.

advertised. The contractor's bid on the contract would thus simply list the amounts they intended to charge per unit for each line item. These costs per unit would then be multiplied by the number of units estimated to be used and, when totaled, would represent the final bid figure submitted for the company. Obviously, the key factor to avoid cost overruns in this contract was for WASD to make sure the estimates of usage were as accurate as possible. If they underestimated the volume of a particular item, they would receive higher per unit prices than necessary. Since W-755 was evaluated by WASD as intended for smaller "patchwork" jobs and never for the greater volume needed for the repaving of entire streets or neighborhoods, it was considered reasonable to expect that bids would involve a higher price per unit than contracts such as those used, for example, by Public Works. As we will see, it was the failure of WASD, whether deliberate or otherwise, to correctly estimate the usage needed in this contract that directly caused the huge cost overruns that resulted.

Obviously, the patchwork needs represented by W-755 did not originate when that contract was awarded by the Board of County Commissioners in 1996. We found that three predecessor contracts, dating back to 1992, had been awarded for the same purpose. When we analyzed all of these contracts from a historical perspective, the increase in usage was not only breathtaking but would also be clearly apparent to anyone who had bothered to examine these details:

<u>CONTRACT</u>	<u>AMOUNT PAID</u>	<u>% CHANGE FROM PREVIOUS CONTRACT</u>
W-683	\$ 3,970,370	
W-710	\$ 7,527,522	+ 189 %
W-741	\$ 19,166,130	+ 254 %
W-755	\$ 37,171,665*	+ 95 %

*date the contract was suspended, amount is total paid as of that date

We are certainly not experts in the areas of paving and sidewalk repair contracts, but we think it should have been obvious, sometime between 1992 and 1997, that the work needed under these contracts were no longer "patchwork" in nature. In fact, from 1992 through its forced stoppage in 1997, the amount of money WASD spent for these "patchwork" repairs increased by more than 936%! Clearly someone inside WASD should have realized this when the estimates for these contracts were being developed.

Nevertheless, we have found that each new contract continued to be estimated and then bid out as if the nature of the volume was unchanged and as if, somehow, the extraordinary increases in previous years would simply never happen again. In fact, our examination of the manner by which the bid process for W-755 was structured has revealed a level of negligence within WASD that we find repulsive in its breadth. It also reveals a total disregard for the value of the public's money. In developing the estimates for private companies to use in structuring their bids, WASD completely ignored the prior history of use, under the contracts, for the exact same work that had preceeded W-755. Remembering that this was intended for small, patchwork jobs with larger per unit costs needed to cover the cost of mobilization, we find it to be either incredibly stupid or highly suspicious that past usage was so totally ignored.

By comparing W-755 with its immediate predecessor (W-741), we found a pattern where WASD grossly *overestimated* the items that had the least amount of prior usage. Even worse, it grossly *underestimated* the items that had the greatest amount of prior usage. This practice virtually guaranteed that the citizens of Miami-Dade County paid higher prices for the most often used items in W-755. For instance, if the actual usage during W-741 for "Asphalt Leveling" was 71,085 tons then why did WASD use an estimate of 13,440 tons in W-755 for the same time period? ³ If the actual usage in W-741 for "Thermoplastic Marking" (striping) was 306,896 linear feet, then why did WASD use an estimate of 88,000 linear feet? The extent of this failure is highlighted when a comparison is made between the original bid estimates for W-755 and the usage that was billed and paid over the exact same sixteen-month period:

<u>ITEM</u>	<u>ORIGINAL BID ESTIMATE</u>	<u>ACTUAL AMOUNT OR COST</u>	<u>% OF DIFFERENCE</u>
Thermoplastic Marking	117,333 feet	1,397,647 feet	+ 1,191%
Asphalt Leveling	10,667 tons	126,847 tons	+ 1,189%
Road Milling	\$1,066,666	\$4,546,933	+ 426%
Special Finishes	\$ 746,666	\$2,494,838	+ 334%

The differences between the estimates and the billed usage or costs are staggering.

³ The estimates and actual usage of W-755 and W-741 encompassed different periods of time. To enable this comparison to be made, we adjusted the figures for both contracts to accurately represent a twelve

In W-755, the usage of Asphalt Leveling and Thermoplastic Marking (striping) were each underestimated by more than 1,100 percent. The cost overruns on *these two items alone* resulted in our community paying an additional \$12,784,468 under this contract. Our individual analysis of the estimates used by WASD in the bid solicitation for W-755 reveals a total failure to exercise even a minimal level of common sense.

The cost to our community of the failure to correctly estimate the volume of work needed under W-755 is further exemplified when compared with prices for similar work under competitively bid contracts obtained by the Miami-Dade Public Works Department (Public Works). For example, the price obtained based upon the underestimation of asphalt leveling in W-755 was \$88.00 per ton of asphalt. Existing at the same time as W-755 was a contract in Public Works for this same item, at a much greater volume, which was only \$28.00 per ton. If WASD had simply chosen to use the existing Public Works contract, that single action would have saved the people of Miami-Dade County a total of \$7,610,820 on this one item alone. When these potential savings are extrapolated to include the *entire* contract, the amount of money wasted in this fashion is almost beyond belief. In fact, when we took the bids submitted by all five companies on each line item in W-755 and multiplied these prices by the actual billings rather than the estimates used by WASD, it resulted in a complete reversal of the bid results. Incredibly, applying the actual billings under W-755 resulted in the bidder who had won the contract having the *highest* bid of all applicants instead of the lowest bid, as was originally submitted!

It is axiomatic that the main purpose of using competitively bid contracts is to obtain lower costs through the competition for the contract. For this to work, it is therefore necessary that the solicitation for the contract be structured in a fashion that enhances this competition. As if the failures of common sense we found in the estimates weren't enough, we also found substantial evidence suggesting that the contract solicitation was structured in a fashion that effectively discouraged competition. For instance, W-755 "bundled" a large number of different types of repair work into one contract. These included such varied areas as concrete pavement repair, repair and installation of the rock base for the asphalt surface, concrete curb and gutter repairs, reinforced concrete sidewalk and driveway repairs, fire hydrant slab repairs, asphalt and

month period of time.

concrete resurfacing and leveling, thermoplastic road striping and contingency funds for the cold milling of the asphalt and repairs to pavers, chattahoochee and other special concrete finishes. The inclusion of so many different items in one "patchwork" contract might have had the effect of discouraging or eliminating bidders. For instance, contractors specializing in only some of these items might not bid since they had to provide all of these services if requested under the contract. The inclusion of these items also had the effect of tremendously increasing the size of the contract thus discouraging smaller contractors who perhaps did not have the staffing or logistical ability to fulfill these demands. The size of this contract also became a further obstruction to bidders since a 100 percent performance bond was required from the winning contractor. The inability of some firms to qualify for such a substantial bond operated as a restriction of the number of contractors who could submit bids. In light of this, it was greatly interesting to us to find that our concerns had apparently been shared by several members of WASD's staff at the time this contract solicitation was developed. Suggestions were made to split the contract by placing large asphalt overlays in a separate contract from small patches. This would have the effect of gaining lower costs through increased bid competition since companies that are more limited in the scope of the product they offer would be more likely to bid on this more limited contract. Nevertheless, this was rejected by WASD officials. A second suggestion to increase competition was to reduce the size of the bonding requirement. Since there was never expected to be more than one million dollars in outstanding work orders at any one time, there was no apparent need to require a bond in the amount of 100 percent of the entire contract price. This recommendation was actually included in the original draft of the contract but was changed back to the 100 percent bond requirement after one of the expected bidders complained.

b. A Factual Omission In The Commission Presentation

Turning our attention away from the total abandonment of fiscal responsibility in the bid estimation process, we next analyzed the process by which officials within WASD and a previous County Manager presented W-755 for the approval of the Board of County Commissioners. As we have previously described in this report, once the lowest bidder is determined and the County Manager selects the entity to which this contract should be awarded, a recommendation is made to the Board of County Commissioners for the

approval of the contract. Prior to this recommendation being presented we have learned that, not only had the amount of money appropriated under the preceding contract W-741 been completely used up, but additional work had been authorized and already performed by the holder of W-741. A portion of the funds recommended for authorization under W-755 was therefore intended by WASD to be used to pay for work already done under the predecessor contract. According to the testimony of witnesses, it is clear that this fact was never made known to the County Commission, nor does it appear to have been known at that time by the County Manager. This omission was significant. We have determined that at least \$6 million worth of work from W-741 remained unpaid to the contractor at the time W-755 was approved by the commission. Incredibly this meant that, at the time it was approved, W-755 was already far short of the funds represented to the commissioners as necessary to do the work for the coming 12 months. This is inexcusable. However, we are sad to say that this farce did not end with that omission.

As could now be clearly predicted, the money designated for W-755 was quickly exhausted. As a result, WASD officials appeared before the commission and requested approval of a change order.⁴ The substance of their request was for the commission to exercise an option available under the terms of the contract to extend it for another year at the same bid prices. Effectively, this would allocate the money that was to be used for work done in the second year of the contract to pay the cost overruns already occurring in the first. The explanation given to the Board of County Commissioners when they questioned this need was that there was more work than had been expected when the contract had been originally recommended for their approval. Based upon what we have found, we feel this explanation, as well as the earlier omission, served to hide important and material facts from the commission. The use of W-755 as the mechanism for the payment of work performed under W-741 had another fiscally irresponsible result. Since the unit prices in W-755 had been arrived at in a bid totally separate from W-741, the actual unit prices were higher. For instance, in W-741, Thermoplastic Marking was priced at \$1.90 per linear foot; in W-755, it was \$2.00. For Asphalt Leveling in W-741, it

⁴ We have been astounded by the apparently common use of change orders as a method to increase the funding provided in many of the contracts we examined after they had been awarded. In the context of government contracts we think a request for a change order should be viewed as a red flag and trigger closer examination of the entire contract. For instance, when a contract such as W-755 ran out of money so quickly, the request for a change order should have caused an immediate investigation.

was priced at \$80.00 per ton; in W-755, it was \$88.00 per ton. As a result, we have been told that the county ended up paying higher prices for this work than was originally bid in W-741.

c. The Lack of Proper Administration and Oversight of W-755

Continuing our analysis, we now had a contract on behalf of the citizens of Miami-Dade County that was based upon totally inaccurate estimates by county staff, was providing for the payment of much higher per unit prices than necessary, and had already used up almost one-third of the funds needed for the first year of its term before any work under the contract itself had been authorized. Amazingly, things then got even worse.

The administration and oversight of this contract was the responsibility of WASD. It was to this department alone that the people of Miami-Dade County and the County Commissioners looked to ensure that no money was released until certain minimum requirements were met. First, the department had the responsibility to ensure that the work requested was necessary and that it was performed properly. Since no work could be done under the contract unless it was specifically requested through a work order (in government jargon called a "Distribution Authorization" or "DA"), the department had the responsibility of ensuring work was done in the order requested. This would assure that all jobs would be completed appropriately and avoid the possibility of a contractor choosing to do only the most lucrative or expensive jobs first. Once work ordered by WASD was represented to have been completed and a bill for the work submitted, the department had the responsibility to make sure these billings were accurate and that the work requested was in fact properly performed.

The contract underlying W-755 incorporated several safeguards intended to assure these goals were met. It required three different layers of inspections: the layout stage inspection; the in-progress inspection and the final inspection. In addition, a Master Sheet listing the work that was authorized would be delivered to the contractor and the work detailed therein had to be done in the order by which the Master Sheet was received by the contractor. To make sure this procedure was followed, no payment was to be authorized until all the work on the particular Master Sheet was completed. We believe, if adhered to, these and other safeguards written into the contract would have been highly effective. Unfortunately, the administration and oversight of this contract proceeded as if

these requirements did not even exist.

Especially in light of current efforts to reconstruct exactly what happened under this contract, our examination of the manner by which WASD discharged its responsibility for the oversight of W-755 revealed a performance so poor that to be described as dysfunctional would be a compliment. We found the internal record keeping to be sloppy, inadequate and sometimes totally nonexistent. We found the documentation necessary for the creation of the work orders upon which any work and payment under the contract was dependent to be almost completely lacking in internal controls. Even the process of generating, assigning and inspecting the work itself was so totally flawed and loosely structured as to almost be an invitation for abuse. Consider the following listing of some of what we found to exist:

- We found numerous instances where one supervisor's name appears on handwritten forms where it has been determined that he did not write it nor authorize it. In some of these forms we have found a particular inspector who admits to have written the form and claims the supervisor's name was placed there at his direction; a fact that has been denied by the supervisor. In others the author is currently unable to be determined. The net result is a series of documents that provide absolutely no method of reconstruction of actions taken nor provision of any method to enforce accountability under W-755.

- We have determined that, although the work orders and inspections were tracked in a computer system, changes could be made to the computer information from various different locations by various different parties without the need to identify who made the changes, when they were made or under whose authority.

- We have found a number of instances where there have been material modifications or alterations made to the DA's, apparently by a FAX from WASD after the Master Sheets had already been issued. This was accomplished without any documentation as to the reason for these changes nor any record kept as to who was the authorizing party within WASD. Many of these modifications resulted in changes of substantial monetary value on the work orders. Without this needed information, the truth about many of these transactions has become impossible to reconstruct.

- The system used by WASD to initiate "in progress" inspections required the *contractors* to fax to WASD every morning the locations where work was being performed that day. We have determined that it was a common occurrence for WASD to receive this notification late, if at all. It was also common for inspectors to be assigned to inspect a location where a contractor was supposed to be performing work only to find no crews there when they arrived. While clearly a total waste of the inspector's time, the resulting failure to do an "in progress" inspection many times resulted in no inspection occurring while the work was being done. This made it extremely difficult to determine, after the fact, if the work was in fact done and done properly.

- Apparently, it was decided by WASD that they would measure the quantities of asphalt provided by the contractor on the basis of a volumetric formula rather than “load tickets.”⁵ Witnesses have told us that the volumetric method has numerous pitfalls, the greatest of which is that the process necessitates an “in progress inspection” to obtain an accurate depth measurement. We have determined that these depth measurements were usually not obtained by inspectors during any “in progress” inspections. Thus, there was no true inspection accomplished that could determine the actual amount of asphalt that had been used. Since payment under W-755 was to be made based upon the “units” of asphalt, this lack of meaningful inspection meant that the accuracy of the contractor’s, or sub-contractor’s, billings could not be verified. Not surprisingly, this has proven to be extremely problematic in the current efforts underway to determine the actual amount of asphalt provided and thus the amount of money that should have been paid. Once WASD decided to use the volumetric method, they were required to ensure the accurate measurement of all three dimensions in the asphalt pour: length, width and depth. WASD inspectors uniformly failed to measure the depth of the asphalt laid. As a result, it is now virtually impossible to accurately reconstruct the amount of tonnage of asphalt provided under this contract.

The total lack of oversight and administration of W-755 included an apparently common practice on the part of a number of WASD supervisors to delegate their responsibilities to subordinates without thereafter bothering to check or confirm the performance of these responsibilities. Incredibly some inspectors, when questioned about their failure to perform their inspection duties, claim they were never told to perform certain functions nor did they receive needed training. Consider the following examples:

- The final inspection is extremely important to ensure that the work billed for had in fact been done correctly, and that the amount of work billed for accurately reflected the amount of work done based on unit pricing. According to the testimony of witnesses and documentation we have examined, we have found more often than not a complete abandonment of even the *minimum* requirements for an accurate inspection. Many inspectors never even measured the linear feet of the work done, even though the unit of measurement upon which payment would be based, such as for thermoplastic marking, was linear feet. This was apparently standard operating procedure, yet we could find no record of any action taken, disciplinary or otherwise, by their supervisors. Many even claimed that they were never even instructed by their supervisors that this was part of their responsibility. In reality, what the inspectors did on final inspections was simply to confirm that striping had been placed on the road, or that new asphalt had been laid. This not only makes the reconstruction of what was or was not provided impossible, but also causes us to wonder just exactly who was in charge of these inspectors?

- Many WASD inspectors failed to maintain accurate and detailed daily logs establishing what they did, where they went and what they saw. Apparently, each

⁵ The volumetric method uses measurements in three dimensions, to determine through a mathematical formula the amount of asphalt used. The load ticket method requires a receipt that specifies the amount of asphalt that was transported in each truck to the construction site.

inspector was left to his own devices as to the records kept and the accuracy thereof. If logs or notes were made, they were not kept in a systematic manner nor were they securely maintained.

- We have found a number of instances where payment under W-755 was approved even though we could find no evidence that any inspectors had ever actually inspected the jobs billed. On final inspections, we have found that supervisors regularly assigned jobs to an inspector without considering that a different inspector had been involved with the layout or in progress inspections on that job. To us it would make great sense to assign the final inspection to the inspector who was most familiar with the entire job. Yet, we could find no evidence that this was tracked in any fashion nor even given any consideration in determining the inspection assignments.

- The contract for W-755 provided, for we think obvious reasons, that payments for contingency work (such as Road Milling and Special Surfaces) required pre-approval for the work and the price before the work could begin. Incredibly, we have not yet been able to find a single supervisor within WASD who acknowledges responsibility for approving and pricing this work. Nor have we found anyone who acknowledges confirming that the contingency work that was done was worth the amount paid. The sections of W-755 that provided for contingency items resulted in a total billing of over seven million dollars. Yet we are unable to now determine with any degree of certainty what was approved or not, what was completed or not and what was received or not.

Considering the extremely high cost of asphalt under W-755, we were amazed to learn that this “patchwork” contract had been used to do major road repair and repaving within the City of Miami. We have reviewed documents that indicate extensive asphalt overlays were done even though we could find no direct need for WASD to do this work under W-755. Apparently, the City of Miami was requiring these asphalt overlays as a condition of issuing the needed permit for WASD’s sewer-related work on City of Miami land. WASD failed to confirm that the work referred was in fact necessary for the sewer work they were performing and, if the work was necessary, never attempted to use a less expensive contract (the one held by Public Works for instance) to do these overlays. As a result, WASD provided a substantial amount of paving and striping on City of Miami land either unnecessarily or through the most expensive means.

d. Environmental Clean-up Becomes a Car Wash

While our extensive descriptions of what occurred in the administration and oversight of W-755 also detail items we have found repeated to varying degrees with many of the contracts we studied, we have chosen two others to exemplify and illustrate other types of actions that can perpetuate the loss of our confidence in county government and that demand systematic changes to avoid repetition. One is the manner in which a

contract at MIA was somehow metamorphisized from an environmental clean-up contract into a contract to construct a car wash.⁶

This DERM⁷ 04 contract was approved by the Board of County Commissioners in 1996. It provided a pool of nine different contractors who would be available on a rotating basis to clean up any environmentally dangerous spills or conditions that might occur in Miami-Dade County and specifically at the airport. MIA, at that time, needed to construct a new car wash facility for the county vehicles at the airport. In normal circumstances, these capital improvements would have to be advertised and awarded after a competitive bid process had been followed. But these were apparently not normal circumstances because what happened next deserves a special place in *Ripley's Believe It Or Not Museum*: MIA decided, without seeking the approval of the County Commission, to use one of the firms listed in this environmental waste cleanup contract to build the car wash it needed. The firm they selected among the nine had never even built a car wash before. In fact, that firm would later need to hire an entirely different company to actually design and build it. Worse yet, the price MIA agreed to pay was approximately \$809,000 more than what was estimated to be an appropriate cost. The absurdity of this business deal was not lost on the county staff who worked on it, many of whom were vocal in their frustration. But it seems that, despite all the staff objections, the use of the contract in this manner was approved. We feel this to be an obscene waste of over three-quarters of a million dollars of our money. Once again, this story only serves to reinforce the perception that government simply cannot be trusted with our money.

e. Telecommunications Leasing at the Miami International Airport

The final contract we wish to describe concerns the manner through which telecommunications are currently being provided at MIA. Due to the swiftly changing nature of the telecommunications industry, this contract is basically a leasing agreement wherein the latest technology can be rented then substituted when more advanced or improved equipment becomes available. However, we have learned that there are far too

⁶ This contract also was used to construct a Waste Transfer Station at MIA. Since we found the same abuses to exist in that construction as we found in the construction of the car wash, we saw no need to further describe that contract here too. However, its exclusion should not be viewed in any way as to diminish our outrage at what occurred.

⁷ DERM stands for Department of Environmental Resources Management, the Miami-Dade County environmental control agency.

few checks and balances upon items leased under this contract. As a result, MIA is currently paying for a number of items that are either incompatible with current systems or for which they have no current need. Examples would include:

- Communications consoles that have been sitting idle for over two years since they can't be made to work with the current systems already in use;
- A messaging system that can not be made to work with the existing messaging equipment Many Needed;
- An emergency disaster vehicle that duplicates an existing vehicle owned by the fire department and can not be used at the airport since it has not been FAA approved;
- Custom office furniture ordered on a expedited basis with no office space yet available for its installation.

f. Changes Are Already Underway

We offered this last example to illustrate that efforts at contract reform must continue unabated. In that light, we would be remiss if we did not recognize the many changes to the current system administering these government contracts that are already underway. In fact, one of the concerns we had when we decided to describe these contracts in our report was that we would not also be describing the many people within our county government that are trustworthy, that are excellent managers and that do have the appropriate respect for the public's money. Nor would we be describing county government contracts which are properly awarded, managed and performed. Within our current county government, we have found a number of dedicated elected officials and department heads that have greatly impressed us with their desire to rid our county government of its tarnished reputation.

We want to especially single out our current County Manager in this regard. It is an unfortunate fact that too many times simply doing a good job will go unnoticed. Even worse, when the public focuses upon detail after detail of negligence, malfeasance or even criminal corruption, it will unfairly seem as if everyone in government is corrupt. We came to our grand jury service convinced of the need to ask our officials why they were doing nothing to help restore our confidence in them. We end our term amazed at how extensively they and many others are working to make the changes needed to do

exactly that. As we recommend later in our report, we feel county government should institute actions designed to get this positive information more forcefully brought to the attention of our community.

Nevertheless, our examples clearly illustrate the abuses of public money that can result when oversight is not vigilant and actions that are taken can remain hidden from the awareness of the public. They also illustrate the fact that simply shifting the authority to develop and approve government contracts from the county commission to the county administration will not provide the “silver bullet” that solves all of the problems we have identified. It is clear to us that the process must be mostly removed from the county commission and mostly given to the county administration. However, it is also clear to us that there must be a separate source of non-political oversight over this entire process or we might simply be going from the frying pan into the fire.

IV. LOBBYISTS

As we progressed this term in our analysis and deliberations about the manner in which our county government awards contracts to the private sector, a recurring issue has been the propriety of, and propensity for, individuals who represent the interests of the companies competing for these contracts to become an integral part of this process. When we began our term, many of us had actually not heard the word “lobbyist” before. Therefore, by necessity, our deliberations on this issue had to start with a determination of exactly what it was we were examining. We have since learned that there are actually two very different missions engaged in by hired lobbyists. One involves speaking, on behalf of a client, to elected officials and government employees on issues of public importance and policy which are, of course, part of the true legislative functions of any government body. The other involves speaking to them, again on behalf of a client, in an effort to convince them that a particular company, bidder or vendor should be awarded a specific government contract. Clearly, it is the latter occupation that directly impacts the subject matter of our report and thus the conduct we have chosen to analyze and evaluate.

We quickly found that, whatever the underlying truth is concerning the impact of lobbyists, the issue itself is highly controversial. When questioned about this subject, many witnesses described lobbyists to us as the root of all that is evil in county

government. They suggested that nothing less than a complete and total ban on their activities must comprise the major component in any successful plan to restore integrity to our local government contracting process. Some witnesses did not go this far and portrayed them as necessary evils; conveying accurate information to elected officials to ensure knowledgeable decisions are being made and helping to bring some degree of order to the chaotic morass that the obtaining of a government contract has become. A few depicted the majority of lobbyists as ethical, high principled individuals who have been unfairly portrayed and branded as harmful due to the misadventures of a few and a desire on the part of the public and the news media to find a scapegoat. For the vast majority of witnesses there was simply no middle ground.

Clearly, lobbyists can be either hated or loved depending upon the eyes through which they are being viewed. Yet, not a single witness, regardless of the side of the argument they were on, could give us a specific example they had witnessed that *proved* that a elected official had voted a certain way *because* a particular lobbyist had been hired. Neither could a single witness give us a specific example they had witnessed that *proved* that an elected official had voted a certain way *despite* the fact that a particular lobbyist had been hired. Instead what was offered to us as proof were numerous instances where, for example, a particular lobbyist had been hired and his or her client won the contract. Or other instances where a particular lobbyist, “linked” through scuttlebutt to a particular commissioner, was hired and therefore that commissioner was blindly voting whichever way would benefit that lobbyist’s client. In both instances, substantial amounts of fund-raising by the lobbyists were usually mentioned as proof of these points. However, left unproven was whether or not a commissioner voted the way they did simply because they were voting their conscience. This entire issue has become immersed in a shroud of suspicion, innuendo and speculation. However, as we have described throughout this report, if our *perception* supports a theory of corruption, our confidence in government will suffer as a result. We therefore have devoted a significant amount of our limited time to an examination of the whole issue of lobbyists within the context of the obtaining of county government contracts.

a. The Lobbyist Controversy

Simply by virtue of their election, public officials do not suddenly become knowledgeable experts in the various areas of goods and services for which local governments contract. Therefore, the ability to obtain expert information, or have it presented to them, is a necessity if intelligent decisions concerning these contracts are to be made. We do not think that the use of lobbyists in this fashion is the spark behind the current controversy. Rather, it is the message *presumed* to be delivered along with this information, or in its stead, that lies at the heart of this mistrust. If the lobbyist is a major campaign fund raiser for an elected official, then this message must be for the contract to be awarded to their client as a quid-pro-quo for the funds that were raised in the past or would be raised in the future. If the lobbyist is a personal friend or confidant of an elected official, then this message must be for that friendship to be the overriding consideration when it comes time for a vote. Using simple mathematics, the number of lobbyists one needs to hire would be governed by the number of votes needed to win the contract. Some, wanting even more assurance of victory, would hire many other lobbyists just to make sure the other side could not. The result would be teams of lobbyists swarming the large contracts, adding their fees to the costs the county will pay and tilting the selection process with their hired influence.

Shamefully, a substantial majority of witnesses we have heard from during our term truly believe that what we have just described is exactly what occurs. Each is quick to add, however, a few names of elected officials who they are sure do not participate in this scheme. It is of great concern to us that although the same names are usually repeated in this list, ominously, the same names are usually not. On the one hand, we can easily see where it would be of obvious financial advantage for one who is a lobbyist to represent to a prospective client being a "power behind the scenes." On the other hand, being associated or linked with a lobbyist is also, considering the current negative climate surrounding this issue, an obviously undesirable trait for an elected official to willingly exude.

While we have been extremely careful not to draw conclusions that are based upon conjecture or innuendo, we must confess that there certainly seems to be an awful lot of smoke surrounding this issue. Certainly, the practice of hiring large armies of lobbyists when seeking the award of a county government contract is an established fact.

The costs associated with these hirings are undoubtedly added to their bids or proposals and increase the cost of the contract as a result. If hiring a lobbyist is not based upon the belief that a commissioner's vote is related to that hiring, then why hire so many? Adding to our concerns and our suspicions, a majority of the lobbyists we invited to appear voluntarily before us to help us impartially sift through this issue decided not to attend; many adding that they would do so only if we issued a subpoena requiring their attendance. We briefly considered this alternative but quickly decided that the quality of their testimony would not be worth the potential harm the granting of use immunity⁸ from criminal prosecution the subpoena would give. We therefore gave a great deal of consideration to the testimony of those few lobbyists who did voluntarily appear and testify. To a person we were impressed with their presentations and feel they helped us greatly in understanding the important role a professional lobbyist can play in our governmental system. Considering the reluctance of their peers, we wish to commend them for their willingness to assist us this term.

b. An Attempt at Statistical Analysis

Without a "smoking gun" and having decided that immunity was too great a price to pay for the mere *possibility* of obtaining additional meaningful facts, we decided to try to use statistics to answer the following question: "Does the hiring of a particular lobbyist assure or guarantee a client of the favorable vote of a county commissioner when it comes to the award of a contract?" We intended to begin by obtaining information from the County Manager's Office regarding all contracts that had been approved by the Miami-Dade County Commission during the years of 1997 and 1998. We would also obtain from the Clerk of the Commission the list of all lobbyists registered in Miami-Dade County for 1996, 1997 and 1998. Placing all of this information into a computer database, we would next add the names of the county commissioners and their recorded votes (or absences) regarding the award of these contracts. We then intended to conduct a statistical analysis to determine whether there was any correlation between a commissioner's vote and the lobbyists hired by the particular entities.

Considering the controversy surrounding this issue, we were surprised to learn that no one in county government had ever attempted to conduct such an analysis before.

⁸ "Use" immunity refers to the inability to *use* the testimony of a witness against them in a court of law.

Perhaps because of this fact, we quickly found that the information we needed did not currently exist in a useable form. Some information was contained in a computer database and some was not. None of the data had been collected with this type of analysis in mind and thus there were no existing cross-references. Another problem was that the data was not entered in a uniform manner. Even worse, most of the data that had been collected was not specific enough to allow a direct correlation to be made. For instance, many of the registrations for lobbyists did not identify the contract for which they were lobbying. In other instances, the registration information itself was incomplete. Still others did not clearly identify the name of the party seeking the contract nor was there any linkage between that contract and the lobbyist registration itself. Despite our best efforts, and the full cooperation of the Miami-Dade County Manager's Office, it became obvious that this study could only be completed if we manually researched every file relating to every contract to extract the needed information. Even worse, if we had somehow been able to accomplish this mammoth task, the lack of the specific linkage needed to correlate a particular contract with a particular registered lobbyist meant that no statistically reliable result could be obtained. There is no question in our mind that this type of study is much needed to try to answer the question we, and many others, have raised. We are truly disappointed that we could not complete this project for our community. We also remain somewhat suspicious of exactly why such an analysis has not yet occurred.

c. Responsibility For Fixing The Problem

Our examination of this issue has resulted in the strong belief that the specter of the *Gatekeeper Lobbyist* is largely responsible for much of the public's current perception that government contracts are being rewarded to a few privileged companies or individuals. We also believe that the primary responsibility for the abatement of this perception must lie, not upon the lobbyists, but rather at the feet of the elected officials who are lobbied by them. Numerous witnesses have described, and many elected county officials readily admit, that they regularly socialize with, and are regularly seen with, a number of persons who also are hired to act as lobbyists regarding county business. While some portray this public association, and the resulting perception of "closeness," as part of the problem, we do not share this opinion. It seems to us that, just because one

becomes an elected official, one should not be expected to immediately abandon their friends. However, by the same token our public officials must realize that the abatement of this perception remains primarily their responsibility and thus should exercise great care to avoid the appearance of professional closeness. A perception supported perhaps by allowing a lobbyist to regularly “camp out” in their government offices, using their office telephones, or even being regularly seen with them during the course of their official business. We realize that this caution may seem to unfairly presume unethical behavior when none in fact exists. But if the crisis of confidence in government is to be overcome, who better to take the extraordinary measures needed than the ones entrusted with our government itself?

d. The Need For Campaign Fund-Raising Reform

While we deplore the necessity of campaign fund-raising for those who seek election to public office, we are forced to recognize that this is unfortunately a necessary evil in the current functioning of our democratic system. However, when one chooses to assume a public office, they also by necessity assume the burden of greater scrutiny of their conduct. As this burden relates to paid lobbyists, to us the reforms needed are clear. First, no elected official should ever allow anyone associated with that elected official to foster the appearance of favoritism or cronyism. Second, regardless of whether or not campaign fund-raising by lobbyists is in fact the source of influence or not, with regard to the award of county government contracts, the *public* clearly perceives it to be. Therefore, it is incumbent upon all of our local elected officials, including mayors, to restore credibility to their respective offices by excluding anyone who would lobby a local government contract from doing any fund-raising beyond a single individual campaign contribution.

V. ACTIONS ON CONTRACTS TAKEN BY THE PRIVATE SECTOR

It is often said that business is war. In the usual business relationships, where both entities are motivated by profit, it is acceptable practice for each side to seek the best deal and the highest profitability possible. While it may sound predatory, each side recognizes that it bears the sole responsibility to protect itself from its own mistakes

in the negotiation process. Sometimes these mistakes can result in an unfair advantage, a smaller profit or even an unexpected loss on a business deal. Companies who do not learn from their mistakes often go out of business. Business, in this sense, truly is the survival of the fittest.

There have been a number of contracts we reviewed where the private companies simply had to know they were getting more money from these contracts than, perhaps, they deserved. As a result, while not the usual area for grand jury scrutiny, we have found ourselves this term questioning the duties, responsibilities and ethical standards of private entities doing business with our county government. Unlike private business, if our government does not “learn from its mistakes” and loses money on bad business decisions, it will not go out of business. To make up the “loss,” it will have to either reduce the services it is able to offer its citizens or raise taxes to make up the deficit, or both.

Ironically, sometimes the very people who benefit financially from the government’s contracting “mistake” will also be among the people in that community who suffer as a result. For example, two of the contracts we reviewed this term had totally erroneous estimates of items needed as a part of the bid solicitation. This permitted the winning bidders to “unbalance” their bids by putting higher prices on items whose usage was underestimated and lower prices on items whose usage was overestimated. Thus, while these entities ended up with the lowest *total* bids, we ended up paying much higher prices for these items than the true usage would have necessitated. Unbalanced bids such as this can not be arrived at by accident. Detailed knowledge on the part of the private companies, and substantial calculations based upon that knowledge, are needed to arrive at these results. Clearly, the government entity or department that came up with the faulty estimates should bear primary responsibility for the public funds wasted. However, we think private companies should not be able to take advantage of financial windfalls such as these with impunity. When the money lost is public money, we think that private citizens and businesses should be held to the same ethical and moral standards we expect of our government officials.

Fortunately, within our community there are a number of volunteer efforts currently underway by many civic organizations such as the Greater Miami Chamber of

Commerce, the Alliance For Ethical Government and Mesa Redonda (to name just a few) intended to investigate and discuss these very issues. They are intent on developing a system of ethical standards that should be required of private industry doing business with government. We congratulate these organizations on their willingness to tackle this important project. We also believe that their recommendations, when developed, should be given great consideration by our elected officials and other community leaders, perhaps leading to the inclusion of appropriate requirements in the terms of county contracts themselves. However, at the same time, we caution their membership to engage in a debate that goes to the heart of these issues and not simply respond with "feel good" recommendations. To be truly effective, private companies must not only promise to engage in ethical business dealings with government. They must be willing to come forward and complain about unethical actions by government officials and agencies too. We fully appreciate the unspoken concern that this could result in a sacrifice of future government business. The actions we are suggesting will take great courage. Standing up and being counted often does. But we are sure there are many business professionals in our community who possess the credentials and ethical standards needed to take the lead in this matter. Taking a public stand against unethical behavior will become easier and less courageous to undertake when it is the norm rather than the exception.

VI. THE NEED FOR CONTRACTUAL LEGAL ASSISTANCE

There are a multitude of different agencies that exist within county government, each providing a special type of service or a specific type of assistance. We have already detailed the roles played by WASD and Public Works. There are a number of others that also participate or assist in the award of government contracts to private enterprise. The General Services Administration for instance, handles all procurement bids and contracts for the purchase of commodities (such as pencils, paper, and office equipment) for all county agencies including MIA.⁹ Considering some of the poor business deals the county has entered into, we wondered what role the Office of the County Attorney played when it comes to the legal issues and oversight of these contracts.

⁹ We note MIA separately here because, unlike every other department, MIA does not need to present RFP/RFQs to the County Commission for approval. The County Manager has the authority to approve these advertisements. Nevertheless, as with all other agencies, the award of all contracts must still be approved by the County Commission.

We were surprised to find that the County Attorney does not represent the people of the county. Hired by the Board of County Commissioners, the office is their legal representative and not ours. This apparently is true for every county or municipal government throughout the State of Florida. It would be of obvious benefit for individual county agencies to have legal counsel to assist them, for instance, by advising them that they had not done due diligence when making a decision to purchase toilet seats for over \$8,000 each. However, witnesses have told us that this is not the role the County Attorney's Office currently fulfills. Instead, this office views its legal obligations as requiring the review of contracts solely for legal sufficiency and not for substance. No matter how poor the bargain for the public, their contract review will end once it has been determined that the contract is drafted in a manner to ensure the county can successfully sue to enforce that bargain in a court of law. While at first blush this seemed to us somewhat ridiculous, after further explanation it became obvious why this policy was developed. By following its dictates, the office is insulated from becoming embroiled in commission politics. The key element here is that the County Attorney represents the *entire* county commission as well as the Mayor and the County Manager. To become directly involved in whether a particular business deal is a good or bad one for the county might place them into a situation where they had to argue against the position of one or more of their "clients" and in favor of some others.

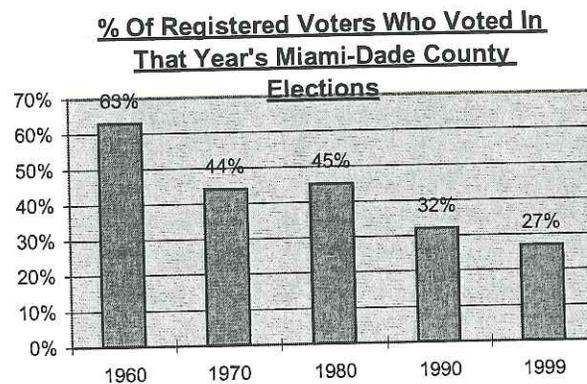
While we understand their position, nevertheless we feel that a change in the structure of this office, or its legal obligations, must be made so that the legal oversight so clearly needed can be provided. This could be accomplished in a number of different ways. Perhaps each county department that enters into contracts with private businesses could be provided with an Assistant County Attorney who is directed to review that contract on behalf of the public. They would also be given the individual legal responsibility of ensuring that the department exercises due diligence and sound business practices in the development of the business deal as well as the drafting of the contracts themselves. Should it be decided that this would present too great a chance for legal conflicts, then perhaps the County Attorney could be directed to employ outside counsel to perform this exact same role, perhaps placing these attorneys on the staff of the Inspector General. Regardless, the legal duty must be owed to the public and not to a

particular department or its director. The intent of this representation should be to ensure laws and rules are followed and not, for example, to provide advice to assist one who is intent upon exploiting legal loopholes. Should this prove too costly then perhaps the County Commission should enact an ordinance providing that the County Attorney's legal obligations should be to both the commission *and* the public (this would certainly provide an interesting legal debate should they turn out not to be the same!). In any event, the representation must also be structured in a manner likely to result in the quick enforcement of all contractual obligations of the contract. This is especially necessary when it relates to obtaining fiscal documentation required to be produced by the contract itself. For example, we have noted a number of instances in the contracts we reviewed where county auditors are still guessing about what actually happened due to a refusal of the contractors to produce the records as required by the contract. Swift legal action in all of these cases must be undertaken, not only to support the efforts to complete necessary audits, but to deter similar unjustified refusals in the future as well.

VII. THE RESPONSIBILITIES OF THE VOTING PUBLIC

It is often said that many citizens choose not to exercise their right to vote out of frustration: frustration with the choice of candidates, frustration with the apparent inability to believe one's vote would make any difference or frustration with government as a whole. Before serving on this grand jury, we could count many of ourselves among this group. But if we were now to list what we believed to be the single most important lesson our grand jury service has taught us, it would be how misplaced this frustration truly is. Spending our entire term watching and analyzing our county government in action has taught us that it is our own *inaction* as voters that is to blame. When bad government exists, our failure to vote reinforces its continuation. Through voter apathy, we delegate to special interest groups and lobbyists what should be our power to shape our government and the conduct of government officials. If we fail to exercise our most basic and precious right to choose who will govern us, how then can we justify complaining about whom it is that we get? As one of our members opined during our term, considering our current voter apathy, perhaps we are getting exactly the government, or government officials, we deserve. This apathy is not merely our perception. We totaled all of the registered voters who could have voted in Miami-Dade

County and compared them, in ten year intervals, with those who actually did. From this comparison, a disturbing and dangerous trend was revealed:



This precipitous decline in the willingness of citizens in our community to vote is tantamount to an abdication of the democratic process by the very people who constitute our democracy. It also illustrates the level to which our confidence and trust in government has been destroyed. In addition to acting as a catalyst for governmental change, we hope that our report can serve as a wake up call to everyone in our community that we are abandoning in large numbers this most basic of our constitutional rights. How can this be happening in a community to which so many have fled to escape dictators? Where we know so many who have left their homes and possessions behind in the pursuit of the exercise of this most basic of human rights? Who among us does not know of others who have lost their lives in their pursuit of what we are determined to so carelessly throw away?

We have detailed in our report many of the excesses and faults of our county government and made many references to the need to counter the public's negative perception. We have called upon our government officials and department heads to make many needed changes. Yet in the final analysis, it is still upon each of us, as voters, that we must rely. We need to relearn what we once knew and what the creation of our great nation was based upon so many years ago. Together, through our vote, we and we alone hold the ultimate power to force the changes we so desperately need. The greatest ally of any corrupt government is the apathy of its people.

VIII. RECOMMENDATIONS TO ELECTED COUNTY OFFICIALS

1. Create a new process to remove politics from county contracts. *We recommend that the Miami-Dade County Board of County Commissioners, the Mayor of Miami-Dade County and the Miami-Dade County Manager jointly develop and implement a restructuring of the current contract approval process so that the authority to approve the award of government contracts is removed from the direct involvement of the County Commission and the Mayor. The talents and time of our elected officials should be utilized to provide oversight of actions taken by county agencies and the County Manager relating to contracts and not the substance of the contracts themselves.*

2. Remove politics and social engineering from the development and evaluation of individual contract specifications: *We recommend that the Miami-Dade County Mayor and the Miami-Dade County Manager develop, and the Miami-Dade County Commission implement, a series of checks and balances for this new system that will insulate the development of all forms of contract solicitations from the political process as well as ensure truly non-political evaluations of the bids submitted. For example, the Commission and the Mayor should be restricted from any form of "social engineering" of individual contract solicitations. Policy goals should be permitted only in "broad brush" measures through the use of ordinances or resolutions applicable to entire classes of contracts. In addition, we recommend that a pool of qualified individuals, including members of the private sector, be developed for use in selecting participants on contract evaluation committees. This would address the many concerns voiced to us by witnesses that politics internal to previous County Manager's Offices can result in the development of specifications that favor one particular company, individual or vendor. We also recommend that all appointments to these committees be made by random selection to ensure that no person or individual within county government can control the composition of these committees. The entire process should be revamped with the specific intent of creating a system that will maintain public confidence by eradicating both the possibility and the perception that political favoritism within the contract development and evaluation process exists.*

3. Provide independent oversight over the entire county contract process: *We have been highly impressed with the City of Miami Oversight Board and the manner*

by which they have provided oversight over the few city contracts that we were able to review during our term. We congratulate the members of this board for their successful efforts to remove the effects of politics from many of these contracts. We are desirous of acquiring this same level of scrutiny over the contracts within Miami-Dade County too. While we are certainly mindful of the totally different scale of contracts entered into by the County and the City of Miami, nevertheless, we truly believe there must be a method wherein an oversight board can be created to perform this same function for county contracts. Perhaps the numbers can be made manageable by limiting their actions to contracts in excess of \$500,000. Perhaps their actions can take place on a random selection basis rather than a need to undertake a complete review. Regardless we think the type of checks and balances this can place upon the entire contracting process in Miami-Dade County is necessary if we are to restore the public's confidence in this governmental system. Accordingly, we recommend that the Miami-Dade County Commission, the Mayor of Miami-Dade County, the Miami-Dade County Manager and the Miami-Dade County Attorney together develop and implement a fully funded equivalent of an oversight board for county contracts. The board should work in conjunction with the current audit efforts of Miami-Dade County's Inspector General's Office. For this concept to work, and to ensure that it has the public's confidence, it is imperative that the potential for political interference or influence within this board be limited as much as possible. Accordingly, we further recommend that the Miami-Dade County Commissioners delegate their power to appoint the members of this board to individuals outside of county government. For instance, appointments should be made by offices such as the State Attorney, the Chief Judge for the Eleventh Judicial Circuit, the League of Cities, as well as the various Chambers of Commerce within our community. In addition, even though we are aware that the Commission has no authority to require them to act, we feel that the Governor's Office, the State of Florida Attorney General's Office and the State of Florida's Comptroller's Office should be requested to select one individual to serve on this board as well. An alternate entity should be designated for this purpose should their offices decline this opportunity. Our intent with this suggestion is specifically to formulate an appointment process that includes such a varied group of entities and offices so as to limit the potential for similar political interests to join in providing a breeding ground for political favoritism.

4. Show individual leadership in the creation of a culture within county departments that discourages unethical or illegal behavior and encourages their report: *Our county elected officials must take the lead to ensure that no conduct harmful to public confidence in government goes unreported or unaddressed. We therefore recommend that each Miami-Dade County Commissioner and the Mayor of Miami-Dade County be required to personally conduct at least one class per year for county employees during which they stress the importance of reporting unethical or illegal behavior. In addition, the public must be assured that its elected officials are well aware of these requirements. Accordingly, we recommend that all county elected officials be required to participate in at least four hours per year of training in Ethics, Public Records and Florida's Sunshine Law.*

5. Amend the county's False Claims Ordinance to provide legal and financial encouragement and reduce the fear of reprisal for those who would report illegal or unethical behavior: *Clearly, the willingness of government employees to report the many excesses and mismanagement we found to exist in contracts such as W-755 is an important and integral part of the restoration of our trust and faith in county government. Too many times, those who would come forward with this information are afraid to do so in fear of retaliation either by lack of promotion or even demotion. We were pleased to observe this term the passage of a new False Claims Ordinance by the Miami-Dade County Commission that creates a civil cause of action for the submission of fraudulent billings to the county as a part of a contract. However, we feel that this law should be strengthened to permit additional remedies and also to help encourage people to come forward with this type of information. Accordingly we recommend the Miami-Dade County Commission amend this ordinance with this additional purpose in mind. For instance, a financial penalty should be added for those who would endeavor or attempt to submit a false or fraudulent claim. The percentage of proceeds that a private (reporting) party could receive should also be increased from the current 10 percent in an effort to provide a greater financial incentive to come forward. We also feel that criminal penalties should be added to punish the most egregious of violators. The intent of these amendments should be to encourage those who know of fraudulent or false claims to report them without fear of reprisal, to deter those who would file false claims*

from doing so and to punish those who actually file false claims to the maximum extent permitted by law.

6. Show zero tolerance for a failure to comply with ordinances relating to ethics and lobbyist registration: *We have noticed a certain laxity on the part of some local elected county officials to file the complaints needed to begin the investigation and enforcement of some of the requirements of county ordinances relating to ethical conduct and especially lobbyist registration. In addition to informing others of their responsibilities, our elected officials must themselves be mindful of the need to report and take action against all violations of the rules and ordinances they themselves enact. Accordingly, we recommend that the Miami-Dade County Commission amend the existing county ethics ordinances to provide an affirmative duty upon all elected county officials within Miami-Dade County to report to the appropriate authority any unethical or illegal acts. The knowing failure to so report should itself be punished as a violation of the ethical responsibilities of these officials.*

7. Make the job of County Commissioner equal with its responsibilities: *For reasons we have detailed previously, we recommend that the Miami-Dade County Board of County Commissioners pass a resolution to place on the ballot for the next general election the issue of changing the position of County Commissioner from a part-time to a full-time position with a ban on other outside employment and with a salary commensurate thereto. Great consideration should be given to the inclusion of term limits as a part of this reform.*

8. Use the many examples in existing federal law as guidelines for changing the current legal requirements concerning county contracts: *Lastly, we recommend that the Miami-Dade County Commission, the Miami-Dade County Mayor and the Miami-Dade County Attorney review the many current restrictions that exist within Federal law relating to contracts and bids. Within these laws and regulations lie many useful ideas that should be incorporated into the language of county contracts or in ordinances relating thereto.¹⁰*

¹⁰ We are here specifically referring to 48 C.F.R. § 3.104 and 41 U.S.C. § 423 (relating to language required in Federal procurement contracts and providing penalties for violations and the Federal Acquisition Regulations applicable thereto).

IX. RECOMENDATIONS TO THE COUNTY MANAGER AND COUNTY DEPARTMENTS

1. **The failures we have documented within the oversight and administration of W-755 must provide the impetus for a complete review and overhaul of oversight methods used by every county department relating to county contracts:** *We recommend that the Miami-Dade County Manager and the Miami-Dade County Audit and Management Services Department conduct an analysis of all current standards and requirements utilized by each county department as a part of their oversight and administration of county contracts. This analysis should be designed to uncover and remedy failures of the type we found to exist within WASD's oversight of contract W-755 and that we have previously detailed within our report. Particular emphasis should be placed upon lack of adequate follow-up, lack of proper supervision, lack of proper training, lack of appropriate discipline for violations of procedures and lack of documentation. We should never again be placed in a position where we are unable to quickly determine and prove what was performed within a county contract, what was not and why. In addition, this department should also be directed to conduct random audits of the bid estimates used by various county agencies to determine if they have been correctly estimated or not.*

2. **Remove "change orders" as a method of increasing the funding of county contracts after approval except in the most limited of instances:** *We recommend that the Miami-Dade County Manager and the Miami-Dade County Attorney develop specific language in all contracts that limit the use of "change orders" as a mechanism to alter any of the terms of the contract. To protect the public from some of the cost overruns we found in W-755 and other contracts we reviewed, under no circumstances should a change order be permitted to increase the amount of funding under a contract by more than 10 percent of the original contract amount. An excess of this size should be filled by the issuance of a new contract solicitation and not by a change order. Should an increase in excess of 10 percent be needed, we recommend that the County Manager require a detailed determination of the reasons for the cost overruns and require an immediate audit of the contract by the Miami-Dade County Audit and Management Services Department.*

3. Increase the class of county employees who are required to file Financial Disclosure Forms and amend the forms for all county employees to provide more specific disclosures relating to gratuities or cash received: *Within county agencies, especially at MIA, we have noticed a level of employees who have been delegated the authority, as a part of their management of an existing contract, to direct purchases to particular vendors that were approved for that contract. Yet many of these employees are not currently included within the class of employees required to submit Financial Disclosure Forms under penalty of law. This loophole in the ability to uncover potential conflicts of interest must be closed. We therefore recommend that the Miami-Dade County Commission enact an ordinance requiring that all county employees whose primary duties include the negotiation, administration or oversight of county contracts file a Financial Disclosure Form annually. In addition, the current form should be expanded to mandate the disclosure of any cash received by an employee, including the specific designation of the source of that cash. The form should also contain a section requiring the employee to affirmatively state that no gratuities or gifts have been received or accepted from any vendor, individual or company that does business with the county within the general area of that employee's duties. Finally, the Disclosure Form itself should be amended to include the language and warnings of Florida's Official Misconduct Statute, placed directly above the employee signature line.*

4. Increase the public's confidence in government by forcefully and creatively advertising the good news about our county government and employees: *We were amazed at the sheer number of initiatives that are currently underway to improve our county government and that we were unaware of until our grand jury service. We also feel strongly that, if this information had been known to us, our frustrations with government would not have been so strong. As a community and a nation, it seems that we sometimes dwell far too much on the bad news and are far too disinterested in the good. This leads to the perception that everything about government is bad, a proposition we now know is simply not true. Accordingly, we recommend that the Miami-Dade County Manager develop an expedient and cost effective plan to more adequately and forcefully project into the community awareness, perhaps through a regular newspaper, television or radio advertisement, the many proper, intelligent and*

resourceful things that county agencies and county employees do. We also call upon our local media to support this important initiative, either by being more willing to prominently place these types of items in their particular form of news dissemination, or by donating space or time for this important public good.

X. RECOMMENDATIONS TO THE COUNTY ATTORNEY'S OFFICE

Restructure the office to provide legal oversight regarding both the form and the substance of county contracts: *We recommend that the Miami-Dade County Attorney's Office be restructured to provide legal oversight over county contracts that is designed to address both the form of the contract and the substance of the underlying business deal. This office should take the lead in ensuring that county government and county departments exercise due diligence in all contractual matters. It should also provide the people of Miami-Dade County with swift enforcement, through litigation if necessary, of the contractual obligations of private business. In this regard, emphasis should be placed upon actions to obtain records needed to complete the county's audits of existing contracts.*

XI. RECOMMENDATIONS RELATING TO LOBBYISTS

1. Remove the ability of anyone registered to lobby contracts before the Miami-Dade County Commission to engage in fund-raising for political campaigns relating to those elected positions and for the position of Miami-Dade County Mayor: *We recommend that the Miami-Dade County Board of County Commissioners enact an ordinance providing that no individual who is or becomes registered to lobby the Miami-Dade County Commission or the Mayor of Miami-Dade County concerning a government contract, and no group, partnership or firm that is associated with or employs any such individual, may engage in any form of fund-raising for the campaign of any member of, or candidate for, the Miami-Dade County Commission or the Mayor of Miami-Dade County. The sole exception to this prohibition should be an individual contribution to the maximum permitted by law. Our intent with this recommendation is to remove any link, real or perceived, between campaign fund-raising and the manner by which government contracts are developed, solicited and awarded.*

2. To support the enforcement of this prohibition, all campaigns for election, or re-election, to the Miami-Dade County Commission and the office of Miami-Dade County Mayor should be required to report the identities of all entities or individuals who conduct fund-raising efforts on their behalf: *We recommend that the Miami-Dade County Commission enact an ordinance requiring any and all candidates for local elected offices, including incumbents seeking re-election, file with the Miami-Dade County Department of Elections a list of any and all individuals who have raised funds for their campaign (other than a personal contribution on behalf of themselves) that clearly identifies the names, amounts and occupations of those from whom these contributions were received.*

3. Provide the positions and funding needed to permit a statistical analysis, relating to county contracts, to determine if there is any correlation between the votes of commissioners and the hiring of lobbyists: *Should our recommendations intended to remove the Miami-Dade County Commission and the Mayor of Miami-Dade County from the development, solicitation and approval of contracts not be followed, we recommend that the Miami-Dade County Clerk of the Commission be provided with appropriate funding and personnel to permit a statistical study to be conducted and published bi-annually, with the intent of determining if there is any link or pattern between the voting record of the commissioners and any and all registered lobbyists. Should a pattern be determined to exist, all information relating to this study should be immediately referred to the Miami-Dade County Police Department's Public Corruption Unit, the Miami-Dade County State Attorney's Office and the Miami-Dade County Inspector General's Office for an expedited investigation.*

4. Provide greater public accountability for the manner by which registered lobbyists appear before the Miami-Dade County Commission: *We further recommend that the Miami-Dade County Clerk of the Commission utilize a computer database during commission meetings to verify that a particular person who wishes to address the commission as a lobbyist is in fact registered as a lobbyist, has complied with all requirements of that registration, and has paid all applicable fees before they are permitted to speak. In addition, it should be a requirement that every lobbyist clearly announce their name as well as the name of the entity they have been hired to represent.*

XII. RECOMMENDATIONS RELATING TO PRIVATE COMPANIES AND GROUPS

Our civic leaders and our business community must take the lead in self-policing the business ethics of companies that contract with our county government: *We recommend that the Greater Miami Chamber of Commerce, the Miami-Dade Chamber of Commerce, the Latin American Chamber of Commerce, Mesa Redonda and the Alliance For Ethical Government together create a Code of Business Ethics and form a joint Ethics Council to enforce this code. Details of unethical behavior on the part of local businesses should be presented before this Council and a determination made if the action was in violation of the ethical standards developed. If a violation is found to have occurred, a recommendation should be made that the membership take appropriate actions designed to discourage that entity from repeating the behavior. These actions should include public condemnation or even removal from membership.*

XIII. RECOMMENDATIONS RELATING TO THE ISSUE OF A MIAMI INTERNATIONAL AIRPORT "AUTHORITY"

The creation of a separate "authority" to administer the business of MIA should continue to be carefully and thoughtfully considered but must not be looked upon as a "silver bullet" that will somehow solve all of MIA's problems. The method of its structure, and the willingness of elected county officials to divest themselves of authority and oversight, will be instrumental to its success or failure: *During the very end of our term, the concept of creating a separate "Authority" to run Miami International Airport became much debated. We too have attempted to use the little time remaining in our term in an effort to understand this concept. Although we were fortunate to find a study¹¹ that had already canvassed and detailed the various forms of authorities and the methods of their creation, we quickly discovered that this study was not intended to answer the most important question relating to the subject of our report: Would the creation of an Authority to operate MIA truly limit the existence of*

¹¹ We are referring to the "Final Report: Airport Authority Feasibility Study" completed on September 30, 1996 and presented to the County Manager's Office on that same date.

politics or favoritism concerning the award of contracts for that facility? Clearly, if the members of this authority were to be appointed by the Miami-Dade County Commission (as currently required by our Home Rule Charter), then the same potential for politics we previously described would still exist. Even if the Authority were to be an appointed but completely independent entity, its politics could still be determined by the persons empowered to decide who gets appointed. Once again, depending upon the people involved, questions of politics or favoritism could still remain. Finally, to create a truly independent board would mean amending our Home Rule Charter, requiring the question to be placed upon a ballot and decided in a countywide election. This is certainly not a quick-fix scenario. While we certainly like the concept of a totally autonomous board, we think there still remain far too many questions concerning this issue for a knowledgeable recommendation to be made. Furthermore, if the system to remove politics that we have recommended were successfully implemented, there may be no real need for this Authority at all. Nevertheless, we do feel that this issue should continue to be subjected to serious public evaluation, beginning with an effort to determine if the creation of an Authority has successfully addressed problems in other jurisdictions, including corruption, that are similar to the ones we perceive we have at MIA.

<u>NAME OF DEFENDANT</u>	<u>CHARGE</u>	<u>INDICTMENT RETURNED</u>
JORGE NOLASCO	First Degree Murder Attempted First Degree Murder Attempted First Degree Murder Unlawful Possession of a Firearm While Engaged in a Criminal Offense Discharging a Firearm From a Vehicle	True Bill
ANDREW McWHORTER	First Degree Murder	True Bill
JUANA MARTINEZ	First Degree Murder Child Abuse/Aggravated/Great Bodily Harm	True Bill
CARLOS FERNANDEZ, also known as "YLO CARLOS"	First Degree Murder With a Firearm Unlawful Possession of a Firearm or Weapon by a Convicted Felon	True Bill
ROLAND GEORGE	Robbery Using Deadly Weapon or Firearm	True Bill
ANTHONY GARY FERGUSON	First Degree Murder	True Bill
JUAN CARLOS MANCIAS	First Degree Murder	True Bill
JUANA MARTINEZ	First Degree Murder Child Abuse/Aggravated/Great Bodily Harm	True Bill
TERENCE JOHNSON	First Degree Murder Armed Robbery	True Bill
DUDE WHITESTONE, also known as THOMAS PELLECHIO	First Degree Murder	True Bill
CECIL HART	Armed Kidnapping Armed Robbery Attempted Burglary of a Dwelling Burglary of a Conveyance Grand Theft Auto First Degree Murder	True Bill
RONALD JOHNSON	First Degree Murder Robbery/Carjacking/Armed Armed Burglary Robbery Using Deadly Weapon or Firearm	True Bill
KRISTOFFER HURLSTON	First Degree Murder	True Bill
ANDRES CARRENO (B) and NATALIA VELEZ (A)	First Degree Murder (B) Child Abuse/Aggravated/Great Bodily Harm (B) Child Abuse/Aggravated/Great Bodily Harm (B) Aggravated Manslaughter of a Child (A) Child Neglect/No Great Bodily Harm (A)	True Bill
ANDREW McWHORTER (A) and JAMAL BROWN (B)	First Degree Murder	True Bill

<u>NAME OF DEFENDANT</u>	<u>CHARGE</u>	<u>INDICTMENT RETURNED</u>
CARLOS MIRANDA, also known as EUGENE ADORNO CHEEKS, also known as DANIEL OTILIO ALCANTARA-CERVANTE	First Degree Murder Arson First Degree	True Bill
JERRY NEIL ALFRED	First Degree Murder	True Bill
ROBERT REGINALD WEATHERSPOON	First Degree Murder Attempted First Degree Murder Armed Burglary	True Bill
DANIEL GARNER GRIMMETTE and BETHEL D. GORDON	First Degree Murder Attempted Strong Armed Robbery	True Bill
BEN EDWARD SMITH	First Degree Murder Unlawful Possession of a Firearm or Weapon by a Convicted Felon Unlawful Possession of a Firearm While Engaged in a Criminal Offense Aggravated Assault with a Firearm Aggravated Assault with a Firearm Attempted First Degree Murder	True Bill
ARTHUR JAMES MARTIN	First Degree Murder Robbery Using Deadly Weapon or Firearm Robbery Using Deadly Weapon or Firearm Burglary with Assault or Battery Therein While Armed Unlawful Possession of a Firearm or Weapon by a Convicted Felon	True Bill
STEVENS CELESTIN, also known as STEVENS EMANUELLE CELESTIN	First Degree Murder Aggravated Assault with a Firearm	True Bill
JOHN TAYLOR and MARKO DUKANOVIC	First Degree Murder Burglary with Assault or Battery Therein While Armed	True Bill
TAVARES DANIELS (A) and ANTHONY MONTGOMERY (B)	Attempted Armed Robbery First Degree Murder Unlawful Possession of a Firearm While Engaged in a Criminal Offense Unlawful Possession of a Firearm or Weapon by a Convicted Felon (B Deft only)	True Bill
HAROLD CABRERA, SALVADOR VALDEZ, CHRISTIAN A. ECHEVARRIA, JOHN IGNACIO PERNAS and VICTOR JESUS LOPEZ	First Degree Murder Armed Robbery	True Bill
ENRICO FORTI	First Degree Murder	True Bill

<u>NAME OF DEFENDANT</u>	<u>CHARGE</u>	<u>INDICTMENT RETURNED</u>
TAVARIS E. SNELL and KEVIN BULFOUL ROWE	First Degree Murder Attempted Armed Robbery Unlawful Possession of a Firearm While Engaged in a Criminal Offense (B only)	True Bill
CORLEON LAMONTE THOMPSON	First Degree Murder Burglary with Assault or Battery Therein While Armed	True Bill
CORIAN TENNILLE JONES	First Degree Murder Robbery Using Deadly Weapon or Firearm	True Bill
YVETTE VIVIAN YALLICO	First Degree Murder Child Abuse/Aggravated/Great Bodily Harm/Torture	True Bill
GORDON ST. AUBYN GREEN (A) ROGER BARRINGTON POWELL (B) TORRELL MICHAEL WILSON (C) and EDWARD DEWAYNE MONCRIEFFE (D)	First Degree Murder (B) Murder Third Degree (A,C,D)	True Bill
RONNIE OWENS (A) and BARRY LEONARD MCINTOSH (B)	First Degree Murder Armed Robbery Burglary with Assault or Battery Therein While Armed	True Bill

ACKNOWLEDGEMENTS

“Service is the price we pay for the space we occupy on Earth.”

We, the Miami-Dade County Grand Jury for the Spring Term 1999, as humble servants of the community, would like to give acknowledgement where it is due. The people that have nurtured, inspired, guided, and educated this diverse group are deserving of a great deal of thanks.

To the Honorable Judge Judith L. Kreeger and State Attorney Katherine Fernandez Rundle, who remained ever mindful that diversity enriches us all, we say thank you for giving all facets of our community a chance to serve.

We would like to recognize and thank Chief Assistant State Attorney Chet J. Zerlin and, Assistant State Attorneys Fred Kerstein, Joseph Centorino, Gertrude Novicki, Mary Cagle, David Paulus and Howard Pohl for their participation and active involvement, providing necessary information and guidance while insuring the entire group understood the topics.

In addition, our thanks goes out to Rose Anne Dare, Administrative Assistant, Nelido Gil, Jr., Bailiff, Julio Fernandez, Interpreter, and Angela Garcia, Court Clerk, for their dedication and commitment during this Grand Jury's term.

Respectfully submitted,

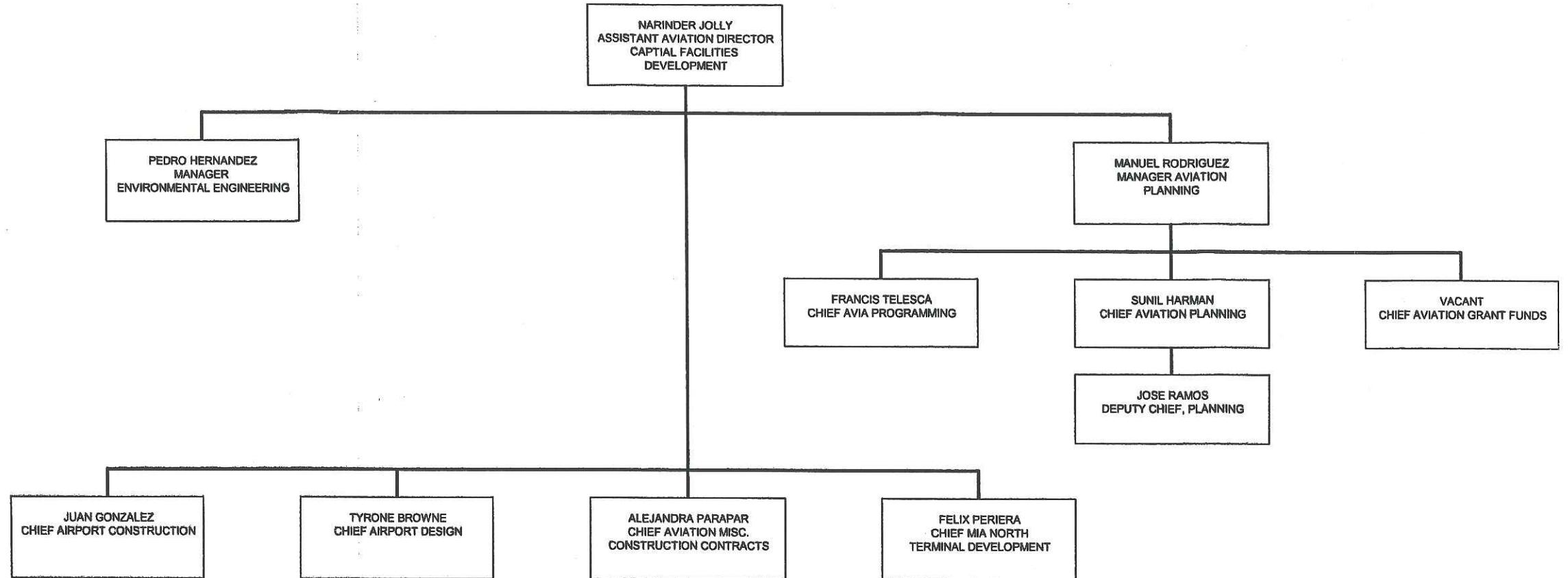
Dottie D. Wilson
Dade County Grand Jury
Spring Term 1999

ATTEST:

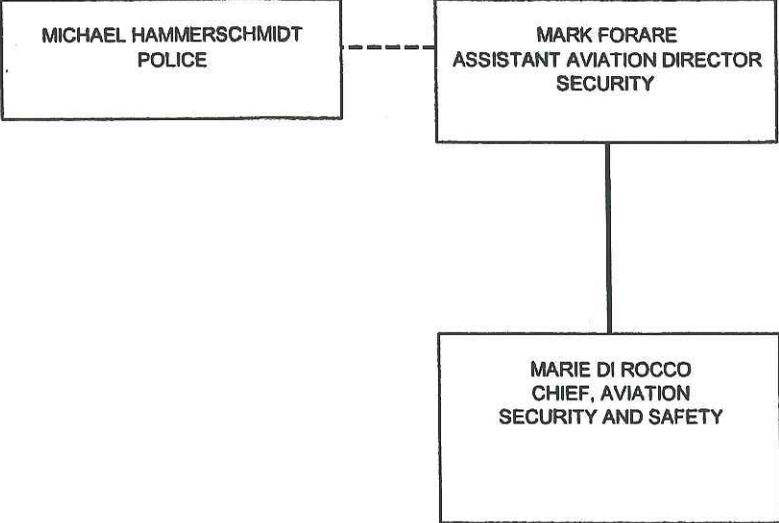
Barbara J. Krause
Clerk

Date: _____

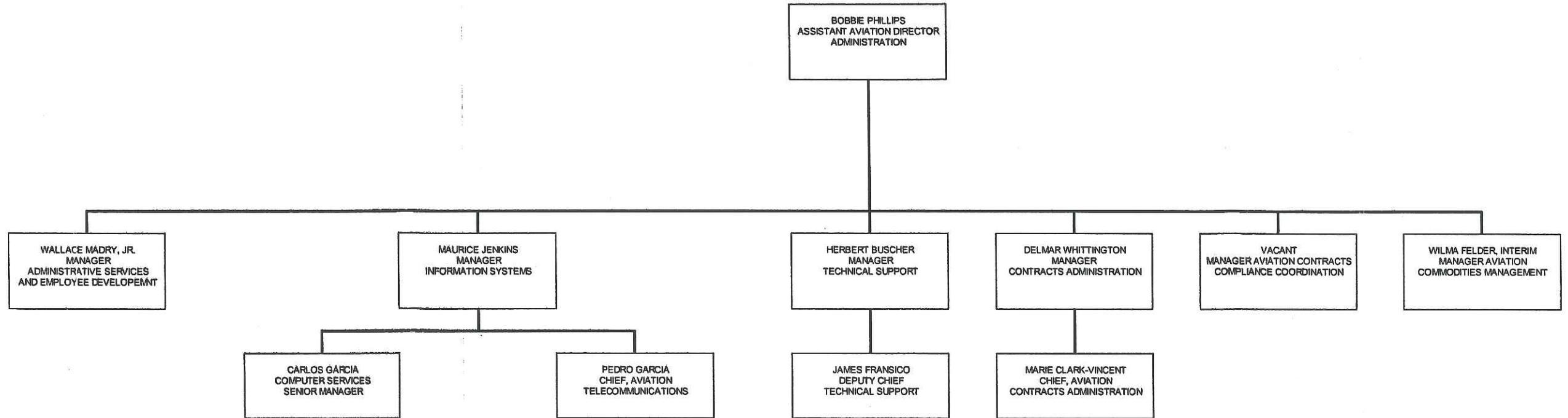
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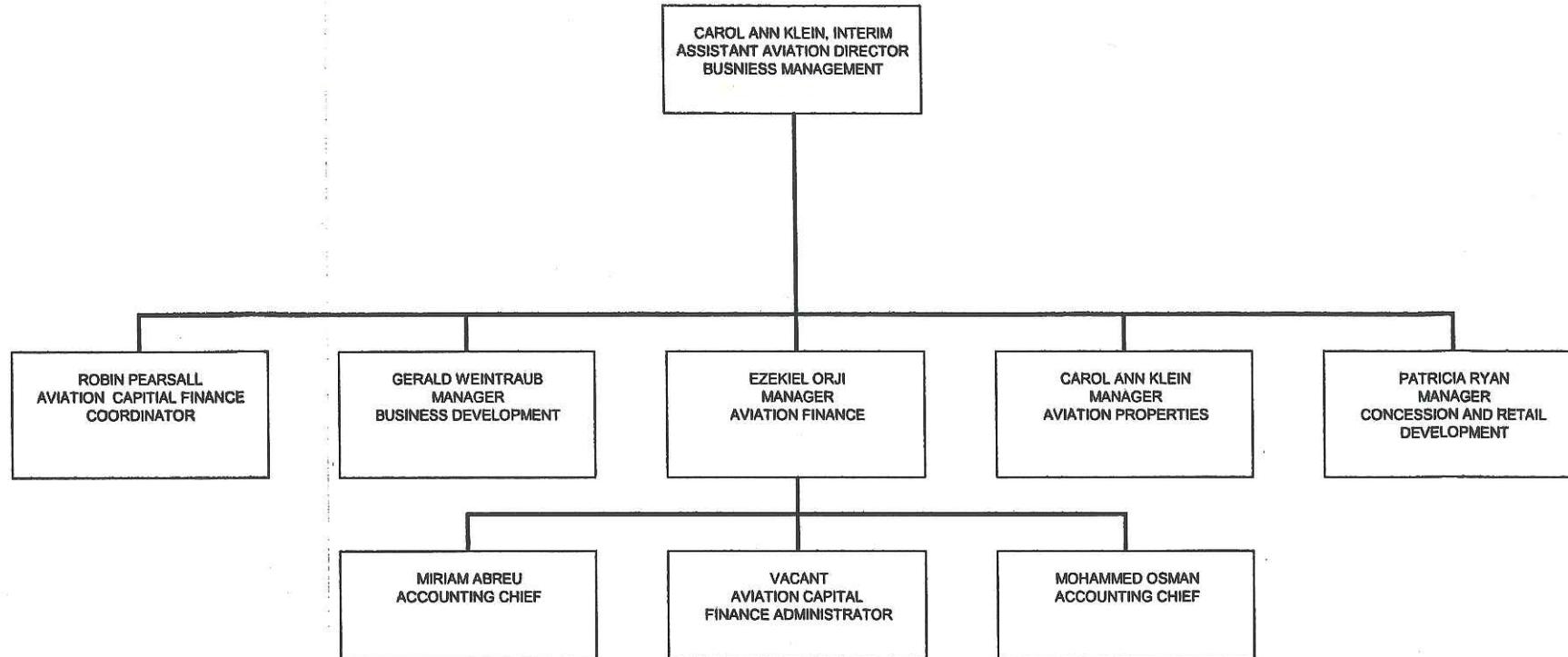
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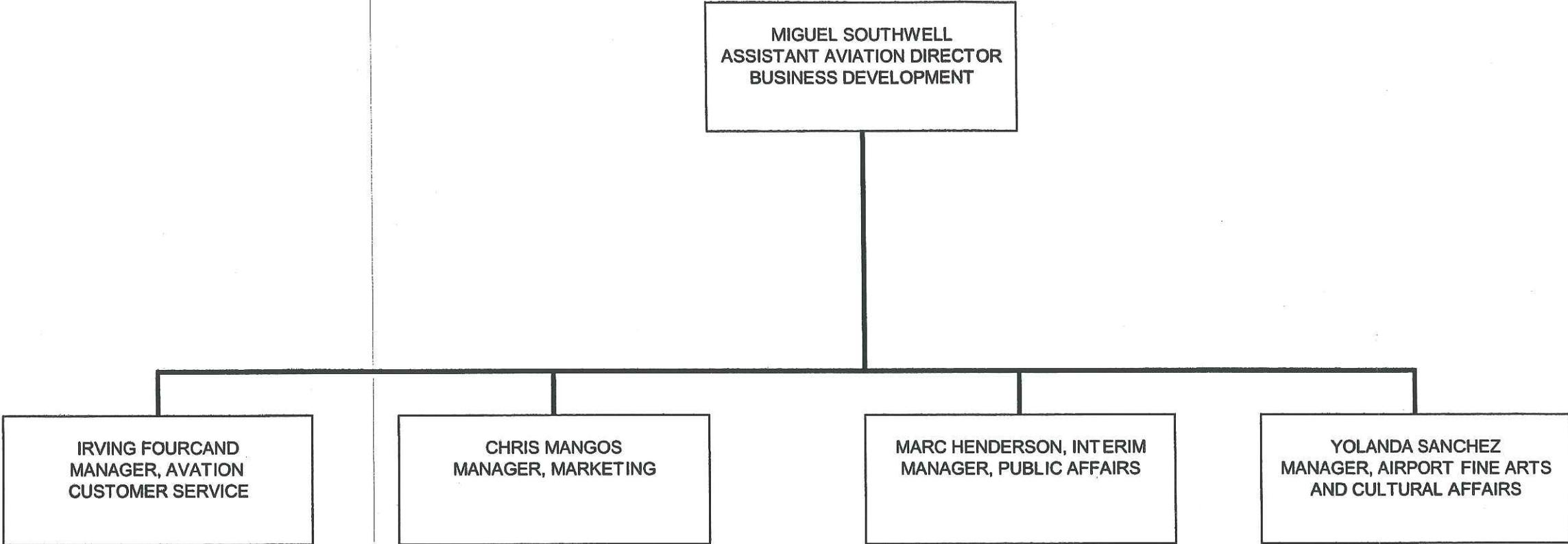
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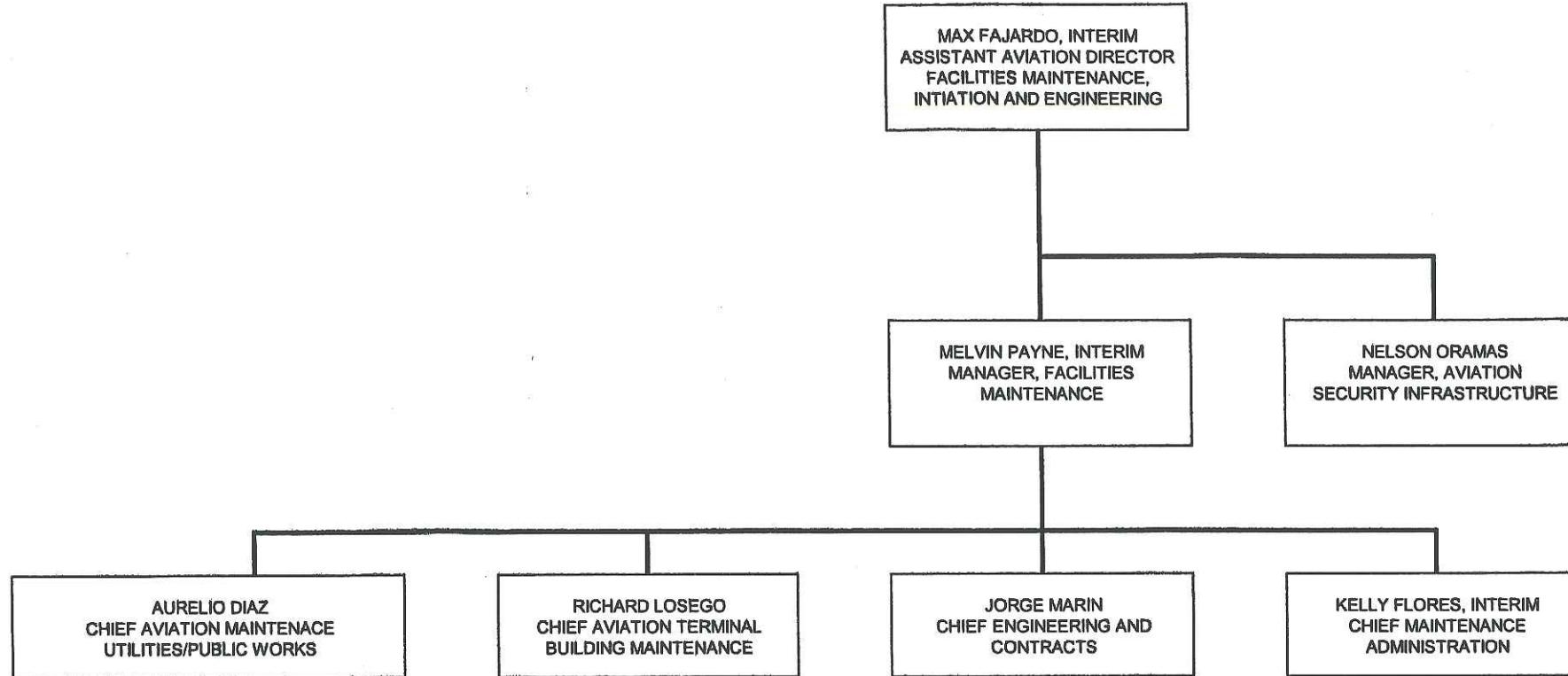
BUSINESS MANAGEMENT



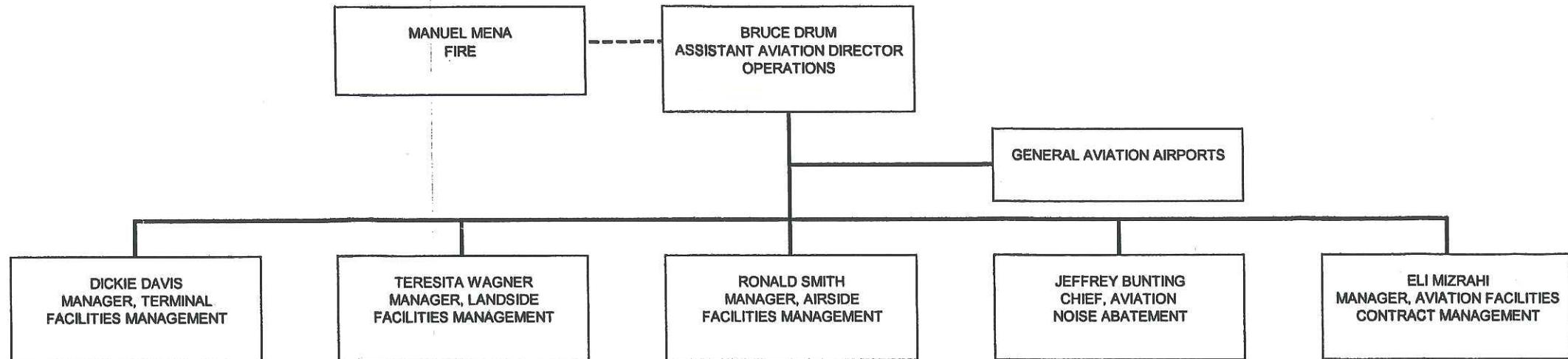
BUSINESS DEVELOPMENT



FACILITIES MAINTENANCE, INITIATION AND ENGINEERING



OPERATIONS



NOISE MONITOR

Vol. 1 No. 1

NEWSLETTER

Fall/Winter 2002

RECEIVED BY CLERK
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MAY 07 2003



MDAD's Noise Abatement Program

Miami-Dade Aviation Department (MDAD) is taking a proactive approach in addressing community concerns about aircraft noise. As a result, a Noise Abatement and Environmental Planning Office has been created and operates under the Department's Airside Operation Division. The office's purpose is to work with the Federal Aviation Administration (FAA), airport users, civic organizations, and surrounding municipalities to develop strategies for the reduction of noise impacts associated with aircraft operations at Miami International Airport (MIA) and all General Aviation Airports operated by MDAD.

With service to approximately 145 cities worldwide, Miami International continues to be one of the busiest passenger and freight airports in the United States. The airport serves an average of 1,230 arrivals and departures per day and served 32 million passengers last year. In addition to MIA, the Aviation Department also operates five General Aviation Airports: Opa-locka, Opa-locka West, Kendall-Tamiami Executive Airport, Homestead General and the Dade-Collier Training and Transition Airport. Located in close proximity to Miami-Dade County's business centers, these airports serve both corporate and recreational aviation interests.

MDAD recognizes that the roles of Miami International and General Aviation Airports are critical to Miami-Dade County's economy, but also realizes that associated aircraft noise can be disturbing and unpleasant. The Aviation Department is continually challenged to reduce and alleviate aircraft noise, where possible, from operations on the ground and in the air.

MDAD is committed to being a good neighbor to its surrounding communities. The Department understands the need to be compatible with our neighbors, and the need to continue to work together on aircraft noise-related issues. The answers to reducing aircraft noise within residential areas are not simple, but MDAD wants you to know the facts about innovative noise reduction plans and procedures that are currently in effect and proposed for the Miami-Dade system of airports.

MDAD continually sponsors and attends public information meetings on aircraft noise to inform community, civic, and governmental organizations. MDAD has also reached the business community by hosting presentations for Chambers of Commerce, area newspaper editors, and television general managers on MIA's noise issues and expansion plans.

MDAD Noise Abatement Principles

- Look at every option available to reduce noise.
- Be honest and courteous when dealing with the public.
- Don't offer solutions if you can't deliver.
- Never move aircraft noise impacts from one neighborhood to another.
- Be responsive to the community, return all calls, and answer all correspondence as soon as possible.

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MAY 07 2003

MIAMI-DADE AVIATION AD HOC COMMITTEE

AVIATION INDUSTRY AND MIAMI-DADE SYSTEM OF AIRPORTS BRIEFING

May 2003

THE WORLD OF U.S. AIRPORTS

Airports come in many shapes and sizes, but fall into two basic categories, commercial service airports and general aviation airports.

Some commercial airports are domestic connecting hubs for a dominant airline, like Delta in Atlanta while other airports are international gateways for multiple foreign and domestic airlines, like New York's JFK airport. Yet other commercial service airports predominantly serve an origin-and-destination domestic market such as Ft. Lauderdale/Hollywood.

General Aviation Airports (GAAs) primarily serve private and recreational aviation interests, but also play another important role as relievers to congested major airports.

Airports are very complex businesses that exist within a highly regulated environment.

Role of the federal government

Various federal agencies play a major role:

- The Federal Aviation Administration (FAA) is the primary regulator of airlines and airports. It prescribes how airports operate, are laid-out and financed.

As a condition of receiving federal grants, airports are told how they may establish rates and charges, how revenues may be used, how contracts must be procured, and many other requirements involving virtually every aspect of airport business.

- The Transportation Security Administration (TSA) is responsible for civil aviation security. They operate airport security checkpoints and baggage screening systems and regulate all other aspects of airport security.
- The Department of Homeland Security's Bureau of Customs and Border Protection combines the functions of the former Customs, INS, and Agriculture and is responsible for the inspection and clearance of all arriving international passengers and freight.
- Other federal agencies also are present at major airports including the DEA, FBI, Secret Service, U.S. Marshals, and the Bureau of Tobacco & Firearms.

Role of the airlines

Since economic deregulation of the airline industry in the early 1970s, airlines are free to decide the type of service they will provide to destinations of their choosing at prices they determine the market will bear. The only restriction on this is service to foreign countries -- which is subject to bilateral air transportation treaties requiring the approval of both national governments -- and service by aligned airlines, which is subject to anti-trust review and governmental approval.

Airports are required to make their facilities available to all air carriers on a non-discriminatory basis. Airports are also required to be as self-sustaining as possible and are allowed to set rates and charges and to engage in commercial activities to meet this objective.

Typically, the airline/airport relationship is defined in an airline use agreement that specifies how the financial risk of running the airport is to be shared. Some of these agreements contain majority in interest clauses that give airlines significant power over airport financial decisions.

Finances

Commercial airport operations are generally funded through fees and charges to airlines, airport tenants and income from commercial operations such as concessions and parking. Airport development is usually financed by a combination of tax-exempt airport revenue bonds, federal and state grants, and Passenger Facility Charges (PFCs). PFCs of up to \$4.50 per enplaned passenger are authorized by Congress, imposed by the local government, approved by the FAA for specific capital projects, collected by the airlines and remitted to the airport.

Governance

In the United States, virtually all-commercial service airports are owned by local (city or county) governments and sole or multi-purpose authorities. In a few instances, airports are owned by a state or region. Some examples:

Local Government

City

Chicago O'Hare, Houston Intercontinental, Atlanta Hartsfield, Denver and Philadelphia

County

Las Vegas, Miami-Dade

State/Regional

Maryland-Baltimore, Connecticut, Pennsylvania Harrisburg, Alaska and Hawaii

Single-Purpose Airport Authority

Washington, Orlando, Dallas/Ft. Worth, and Memphis

Multi-Purpose Airport Authority

New York, Boston Massport, Seattle, and Oakland

The vast majority of U.S. commercial airports are operated by the airport owner (local government or authority), with the significant exception of Indianapolis, Burbank, and Albany, where the owners have contracted with a private-sector provider of airport management services to operate the airport.

By contrast, airports outside the United States have mostly been owned by their respective national governments and operated by the national government or the military. These airports had to depend on appropriations from the national government and had difficulty entering the capital markets. These national governments with limited resources have in many cases “privatized” the airports. There is a wide range of management and governance options in what has been labeled as privatization, and some have been more successful than others.

There are many reasons why privatization – that is transfer of ownership and control of the airport to a private entity -- is not widespread among U.S. airports, including the fact that U.S. airports have no problem accessing the capital markets, as they can show strong and reliable credit.

Current Issues

The airline industry is facing the largest financial crisis in its history. By the end of this year, the traditional network airlines like American, United and Delta will have lost more money than they earned in the five best years commercial aviation ever had, from 1995 to 2000. Collectively, their revenue in 2002 was 76% of that in the year 2000. Airfares charged by those carriers are some 20% lower than they were in 2000; yet with a labor cost structure 60% higher than the non-network carriers, the network carriers would have to fill 81% of their seats, day-in, day-out, just to break even. For some of them, that “break-even load factor” is higher than 90%. Collectively, the network carriers filled 72% of their seats, even after cutting capacity. In the old days, a 72% load factor would have meant a pretty good year; now, it’s not nearly good enough. The airline industry has lost 100,000 jobs with at least another 30,000 layoffs planned.

Nor is there any reason to forecast a turnaround in 2003. Factors adverse to the traditional business model of the network carriers projected to persist throughout this year and affect the airports they serve include:

- the economic slowdown, exacerbated by the attacks on September 11 and their aftermath,
- the airfare price sensitivity and pricing transparency that is now well developed in both the business and leisure travel markets,
- the reduced convenience of air travel due to security processing,
- high fuel prices, and
- the threat of war and terrorism.

At the same time, airports in 2002 faced the growing role of the federal government such that, by the end of the year, the federal government was among the top three employers at virtually every commercial service airport in the United States.

At the beginning of the year, airline employees or their contractors screened passengers at airports; by the end of the year federal employees did that. At the beginning of the year, about 5% of checked baggage nationwide was screened for explosive devices; by the end of the year, 100% of checked baggage nationwide is subject to such screening. At the beginning of the year, the newly formed Transportation Security Administration had a few dozen employees; at the end of the year it had more than 50,000 employees.

The federal government controls virtually the entire pace of aviation, from the traditional controls of the movement of aircraft on the ground and in the sky and the movement of international arriving passengers, to the new controls on every departing passenger and all of their belongings. At times, that control extends to vehicles entering airport roadways and parking lots. The federal government is seeking to control the pace of cargo and general aviation as well.

Now, an even newer federal agency has been born: the Department of Homeland Security, containing the Transportation Security Administration -- originally a part of the Department of Transportation -- plus Customs, Immigration, the Secret Service, the Coast Guard and the part of the Department of Agriculture that conducts animal plant inspections at international borders. How all this gets integrated at the airports, how the country and its airports will pay for all of this is yet to be determined.

In the meantime, airports continue to be faced with growing unfunded federal mandates by these newly created federal agencies. More about this later...

That is the national and international backdrop.

MIAMI-DADE SYSTEM OF AIRPORTS

The Miami-Dade System of Airports consists of Miami International Airport, four General Aviation Airports and a training airport.

- Miami International Airport – 3,230 acres

MIA is an international gateway airport with more flights to Latin America and the Caribbean than all other U.S. airports combined. MIA is the nation's top-ranked international cargo airport and, in 2001, it ranked third in international passengers.

- Opa-locka General Aviation Airport – 1,810 acres
 - Private and corporate aviation uses
 - Four development leases
 - Community Development Corporation
 - Opa-locka Aviation Group
 - Renaissance Air Park
 - JP Aviation Investments

- Kendall-Tamiami General Aviation Airport – 1,380 acres
 - Rebuilt after extensive damage from Hurricane Andrew
 - Threatened by encroaching incompatible development
 - Benefits from trend of increasing executive (business) jet use
 - Tenant-favored runway extension vigorously opposed by neighbors

- Homestead General Aviation Airport – 960 acres
 - Primarily recreational aviation
 - Agricultural use of land
 - No fresh water source

- Training and Transition Airport – 23,750 acres
 - Primarily used for practicing “touch-and-go” maneuvers
 - No foot traffic

- Opa-locka West Airport – 420 acres
 - Primarily used for training
 - Faced with encroachment by residential development
 - Other uses requested by others (e.g., drag racing) but FAA does not support non-aviation use
 - Potential candidate for closure, depending on Aviation System Plan findings (Plan in suspense)

History of New Airport Development in Miami-Dade County

During the late 1960s, air carrier training demands strained the capacity of MIA and increasing citizen complaints about noise raised the level of public and official concern regarding continued expansion of operations at MIA. To accommodate training demands and lessen noise impacts from MIA, Dade County purchased 39 square miles in south central Florida and constructed a training facility officially named “Dade-Collier Training and Transition Airport,” commonly referred to as the “Everglades Jetport.” At the time, it was projected that air traffic would exceed the capacity of existing South Florida airports by the end of the century, so sufficient land was acquired to expand the Dade-Collier airstrip into a large South Florida Regional Jetport.

Late in the 1960s, serious concerns arose regarding the environmental impact of the future Jetport on Everglades National Park and the Big Cypress Preserve. This concern grew to a national controversy causing the Jetport project to be shelved. In 1970, an agreement referred to as the “Jetport Pact” was reached among the State of Florida, the U.S. Department of the Interior, the U.S. Department of Transportation, Miami-Dade County and Collier County.

The Jetport Pact generally provided that a replacement site would be identified, acquired, and airport facilities comparable to those at the Jetport (the runway) would be constructed, all without cost to the County. In return, the County would deed the Jetport land to the federal government.

An exhaustive site selection process ensued with 36 sites considered. After a rigorous in depth analysis of three of these sites, Site 14 was selected. However, by 1983 this site, which was located in a water conservation area and had earlier been approved by the State and Federal government, had been abandoned once again due to environmental concerns. The County embarked upon various system planning studies that resulted in the identification of a site in northwest Miami-Dade County, adjacent to the Dade/Broward County Line and the water conservation areas. It was determined that this was the only remaining, viable site upon which to build a new airport in South Florida.

Around this time, a change in focus also occurred. The County decided that instead of replacing MIA, it would supplement MIA with a new commercial reliever airport. However, due to strong opposition from northwest Miami-Dade residents, the feasibility study of the northwest supplemental airport site was not conducted. The Board instead directed the Aviation Department to focus its efforts on maximizing the utilization of MIA.

A Master Plan Study was completed and a capital improvements program was developed to maximize MIA's capacity.

In 1992, Hurricane Andrew devastated Homestead Air Force Base (HAFB), making it an attractive target for base closure. The Base Realignment and Closure Commission (BRAC) initially recommended closure of HAFB. After an effective community lobbying effort, the recommendation was changed to a realignment of HAFB as a dual-use military/civilian airport. A Re-use plan was developed that called for developing the surplus portion of the Base, which included the airfield, as an airport. A feasibility study found the airport to be feasible. The Air Force conducted an Environmental Impact Statement and issued a Record of Decision approving the airport use and offering to convey the land to the County for this purpose.

However, once again there was strong opposition by environmental groups to developing a commercial airport at the former HAFB. The Air Force decided to conduct a Supplemental EIS, which resulted in a very different Record of Decision. The County was offered the surplus HAFB land for economic development uses with a strict prohibition against airport development.

Cornerstones

Within any large organization it is important to have clear objectives to everyone can share in the same vision and operate from the same set of principles. Since the beginning of MDAD Director Angela Gittens' administration, she has articulated four cornerstone principles: safety and security, economic vitality, customer service, and environmental responsibility.

The first and foremost of these is safety and security. Commercial aviation would not have been possible without the public taking these for granted. This was evidenced by the events of September 11, when public confidence in air travel was shaken and the economy was severely impacted.

The second cornerstone is Economic Vitality. MDAD must generate enough revenues from operations to sustain MIA and provide the financial underpinning for the general aviation airports. This also encompasses the responsibility to serve as the economic engine for the South Florida region. Over 90 percent of visitors to Miami arrive by air.

The third cornerstone, Customer Service, is vital in any organization. Our airports have many customers -- the passengers, the airlines, cargo handlers, concessionaires and many others -- all stakeholders whose interests must be balanced to make it all work. The fourth cornerstone is Environmental Responsibility. As a large industrial complex, MIA is committed to being in the forefront of mitigating noise impacts and pollution, while conserving water and energy.

Market Characteristics

MIA is among the busiest airports in the nation. It is the top-ranked U.S. airport in international freight and international passenger seats and flight operations. Miami's unique geographic location makes MIA a natural "Gateway to the Americas" and also makes it ideally suited to serve as a transfer point between Latin America/the Caribbean and Europe for both people and goods. Essentially, MIA acts as a three-continent hub, providing connections between North America, South America, and Europe. The airport is served by 90 air carriers flying to 103 cities non-stop and to 44 cities with one-stop service.

Air cargo and freight make up a large percentage of MIA's business. MIA exports more cargo to South America, Central America and the Caribbean than combined shipments from New York, New Orleans and Cleveland. MIA imports more from South America, Central America and the Caribbean region than the next top-ranked 20 airports combined. Perishable products like cut flowers, fruits and vegetables make up the number-one import commodity group at MIA. By weight, MIA handles 63% of the perishables air import market in the U.S. and more perishable imports than all other U.S. airports combined.

There are other unique characteristics that distinguish MIA from most airports in its peer group, such as JFK and LAX. A lot of the difference can be attributed to the South Florida community, which is sometimes described as the northernmost city in Latin America. Miami's cultural affinity with Latin America and the fact that so many Latin Americans now call Miami home contribute to MIA's uniqueness. In addition to MIA's strong leisure and business markets, the airport also acts as a bridge for families that have been split by political or economic forces in troubled Latin American countries. Other Latin American residents come to Miami frequently, not just for tourism or business reasons, but also to do their banking, shopping, family visits, doctor visits, and the like.

MDAD Finances

MDAD is financially self-supporting and does not receive any County tax support. MDAD reimburses the County general fund for all direct and indirect costs attributed to the airports' operation. MIA's \$4.8 billion capital improvement program is financed primarily with revenue bonds, State and Federal grants and Passenger Facility Charges (PFCs). PFC's of up to \$4.50 per enplaned passenger are authorized by Congress, imposed by the local government, approved by the FAA for specific capital projects, collected by the airlines and remitted to the airport. In addition to being self-supporting, MIA subsidizes the general aviation and training airports.

- Revenue sources (\$500 million annually)
 - Aeronautical (landing fees and other fees and charges to airlines for services and terminal facilities)
 - Space rentals (cargo and maintenance facilities, fixed base operators)
 - Public parking
 - Passenger facility charges (PFC's), approved by FAA, collected by airlines
 - Federal and state grants
 - Concessions and permits (food and beverage, merchandise, duty-free, "opportunity fee" income)
 - Interest income

Changeover to Short-term leases

Prior to 1977, MIA -- like virtually all U.S. airports -- had its facilities tied up in long-term leases to airlines that had originally built those facilities. The former National Airlines, Eastern Airlines and Pan American Airways built and financed most of the terminal and other facilities at MIA and received long-term leases (30-years or more) so that they could amortize their investment. This structure created inefficiencies in that most of the gates and ticket counters were under the control and for the exclusive use of a very few, dominant airlines, irrespective of the airlines' actual use of the facilities. In order to accommodate the large number of smaller air carriers that were operating at MIA or seeking entry, the Aviation Department decided that it would no longer grant long-term leases. Another consideration was to assure that gates and other critical airport facilities could be quickly recovered in the event of an airline bankruptcy.

Between 1977 and 1991, some gates were on a common-use basis while others were still covered by leases. By 1991, all leases for gates had expired, and since then, all gates at MIA have been on a common-use basis with charges to the airlines on per-use terms. Other terminal facilities such as ticket counters and airline back offices are leased to airlines on month-to-month terms. Since 1991, MIA has been the envy of U.S. airports given its total control over all airport facilities.

Airline Lawsuit over CIP

In 1995, disputes arose between the Miami-Dade County and American Airlines (MIA Parties) and the Remaining Joint Carriers (United Air Lines, Delta Air Lines, and Air Canada) together with U.S. Airways, Inc. and Trans World Airways, Inc. concerning the

cost allocation of capital projects at the MIA and approval rights of Majority-In-Interest carriers to the Airport's capital improvement program. The Joint Carriers brought legal action against the County and American was joined as a defendant in an action titled Air Canada, et al. v. Dade County.

In an effort to settle the litigation, the Remaining Joint Carriers and the MIA Parties negotiated a settlement agreement. Major provisions of the negotiated agreement include the following:

1. The County, in accordance with the Airport Capital Improvement Program ("CIP") approved by the Board of County Commissioners on July 27, 1999, will design and construct the South Terminal, Concourse J, and make some modifications to Concourse H.
2. The County agrees:
 - to relocate the current premises at MIA of United, Air Canada and 12 additional alliance, subsidiary and code-sharing carriers and, in the case of Delta, a portion of its premises, to the new premises located in the South Terminal and Concourses H and J. This relocation will include the cost of relocating and constructing new club areas for Delta and United, which will be paid for by the Airport. The new premises and the facilities, equipment and related systems comprised therein will be, at a minimum, equivalent to the facilities and systems currently occupied by the Remaining Joint Carriers.
 - to restructure and reconfigure the South Terminal Federal Inspection Facilities (FIS) to meet the needs of the carriers based on a concept presented by the Airport. As part of this project, the baggage system will be constructed as a basic laser sortation system that will become the standard for the entire Airport. All of the parties have agreed to repay the differential in cost between the prior MDAD baggage system and the new system if the DOT should order or direct.
 - to release, along with American, the Joint Carriers from any and all claims and demands related to the Litigation or the Appeal, and release MDAD's pending claims for costs.

The cost of all of item 2 shall not exceed \$66.56 million. These costs will be factored into the rates and charges paid by all airlines transacting business at the Airport, consistent with existing methodology. These costs will not increase the total CIP amount approved by the Board on July 27, 1999. The \$66.56 million will be paid out of the monies allocated to the total contingency budget included in the CIP plus any savings obtained from any other project included in the CIP.

3. The Remaining Joint Carriers agree:
 - to move into their respective new premises and to enter into the standard Airport Terminal Lease Agreement, and/or the standard Airport Airline Club Lease Agreement.
 - to release MIA Parties from any and all claims and demands related to the Litigation or the Appeal.

4. County agrees to negotiate a new use agreement between the County and all airline users of the Airport desiring to enter in such an agreement, if it can be successfully negotiated between the County, Air Canada, American, Continental, Delta, Northwest, United and US Airways within 120 days following the County's circulation of a first draft of the proposed new use agreement. This period may be extended for up to 60 days under certain conditions. The agreement will, at a minimum, contain a Majority-In-Interest provision; retain the current methodology for computing landing fees, terminal rents and terminal user charges; and establish a term limit. If the new use agreement is not successfully negotiated within the time described, the County will have no further obligations with regard to the use agreement. If the Board of County Commissioners does not approve the agreement when presented, the County will have no further obligations with regard to a new use agreement.

Airline Use Agreements

On April 10, 2001, the Board of County Commissioners approved a new Airline Use Agreement and Terminal Building Lease Agreement for aeronautical users of the Airport. Both agreements were the result of nearly a year's worth of active negotiation between members of the airport staff and representatives of the airlines. These documents address virtually every aspect of the business relationship between airlines operating at MIA and the Aviation Department.

Capital Improvement Program

The Capital Improvement Program (CIP) is expanding and modernizing the MIA Terminal into a more efficient and spacious facility. Both the North and the South Terminal Development programs will result in airline alliance partners being co-located for easy transfers and less walking time. With a total of \$2.6 billion under construction – the largest amount at an operating airport in history -- and another \$1.3 billion in the design, bid and award phases, Miami International Airport is moving into the most active construction period in the history of its Capital Improvement Program.

Recently, the Aviation Department concluded a complete re-evaluation of the Capital Improvement Program (CIP) for MIA and established its cost at \$4.8 billion. We have \$100 million in the bid-and-award stage, \$500 million of projects in design, and \$400 million in the planning stage. One billion dollars of projects have been completed. In 2002 alone, the aviation construction program created 5,736 jobs. In December 2002, the program had a cash payout of \$1.5 million a day. In December, MDAD issued \$600 million in bonds, one of the largest airport revenue bonds ever.

Besides the North and the South Terminal Development programs, other major projects in progress include the 8,600-foot New North Runway, which will increase airfield capacity by 25 percent; the Central Chiller Plant Expansion, more than doubling the size of the facility; the Central Collection Plaza, to modernize and ease the flow in the parking garages; a new telecommunication and data support network to provide efficient ticketing, Flight Information Displays (FIDs), Baggage Information Displays (BIDs), Access Control, CCTV systems, Gate and Ticket counter management, paging,

security, shared tenant services and Building Management Systems; and numerous utilities and drainage packages.

Since the redevelopment of MIA began over 10 years ago, more than 123 projects worth \$1 billion have been completed. MIA now has one million square feet of expanded and/or refurbished terminal space, including a new Concourse A and a rebuilt Concourse H; 12 new cargo buildings, adding more than one million square feet of cargo warehouse space; a new 1,500-space parking garage; and more wide-body and international gates.

Organization Within County Government

The Aviation Department is one of 65 departments under the Miami-Dade County organization umbrella that provide either services to the public or support services to other county departments.

Police

The Airport Police Station is one of nine reporting to the Police Services Division of the Miami-Dade Police Department. Headed by Maj. Michael Hammerschmidt, the Airport District Station 7 is staffed by 157 officers, rotating on three shifts daily.

The district boundaries are approximately, north/36th Street, south/Tamiami canal, east/NW 42nd Avenue, and west/NW 72nd Avenue.

Personnel patrol the terminal, cargo area, airfield, and landside. Special services include Triangle area patrol, general investigative unit for thefts, crime suppression team, motorcycle unit, and K-9 unit.

Fire

The Airport Fire Rescue Division provides and coordinates all Aircraft Rescue and Fire Fighting (ARFF) protection activities in Miami-Dade County. Fire stations are situated adjacent to runways at Miami International Airport, and adjacent to the airfields of Kendall-Tamiami and Opa-locka Airports. The Division activities include mitigation of and response to structural and aircraft fires, as well as response to medical emergencies, fuel spills, incidents of terrorism, hazardous materials spills, bio-chemical threats, radiological exposures and natural disasters.

The Division also oversees fire inspections, plans reviews and fire protection systems and code compliance for the airport facilities. The Division is responsible to both the Miami-Dade Fire Rescue Department and the Miami-Dade Aviation Department. The Airport Fire Rescue Division responds to an average of 30 calls per day. This includes calls answered inside the terminal at Miami International Airport. A specially designed Basic Life Support (BLS) rescue cart stationed inside attends these calls. This cart is equipped with a mounted stretcher and medical equipment for on-the-spot treatment, including a state-of-the-art automatic external defibrillator (AED) for heart attack victims

Support Services

- *Procurement*

The Procurement Department provides to MIA architecture/engineering and commodities procurement services.

- *Information Technology:*

The Information Technology Department (ITD) is a diversified data processing and communications organization serving one of the largest metropolitan county governments in the nation. ITD is tasked with management of the County's main data center and mainframe operations.

For the airport, this department provides IT guidance, strategic planning, developing and maintaining uniform IT and IT personnel practices, acquisition through RFP, contract negotiation, contract management of IT goods and services.

ITD also provides to MIA telephone and radio services, desktop support, LAN, WAN, design, databases, application development and maintenance.

- *Personnel/Labor Relations:*

This Department handles for MIA County job opportunities, recruitment, employee benefits, training, payroll, compensation, disability, and retirement.

- *General Services Administration (GSA):*

- *Risk Management:*

Under the auspices of GSA, Risk Management provides to the airport insurance, office supplies, printing services, mail services, fuel, and security services.

- *Materials Management*

Services provided to MIA include graphic design, printing, copy center, mail center, the county store, prop control, moving crews and capitol inventory.

- *ADA*

This department is responsible for ADA coordination, including compliance awareness and design. The airport has its own full-time ADA representative.

- *Department of Business Development.*

Each year Miami-Dade County awards millions of dollars in contracts to firms for procurement of goods and services (items excluding construction and architectural and engineering services).

The Miami-Dade County Department of Business Development (DBD) works to increase the participation of small businesses, and Black, Women and Hispanic-owned businesses on County, including Airport, contracts. The department coordinates and implements various administrative and minority business programs to provide business opportunities and technical assistance to aid these firms in their growth and contribution to South Florida's economy.

To enact the programs, DBD:

- certifies firms as small or disadvantaged-owned businesses
- reviews proposed County purchases and contracts to determine if small or minority participation measures are to be applied
- reviews affirmative action plans and
- monitors contracts that include small or minority business participation measures to help ensure compliance with program regulations and guidelines.

- *Office of Management & Budget (OMB)*

OMB provides to MIA budget reviews, fiscal impact statements for ordinance, quarterly reports, a capital budget, tracking of commitments made for budget, maintenance of funding for projects, review of travel expenses, and personnel issues.

- *County Attorney's Office:*

Currently staffed with eight attorneys, the Airport branch of the County Attorney's Office handles all legal transactions and litigation involving the County's airport system -- which comprises Miami International Airport, the County's largest passenger and cargo airport -- as well as several general aviation airports. Litigation typically involves commercial matters between the Airport and air carriers, tenants, and concessionaires over leases and concession activities. A significant amount of construction litigation is also involved, arising out of the massive ongoing construction program of the Airport. A major source of legal activity involves environmental lawsuits brought by the County's airports against past environmental polluters, as well as assuring the airports' compliance with environmental requirements in the future. In addition, they constantly monitor compliance with federal statutory and regulatory requirements applicable to airports.

- *Intergovernmental*

The Mayor's Office of Intergovernmental Affairs coordinates the County's federal and state legislative affairs. It liaisons among government agencies, provides lobbying support to the Aviation Department directly and through Washington consultants.

- *Communications:*

The Communications Department is a link between Miami-Dade County government and its two million residents. The department is the communications arm of the County Manager's Office and the more than 45 county government departments and agencies, including Miami International Airport.

- *Finance:*

Under the auspices of the Miami-Dade County Finance Department, the Controller provides systems, credit and collections, and accounting support to Miami International Airport, including the following services:

- Reporting – CAFR preparation, Florida Comptroller's report, U.S. Single Audit Reports
- FEMA – DSR preparation and reimbursement
- Payroll – Bi-weekly checks and non-routine vouchers
- Schedules and coordinates capital financings

- *Capital Improvements Construction Coordination*

This department provides all oversight for airport capital improvement projects, QNIP, SNP, FEMA, and Impact Fees.

- *Department of Environmental Resource Management (DERM)*

DERM provides storm water permits and utility costs to Miami International Airport.

- *Employee Relations Department (ERD)*

ERD provides to payroll, maintenance of employee master files, tuition reimbursement, personnel/medical records, MIA training, employment testing, drug testing/physicals, and arbitration/disciplinary hearings.

- *Solid Waste Services*

Provides to MIA solid waste disposal services.

CURRENT ISSUES

Business Plan (historical trends, forecasts, competitive situation)

The Board of County Commissioners approved the Capital Improvement Program (CIP) Business Plan in March 2002, at which time we recognized the advisability of periodic review of all models and assumptions and we committed to annual, official adjustment. This review and adjustment allows us to maintain the integrity of the CIP budget, while giving additional assurances to our financial partners and rating agencies that our program is manageable.

In March 2002, the Board supported the recommended approach of sizing the Aviation Department's capital program based on passenger demand and financial capacity. The John F. Brown Company forecast annual passengers to be 39 million in FY2015. The Aviation Department assumed a 5% risk level of lost traffic due to higher airport charges making MIA non-competitive. The John F. Brown Company determined that MIA could afford to charge its airlines a maximum of \$40 per enplaned passenger, which translates into a \$4.8 billion CIP.

The recent economic contraction and the events of September 11 have proved wrenching to the airline industry that had been buoyed by the economic expansion of the 1990s. The size and shape of air travel demand is changing, reflecting heightened sensitivity to fares, concerns about safety, impatience with security screening, and a willingness to experiment with travel substitutes and alternative travel modes. Moreover, low-fare airlines, whose growth has dominated the post-deregulation period, have come to capture a larger share of the domestic market and to present an increasing competitive threat to traditional network airlines like American and United. While this threat is largely contained to domestic markets at the present time, there is reason to think that the "low-fare model" may eventually expand into international markets.

Because of this industry crisis and the state of the world economy, which was greatly exacerbated by the events of September 11, that same 5% risk threshold now might call for costs less than \$30 per enplaned passenger in FY2015.

The Aviation Department's capital program is an investment in the County's economic future. Also, practically speaking it is too late in the development process to consider significantly reducing the scope of the CIP or significantly deferring its implementation. That same economy that is bedeviling the airline industry has been our friend in terms of construction costs and annual debt service. Our last borrowing resulted in lower costs of capital than forecasted. Also, over the last year the Aviation Department refined its forecast of annual operating costs. This resulted in a somewhat lower forecast, yet still within the bounds of prudence. Next step forward in order to reach the \$30 target will be for the Aviation Department to figure out how to do more with its current level of resources.

Passenger Forecast

John F. Brown Company (hereafter also referred to as "the Company") last prepared a passenger forecast in November 2001 for the period through FY2015. Given the degree of turmoil that then existed in the air travel environment, the forecast included three ranges: (1) base case – which represented the Company's forecast of the most likely future trends, (2) strong recovery – which illustrated passenger growth under a potential stronger recovery and stronger long-term growth than what the Company was currently expecting, and (3) weak recovery – which illustrates passenger growth under conditions that are more negative than those then expected by the Company.

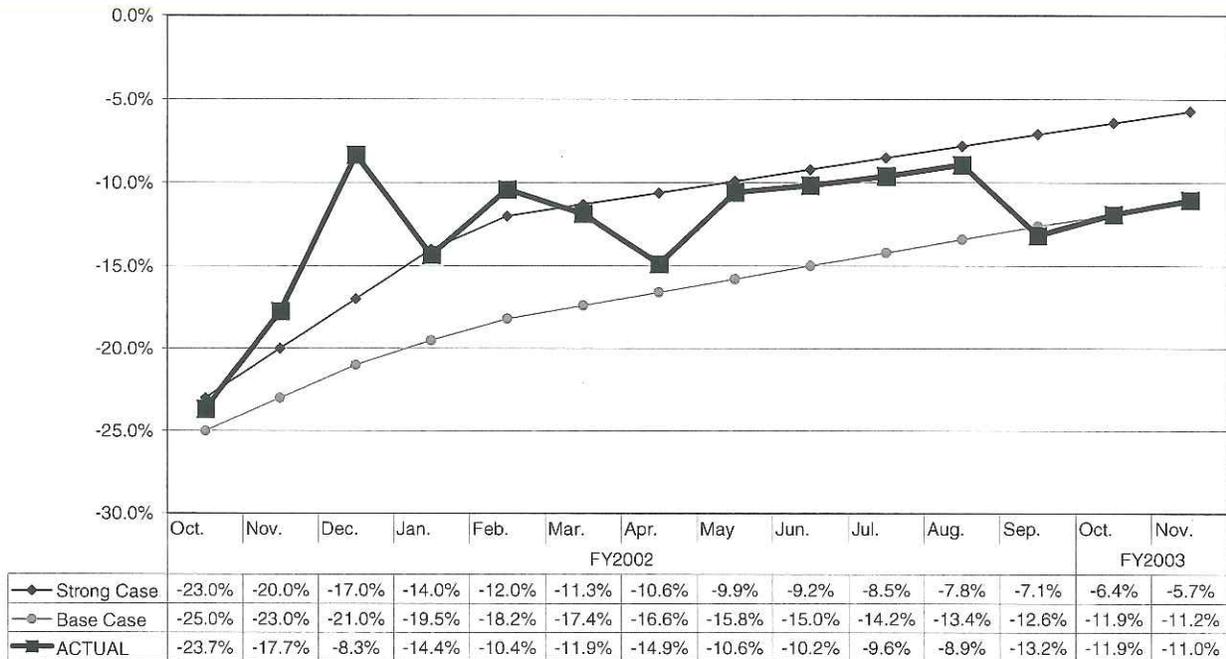
At that time passenger traffic was expected to recover to pre-September 2001 levels during the three-year period of FY2002 through FY2004 with traffic recovery significantly predicated upon (1) resumption of growth in the U.S. and world economies, (2) reestablishment of business and leisure travel demand over time to levels similar to historical trends, and (3) maintenance of service levels by the airlines as they strove to find a potentially different equilibrium that profitably balances demand, capacity, yield, and costs.

Total passengers in FY2015 were forecast at 39 million under the base case. Under the strong recovery case, the forecast of the number of total passengers increased to 42.8 million in FY2015. Under the weak recovery case, 30.6 million total passengers were forecast for FY2015. For point of reference, MIA served a total of 33 million passengers in FY2001.

Domestic traffic recovered at a gradual, but relatively steady, rate throughout FY2002. International traffic, however, rebounded more quickly through December 2001, fell back after the holidays and then showed no improvement until the summer of 2002. By August 2002, both had recovered to levels that were about 10 percent below August 2001 traffic levels. When compared to the recoveries expected under the Base and Strong Cases developed in November 2001, the FY 2002 total enplanements equaled those forecast in the Strong Case. However, after a stronger than expected recovery in the early months, the recovery has slowed substantially and actually declined in recent months. Because of the stalling recovery of passenger traffic at MIA and nationwide as well as the global economy, the threat of war, and the airline industry and market conditions described below, the recovery of passenger traffic to the levels in FY2000 is expected to extend to FY2006.

While the near term outlook for passengers at MIA is currently negative, the fundamental strengths underlying the MIA passenger market remain and the expected

**Miami International Airport
Monthly Enplaned Passenger
Comparison of Actual Passenger Trends vs. Base and Strong Forecasts
(as percentage of FY2001)**



benefits from new facilities continue and therefore, in the long-term, passenger traffic is still expected to grow to 39 million passengers in FY2015.

Development Leases at Opa-locka Airport

Several years ago, the Aviation Department started pursuing a strategy of attracting third-party development to Opa-locka Airport. This was precipitated by the Department's lack of resources to develop the general aviation airports due to the size of MIA's CIP and the airlines' historic reluctance to subsidize operations and improvements at the G.A. airports. Four development leases have been awarded for development at Opa-locka Airport:

RENAISSANCE AIR PARK

The agreement with Renaissance Air Park (RAP) approved by the BCC in July 1999 contemplates development of approximately 176 acres contained in a triangular parcel of land located in the western part of the airport. RAP has estimated that its total investment will exceed \$100 million. This is a mixed development encompassing direct aviation facilities such as aircraft hangars, aviation support facilities such as repair shops, industrial and commercial such as offices, warehouses and retail stores. The term of the Agreement is 55 years with options to extend the term for two 15-year periods, resulting in a potential total term of 85 years.

Currently, the Airport is zoned Government Purpose and is designated transportation use on the Planning and Zoning Department land-use map; consequently, in order to develop the land as planned, the County's Comprehensive Development Master Plan (CDMP) requires modification.

The Board approved a resolution authorizing an application to amend the CDMP to provide for construction of the non-transportation improvements. RAP has further requested that the County execute a Preliminary Development Agreement (PDA) that is required by the Florida Department of Community Affairs in connection with the Development of a Regional Impact Study (DRI) necessitated by the size of the RAP construction project. The lender that intends to provide Renaissance with a bridge loan has requested an estoppels letter which terms are being negotiated. Further, MDAD and Renaissance are in negotiations to clarify certain lease terms.

Upon completion of the aforesaid CDMP amendment and PDA, RAP will begin its project with the construction of infrastructure (roads, utilities). The Federal Administration has previously approved the RAP development plan.

JP AVIATION INVESTMENTS

The JP Aviation Investments (JPAI) Development Agreement was approved by the BCC in March of 1998. The Agreement covered the construction of a Fixed Based Operation, aircraft hangars, associated ramp, shops, fuel facilities, offices and a restaurant on approximately 34.7 acres of land at OPF. It includes, in addition to the land, 28 existing T-hangars, which JPAI is required to refurbish and maintain in lieu of rent for the initial five-year term. If JPAI meets its construction schedule to complete the facilities within five years, the term of certain parcels may extend an additional 20 years and others an additional 30 years for total terms of 25 and 35 years respectively.

At this time, JPAI has constructed its fuel facility and several T-hangars. It has also constructed a 31,500-square-foot aircraft-storage hangar; however it rests in a "no build" area beyond the building restriction line, demarked by the Federal Aviation Administration. As built, this building blocks the line of site from the Aircraft Control Tower to runway 12-30. JPAI had been advised that building beyond the building restriction was prohibited but ignored our counsel.

Further, JPAI has failed to provide evidence of insurance, performance and payment bonds, letter of credit, as-builts, manuals, and permits required under the development lease agreement. These failures led to MDAD staff initiating a hold on further construction. The Aviation Department did allow JPAI to continue construction or commence new construction in the event JPAI provided appropriate documentation for that specific project. JPAI filed suit, claiming that MDAD's action of preventing JPAI from completing its construction had caused and would cause in the future, economic damages. The County Attorney's Office with the assistance of staff is responding to the suit and has drafted a Counter Claim. A copy of the draft Counter Claim was provided to JPAI's attorney whereupon he suggested meeting to attempt to resolve the issues. The meeting was held but was unproductive as JPAI wanted additional space and a longer term, but offered no concessions for its part.

OPA-LOCKA COMMUNITY DEVELOPMENT CORPORATION

The Board approved a Revived and Amended Agreement with Opa-locka Community Development Corporation (CDC) in May of 1997 for the development of the Opa-locka Airpark. The Agreement is for a term of 40-years. The original agreement was authorized in 1983, but no development was initiated. The “revived” designation refers to the five basic goals in the concept paper related to the original agreement:

1. To achieve a viable, economically successful Airpark;
2. To achieve maximum job entry opportunities for the African-American Community of Northwest Miami-Dade;
3. To achieve maximum opportunities for African-American upward mobility;
4. To achieve maximum opportunities for African-American entrepreneurship; and
5. To focus on labor intensive uses.

CDC has not commenced any construction project under the 1997 Agreement and has asked MDAD to assist it in finding appropriate potential tenants, which staff has endeavored to do, and, in fact, has provided one or two leads which it hopes will come to fruition.

CDC recently presented MDAD with a draft of a new lease agreement granting a 40-year term with two 15-year options for a potential term of 70-years, which CDC considers necessary in order for its tenants to secure financing. MDAD is considering this request.

OPA-LOCKA AVIATION GROUP

The Board approved a development lease with Opa-locka Aviation Group (OAG), formerly Stagecoach, in 1997, to construct upon approximately 240 acres aviation facilities including aircraft maintenance/storage hangars, shops, and aircraft pavement. Initially, OAG anticipated that approval to upgrade OPF to a Part 139 airport would be forthcoming and its plans provided for construction of terminal buildings to service scheduled commercial airline service. In connection with such service, OAG entered into a joint venture with CDC to construct up to five aircraft maintenance hangars to house up to B767-sized aircraft. However, the Board passed a resolution to suspend any action on the part of MDAD to convert Opa-locka into a commercial airport to relieve Miami International. This caused OAG to retreat from aggressively pursuing its OPF project.

Thereafter, the FAA rejected the OAG lease expressing concern about the apparent exclusivity of certain provisions and specifically referring to the Board Resolution.

The Aviation Department has been in contact with the FAA via phone and explanatory letters seeking to clarify the intent of the Agreement. We have attempted to modify the Agreement by extracting the wording the FAA finds offensive but OAG takes exception to eroding any rights contained in the Agreement. Discussions with FAA and OAG are continuing in an effort to resolve this matter.

Environment, Noise, Zoning

Noise Abatement

Aircraft traveling to and from Miami International Airport are required to be Stage 3 compliant as directed by the FAA. These quieter engines are helping to reduce noise levels at MIA and in the surrounding communities. In addition, new aircraft flight paths are being tested to further mitigate noise impacts.

In a continuing effort to monitor noise levels, the Aviation Department has several on-going Noise Abatement programs in place. The Department continues to monitor aircraft noise in the communities through 20 permanent Remote Monitoring Stations. The information gathered by these microphones is transmitted via telephone lines back to a central computer located at MIA. This procedure is being used to determine adherence to arrival/departure procedures and noise impacts due to aircraft operations.

The MDAD Noise Abatement Office monitors this system as part of the Aircraft Noise and Operations Monitoring System or ANOMS™. The System gathers and processes flight-related data accurately and reliably, showing flight paths and aircraft altitudes.

The Noise Office's Noise Abatement Van continues to patrol Miami International for illegal aircraft engine run-ups, and is equipped with portable monitors that can be used at various locations throughout the County to record aircraft-related noise levels.

The Noise Abatement Program includes a community outreach component. This endeavor encourages the active participation of the public, local community groups, and involved government agencies in discussion about MDAD's efforts to reduce airport-related noise. Members of the Noise Abatement Office attend meetings of public officials, civic organizations, and others to present updated information about noise reduction efforts.

Additionally, the monthly Noise Abatement Task Force meetings help the Aviation Department better assess community concerns regarding aircraft and airport-related noise issues, and task department staff with developing meaningful solutions to any problems that arise. Now heading toward its sixth year of operation, this task force is comprised of concerned Miami-Dade residents, airline executives, and aviation department and FAA staff. A similar group focused on Opa-locka Airport began meeting in August 2001.

The Miami-Dade Aviation Department, with the required consent of the Federal Aviation Administration (FAA), initiated a test of alternate operational procedures to reduce noise impacts on surrounding communities from aircraft using MIA. Because that test was successful, we recently submitted an Environmental Assessment to the FAA's Southern Region to make these changes permanent. MDAD is awaiting a FAA decision on an Environmental Assessment of these procedures.

Zoning

MDAD has become more aggressive in influencing County land-use decisions to deter additional noise-sensitive development around the airports.

Airport zoning ordinances have two basic objectives: first, to have each airport co-exist harmoniously with neighboring land-use activities; and second, to facilitate the future growth of each facility without jeopardizing public health, safety, and welfare. The zoning ordinances for Miami International Airport (MIA) and three general aviation airports -- Homestead General (X51), Kendall-Tamiami Executive (TMB), and Opa-locka (OPF) -- are published in Chapter 33 of the Code of Miami-Dade County. A zoning ordinance does not exist for Opa-locka West.

Several developments have occurred at the state and local level since these ordinances were last revised, with the exception of TMB, which was revised in 1999. At the local level, a runway extension at Opa-locka was completed in the early 1990s and a new runway is currently under construction at MIA.

At the state level, the Florida Legislature has made significant revisions to the airport zoning statute, Chapter 333, and as directed by the legislature, the Florida Department of Transportation (FDOT) has issued guidelines for complying with the requirements of the Statute.

In light of these developments, MDAD has been evaluating what amendments may be necessary to bring the existing ordinances in line with the requirements in the revised statute. The objectives are to protect against encroachment of residential areas on our airports, to protect the public from unwanted sound (noise) from the local airports and, to the extent possible, to discourage the public from building or congregating in areas where public safety might be an issue.

Land, Water, Air

In addition to addressing noise pollution, MDAD is aggressively pursuing the mitigation of environmental pollution from other sources. From sub-surface water clean up to underground recovery of jet fuel, the Aviation Department is engaged in several projects to make the Airport a cleaner facility.

Since 1990, more than \$150 million has been spent remediating contamination at MIA. This has been the most advanced airport clean-up program in the United States. More than five billion gallons of sub-surface water has been cleaned and pumped back into the ground and 100,000-plus gallons of fuel recovered.

The Department has applied for about \$40 million in state-eligible reimbursable expenses for the clean-up program and has received about \$24 million. The Department also has a settlement agreement with the Florida Department of Environmental Protection for the State to conduct \$8.5 million of eligible clean-ups at former Eastern Airlines sites.

Notably, Miami International Airport is the first in the United States to obtain ISO 14001 Certification for its fuel storage facility. ISO 14001 is a standard established by the International Standards Organization that defines the elements of an Environmental Management System necessary for an organization to effectively manage its impact on the environment.

The certification is an internationally recognized indicator that an organization takes a serious, quality-based approach to its environmental management. Its key components include establishing a department-wide environmental policy statement, a systematic approach to monitoring operations, checking and corrective action processes, and periodic management reviews.

MDAD is also in the process of instituting Environmental Management Systems that comply with international standards as defined by the International Standards Organization's (ISO) 14001 Certification Process. These standards will assure that MDAD operations -- as well as those of MIA's tenants and contractors -- comply with regulations in order to minimize and eventually prevent negative environmental impacts and their resultant burdens.

In the area of clean water, the Aviation Department has made tremendous strides toward improving the storm-water management system, the water supply system, and the sewage system at the Airport. MDAD has installed a state-of-the-art storm-water collection system, built a storm-water detention/retention pond to treat storm water, and has implemented a water-quality monitoring program to ensure that storm water meets all applicable standards.

In addition, the Aviation Department has installed state-of-the-art barriers to prevent Manatees from entering the storm drainage system and being harmed. The airport's sewage system has been rehabilitated to meet current standards, and miles of new water and sewer pipes have been installed to meet the needs of the Capital Improvement Program.

Concerning air pollution, MDAD is:

- working with a County task force to increase use of non-gasoline powered vehicles;
- enacting a policy at MIA to require the transition to electric tugs; and
- improving air handling to reduce ground-level fumes at North and South Terminal construction sites.

Asbestos Removal and Abatement

In compliance with Environmental Regulations, asbestos abatement and removal have been performed through the Miscellaneous Asbestos Removal Contract. This contract has a total duration of four years and includes six specialized pre-selected contractors. Competition and advancement in asbestos removal and abatement technology are factors that have lowered abatement costs.

MDAD has retained the services of specialty Engineer/Scientists for the analysis and preparation of corrective-action plans for each situation encountered throughout MDAD property.

Revenue Diversion and DOT I.G. Audit

Although the County owns the airports, each must operate under a strict set of Federal laws and regulations governing the use of airport revenues and facilities. FAA prohibits the use of airport revenues for purposes other than the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport and directly and substantially related to the air transportation of passengers or property.

Congress and DOT/FAA want to assure that airports are not diverting resources to their parent airport-sponsoring governments by making payments for which they don't get equivalent value in return. This could take the form of overpaying the sponsoring government from airport revenues or by undercharging it for its use of airport assets. Promotional expenditures or charitable/community contributions for the benefit of the community rather than the airport are also considered revenue diversion.

The Department of Transportation (DOT) Inspector General (IG) recently conducted an audit of MDAD's use of airport revenue. The IG is questioning \$39.28 million of expenditures from 1995 through 2000 for: County agency underpayment for rental of airport facilities at less than fair market value; promotional expenses; administrative overhead reimbursement; and direct payments to other County agencies. MDAD is working on a response to the Audit.

Once a final determination is made by the FAA as to which payments are allowed and disallowed, the County will be required to reimburse the Aviation Department for the full amount of the disallowed expenditures. The penalties for violation of revenue use restrictions are severe. Specifically, FAA may: 1) withhold future airport grants; 2) withhold approval of any increase in past grants; 3) withhold payments under existing grants; and 4) withhold approval of any new PFC application. Further, FAA can file suit in a U.S. District Court and can withhold Federal transportation funds (including highway and transit moneys) if the sponsoring governing body has failed to reimburse the airport for revenue diversion violations. Also, DOT has the statutory authority to obtain civil penalties from the airport sponsor of up to three times the amount of diverted airport revenues as a last resort in achieving compliance.

Business Systems

MIA is in the midst of several initiatives to modernize business systems. Currently MIA has many legacy systems (arcane) that use pre-network and pre-internet technologies. There are many diverse "islands of information" based on these legacy systems that have their own set of computer-based tools, databases, user groups, maintenance organizations, and manual input forms that communicate with other islands via "sneaker net" or "spreadsheet files." Information is entered manually several times for staff changes, revenue collection and other functions that cross different airport organizations.

There are numerous "home grown" applications that have been written to solve specific problems at the airport and that have grown to have their own maintenance and operating groups. Another feature of current systems is that each has its own monitoring workstation. Some operations staff have airport systems status displays on three separate PC screens that need to be monitored at their workstations. If a coordinated emergency response is needed, the operator needs to mentally correlate information from system status displays he/she monitors as well as apply the standard response procedures from a notebook. In the post-9/11 world, the potential types of emergencies have sharply increased but monitoring systems at MIA have not yet advanced to integrate system information and to automate procedural instructions.

Modernization of business systems is a high priority for MDAD and several initiatives are underway in the areas of tenant support and management processes.

Total Airport Management Systems (TAMS)

The Total Airport Management System (TAMS) is a set of applications to manage and communicate information for airlines, passengers and airport management. TAM utilizes commercially available equipment, modern software applications and Internet technologies currently being implemented at MIA.

These systems readily share information between systems as well as support diverse users with Internet display tools. The core system for TAMS is the Airport Operational Database. This system collects and shares real time, historic and reference information. Information from separate systems can be displayed on a single screen. The next-generation computer-based gate and counter and counter applications will replace the time-intensive manual procedures currently used. Flight information will be distributed throughout the airport on sleek, bright flat-panel displays as well as to the new public address system. Since these displays are computer based, other information such as visual paging and advertising can use them. Automated multi-lingual flight status messages will be announced from the paging system.

Common Use Terminal Equipment (CUTE)

Currently, airlines install their own equipment for passenger and gate check-in, making it expensive to move airlines in response to changing demand and facility use, and difficult to share scarce space among airlines.

MDAD is installing CUTE, which allows multiple airlines to check-in and board passengers from the same space at different times with common-use computer hardware. CUTE is part of MDAD's strategy to attract low-fare or low frequency airlines that can use MIA without making major investments in equipment or paying for space they don't use. CUTE is particularly important for MIA because it has more than 50 passenger airlines, major terminal construction in progress requiring multiple airline moves, and demand for gates and ticket counters that exceeds supply. CUTE effectively increases the amount of available counter and gate resources by 15 to 20 percent without major construction.

Other New Business Systems

A new Building Management System is also being implemented that will provide better visual control for efficient management of MIA's mechanical systems.

A major focus in today's climate is cost recovery and revenue generation to offset aviation costs. The new PropWorks system being installed by MDAD automates approximately 1,300 tenant contracts. Automated interfaces to the Airport Operational Database and other airport systems will expedite generation of invoices to tenants.

An Equipment and Asset Management System (EAMS) is being procured to track and manage the facilities inventory, preventative maintenance and emergency prioritized maintenance. EAMS will provide management with key performance indicators to better manage inventory and staff. EAMS will also allow for cost recovery of work done for airport tenants.

The new Enterprise Accounting System (EAS) currently being procured will automate the accounting system at MIA. EAS will support the proprietary business function of the airport and other enterprise departments. EAS' interface to PropWorks and other systems will provide immediate budget status per current costs and revenue streams.

Executive Retreat

The entire executive MDAD staff met in February 2003 to brainstorm ways to increase non-aeronautical revenue and reduce operating costs. Staff identified several initiatives that we are currently pursuing to determine their validity.

The objectives of the retreat were fourfold:

- Provide an understanding of the changes in the airport operating environment.
- Assure that the vision and mission will inspire MDAD to achieve organization wide improvements.
- Generate ideas and action plans and implementation strategies to target CEP; and
- Begin the education process of continuous improvement tools available.

To understand the changes in the environment for airports, we looked at the situation for commercial airlines, primarily the traditional, or "network" carriers:

- The airlines will lose \$23 billion for the period 2001-2003, completely wiping out the profit they made from 1995 to 2000, the most lucrative period in airline history.
- Airline yields have gone down by double digits for 17 straight months; the fares have been flat with the airlines not raising prices to account for federal and foreign tax increases.
- Airline revenue is only 76% of the revenue in 2000, with 2002 below the level in 1995.
- The airline breakeven passenger load factor is at a record high; on average, carriers have to fill 81% of their seats to break even at current fare levels. The average load factor in 2002 was 72%.

- Except for Alaska Airlines, every major U.S. airline has lost revenue in 2002, compared to 2000. Even Southwest Airlines dropped 2% in revenue. American has dropped 12%; United has dropped 28%.
- For 20 years, airline passenger revenue has run at about 90% of the U.S. Gross Domestic Product (GDP); in 2002, airline passenger revenue dropped below 75% of GDP.
- For the major carriers, labor costs are 60% higher than for smaller carriers.

As we have previously discussed, for MIA, domestic passenger revenue is down 22% for domestic travel, and 27% for Latin American traffic. From 1970 to 1997, passenger traffic grew steadily except during the recession of 1981 to 1984 and two brief dips the years of the Persian Gulf War and Hurricane Andrew. However, after Southwest began service to Ft. Lauderdale, traffic at MIA slowly declined until the sharp drop after September 11.

MIA's traffic rebounded strongly at first but the rebound slowed down after the summer. As we've discussed before, the latest forecast for MIA is that a return to pre-September 11, 2001 passenger traffic will not occur until 2006.

We are continuing to work on action plans for cost-saving or revenue-enhancing initiatives identified by staff during the retreat and look forward to seeing some tangible results in the near future.

Strategies for the Future

Given the state of the aviation industry, there is a paramount need to reduce costs while at the same time increase security and services to our customers, among which are our airlines and tenants.

A paradigm shift is required, as we now must receive value for every dollar we spend. This is quite different than the typical governmental budgetary cost cutting, such as restrictions on travel and equipment procurement. Rather, this paradigm shift involves integrating cost-benefit analysis in our daily routines and making smart business decisions. Our airline partners – who pay our bills -- are experiencing severe financial stress. The airport must therefore tighten its figurative belt and operate more like a business.

Customer Service

With the federal government adding 1,800 new people to inspect people and their baggage, with new regulations coming out almost weekly from virtually every federal agency, customer service to both our tenants and our passengers has become a bigger challenge than ever. We've taken some steps to provide an oasis of reasonability to it all.

Last year, we restructured our operation in the MIA terminal to create zones of responsibility led by one senior agent that acts as a one-stop shop ombudsman for the tenants in that zone, coordinating the activities of all of the other parties – aviation

department, federal agencies, other county departments, other tenants, and construction projects. The results have been better customer service and a savings of \$2 million, which we were able to invest in more security resources.

Our second step was to form strategic alliances to bring additional resources and energy to improve customer service. In partnership with the Greater Miami Convention and Visitors Bureau, we created a volunteer information program, or VIP. Volunteers assist passengers and provide information about attractions in Miami-Dade County. After a pilot program last summer, with primarily high school and college students earning community service credits, the permanent program started in October and we currently have 60 to 70 active volunteers committing a minimum of eight hours a week. They primarily work at information booths on the upper and lower levels, but also rove the terminal with their conspicuous orange shirts and safari hats. The majority of our volunteers are retirees, but we also have working adults, college and high school students, who comprise about 20% of the volunteer force.

The early success of this program has led to the establishment of sound partnerships with the Miami-Dade Community College and the Florida International University. In concert with MDAD, they have developed special programs allowing students pursuing careers in the field of hospitality to obtain credit for their participation in the VIP Program. Additionally, the Johnson & Wales University offers an internship program at MIA in travel and tourism. The internship in the airport's volunteer program will make up 35% of the student's total credit course requirement for the year toward an associate degree in travel and tourism.

Additional partnerships that extend benefits into the community are also being established. One of these is with the Retired & Senior Volunteer Program (RSVP). Through RSVP, volunteers aged 55 and older receive reimbursement for mileage between their homes and MIA, receive additional health insurance coverage to complement their existing policies and are eligible for life and accidental insurance benefits.

Our next step is a customer service training program for airport employees. We have completed the focus group interviews with front-line and management staff and will roll out the program next Monday, May 12, 2003.

Federal Issues

Issues facing MIA on the federal front are similar to those industry-wide but many are more important to us given MIA's international market.

Bureau of Customs and Border Protection (BCP) Staffing (formerly INS, Customs, APHIS)

At peak times, approximately 3,000 passengers per hour pass through the Federal Inspection Services (FIS) facility at Concourse E, making it the busiest, single FIS facility in the nation. INS and Customs are understaffed, and, thus, often unable to have all inspection booths manned at peak times.

Since 9/11, both INS and Customs are conducting more extensive inspections. INS' own work analysis model (WAM) says 147 additional INS inspectors are needed to handle the workload. Yet, last year, INS authorized only 24 new inspectors for MIA, and these positions have not been funded due to INS user fee revenue shortfalls.

MIA has the worse clearance times in the nation (airplane exit to Customs exit). Competitor airports use MIA's poor clearance times in their marketing. MDAD continues to aggressively lobby for more inspectors and other facilitation improvements, such as better technology to speed the inspection process.

MDAD enlisted the Greater Miami Convention and Visitors Bureau, the Greater Miami Chamber of Commerce, the Beacon Council, the Greater Miami Aviation Association and others to assist in lobbying efforts. This coalition recently traveled to Washington to meet with Administration and Congressional leaders on BCP staffing and other important aviation issues. The agenda included the following issues:

1. *Effective Security Procedures for Flight School Students.* The prompt approval must be secured for training applications submitted by airlines whose newly hired foreign pilots have not qualified on aircraft with a maximum take-off weight of 12,500 lbs. or more. Effective security checks of flight school students is an important obligation of the federal government, as is a system which will assure that the nation has viable and ongoing training schools for flight crews needed by our aviation industry.

However, under existing regulations, commercial airlines cannot train existing and new personnel in a timely fashion to meet commercial needs under the time frames and website system adopted in the final regulations. If these problems are not resolved, risks to U.S. homeland security will only increase as more pilots are trained outside the United States and receive certification without U.S. background checks and without assurance that they meet U.S. standards. Additionally, Miami's large flight training industry will continue to suffer devastating economic losses, threatening the viability of the industry.

2. *Homeland Security Staffing.* DHS must allocate sufficient passenger and cargo inspection staffing (formerly provided separately by Customs, INS, and APHIS) to ensure the efficient and effective implementation of new anti-terrorism and evolving security measures under the DHS warning system. MIA was understaffed prior to March 1, 2003, according to Customs and Immigration staffing models. Moreover, those models underestimate the short-staffing which routinely occurs when inspectors must leave their stations to handle narcotics seizures, drug-related and other types of passenger detentions and arrests or emergency projects to handle the boats, overcrowded with illegal aliens, arriving as far away as Key West. These needs should be taken into account and met, while new DHS programs are being developed.
3. *APHIS Staffing and Inspection Hours.* The appropriate scheduling and adequate staffing of APHIS inspectors must be secured to ensure the full implementation of national security measures, as well as the prompt clearance of perishable cargo. Fresh cut flowers and other perishable commodities typically arrive at MIA at scheduled after-business hours, but the APHIS inspectors only work a standard day of 8:00 a.m. to 4:30 p.m.

The result is extraordinarily costly to the business community and consumers (i.e., most flowers are cleared only if APHIS inspectors are paid directly by the importers at overtime rates) and disrupts the efficient use of federal inspectors to secure our nation's borders (the extended hours of APHIS inspectors to clear routine, predictable commercial shipments, detracts from their availability for new security initiatives).

4. *Homeland Security Border Procedures.* It is necessary to streamline under CBP those resources, activities, rules, and procedures for facilitating the transit of passengers and cargo which previously were developed and administered individually by each of Customs, INS, and APHIS. MIA is prepared to work directly with DHS in developing and testing new procedures, and facilities of new design to more effectively and efficiently meet the multiple goals of security, enforcement, and facilitation.
5. *COBRA Renewal.* COBRA funding for Customs inspectors now coordinated under CBP must be reauthorized immediately to ensure that the MIA staff can handle increased volumes of passenger and cargo traffic and to reduce MIA's vulnerability to traditional and newly identified security risks. MIA currently has more than 100 COBRA-funded inspectors, while the seaport has 15 to 20. It is important to ensure that at a minimum COBRA resources are available to cover the existing staff with additional resources set aside to address future passenger volumes.
6. *EDS Funding and Reimbursement of Unfunded federal security mandates.* Funds must be provided to finance the necessary terminal modifications for permanent installation of explosive detection systems (EDS) "in-line" with airport baggage systems. Nationally, the costs estimates vary between \$3-5 billion.

The cost of permanent EDS installation at MIA's Central Terminal alone is estimated at \$60 million. This figure does not include the cost of EDS installation in the mammoth North and South Terminals, currently under construction at MIA. Additionally, federal funding must be provided to reimburse airports for additional law enforcement and other personnel-intensive security measures mandated by the federal government following September 11. Unfunded federal mandates have increased MIA's security operations costs from \$35 million annually prior to September 11 to a projected \$62 million this fiscal year.

7. *TSA and FAA Reimbursement.* The Transportation Security Agency (TSA) and the Federal Aviation Administration (FAA) must be required to reimburse airports for their use of space and resources.

Other federal issues important to the Aviation Department include:

Restrictions on Foreign Travel

The INS has promulgated new rules limiting the length of stay of foreign visitors from six months to 30 days. This disproportionately impacts MIA because of Miami's close cultural and family ties to Latin America. Many Latin Americans have second homes in Miami and others regularly come to Miami for extended visits with family and to do shopping, banking and other activities.

FAA/AIP Reauthorization

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) authorizes the Federal Aviation Administration (FAA) programs and funding levels. This includes the Airport Improvement Program (AIP), which is the only federal grants program for airport capital projects. The AIP is funded out of the Aviation Trust Fund, which is in turn funded by aviation excise taxes and other fees and taxes imposed on the aviation industry. The AIR-21 expires on September 30, 2003. If not reauthorized, AIP grants to airports will cease.

The Aviation Department strongly supports the reauthorization and is engaged in discussions over specific provisions that will benefit MIA such as the creation of a new aviation security capital fund to pay for capital projects like EDS installation. The Senate version of the reauthorization bill calls for \$500 million every year between 2004 and 2007 to pay for security capital costs. The funds would be derived from revenue generated by the \$2.50 passenger security fee. The Senate proposal calls for large- and medium-hubs to pay a 25 percent match, and smaller airports to pay a 10 percent match.

There are many other issues relating to the reauthorization including term, AIP funding level and budgetary protections to assure full funding of the program.

WHAT NEEDS TO BE SOLVED?

Cost and Revenue Decisions Must be Matched to Market Considerations

Airports do not have unlimited pricing power. We have already discussed the business plan for the CIP and the measures we are taking to continue our massive Capital Improvement Program while keeping our charges to airlines within "acceptable" levels to remain competitive in our markets. The choice is to again downsize or partially defer the \$4.8 billion capital program or pursue a strategy of making tough decisions to increase non-aeronautical revenue and further reduce airport expenses. We have chosen the later because MIA cannot remain competitive without the efficiency, capacity, functionality and attractiveness the capital program will provide.

This means that the County's social service commitments must be balanced with the airport's business requirements. The airport can no longer be used as a cash cow to balance the County budget. Further, decision-making needs to be airport-specific, taking into consideration the current economic realities. For example, cost of living increases are negotiated by the County with the various collective bargaining units and apply to all County employees including Aviation Department employees, irrespective of the Department's ability to absorb this additional cost in its budget.

Strategic Planning for all Facilities in the Miami-Dade System of Airports

As we have previously discussed, the Aviation Department operates a system of airports. We must conclude a strategic system planning process for all facilities in the

Miami-Dade System of Airports and determine if we truly need all of the airports we currently operate. This process has been delayed, partially because of the focus on MIA's CIP, but also due to political pressures. We must balance our system of airports to assure that we have adequate capacity for the various market demands, and, we must be willing to consider closing some of the system's airports.

Timeframes and Priorities

Like any business, the Aviation Department must prioritize the issues and processes to be tackled and assign realistic timeframes. This prioritization needs to be driven by the requirements of our business partners who are funding the operation, maintenance and development of our airports.

In closing, it should be noted that this document was prepared by the Miami-Dade Aviation Department for the Aviation Ad Hoc Committee and is meant to provide a broad overview of the environment in which U.S. airports exist, the Miami-Dade System of Airports and current issues. It is by no means all encompassing. We would be pleased to provide further information on any topic contained herein.

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EXHIBIT

MAY 07 2003



Capital Improvement Program

2003 Update

May 7, 2003

Miami-Dade
Aviation Department



Capital Improvement Program

- **\$4.8 billion in Phase 1**
- **Reflects projects necessary to handle load 39 million annual passengers, forecast for year 2015**
- **Phased according to Demand and Financial Capacity**

Status of Capital Improvement Program

PROGRAM
BUDGET
\$4.8B

Complete 1.2B

Construction 2.6B

Bid / Award 0.1B

Design 0.5B

Planning 0.4B

Source: March 2003 BCC Approved (Updated)

Miami-Dade
Aviation Department



Airside Program

MAJOR BENEFIT... CAPACITY

- **New Runway**
 - This project will decrease airfield delay time & increase airfield capacity
 - Project is **84% complete** and on schedule to be operational **9/03**.
- **Midfield Taxiways and Holding Area**
 - This project will improve north-south movement of aircraft and provide for westward extension of the terminal
 - Under Construction to be operational **early 2005**
- **Runway Strengthening**
 - This project will extend the life of our runways
 - Project is **in Design** and will be phased, one runway at a time
- **New FAA Air Traffic Control Tower & Two New Gate Control Towers**
- **Improved Navigational Aids**

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North Terminal Program

MAJOR BENEFIT... CAPACITY
CUSTOMER SERVICE

- **Major Hub Facilities for American Airlines and its One World Alliance Partners**
 - Projected to handle 60%-65% of MIA's passenger volume
- **Reconfigures Terminal and Concourses A through D into a Linear Alignment with Gate Delivery Baggage System**
 - Will provide connect times & turns per gate needed for hubbing
- **Major Components**
 - Yields 48 international gates, including 10 from Concourse A ph 2
 - New and renovated terminal spaces, concessions past security
 - Automated People Mover with four stations
 - New Customs & Immigration facilities (3600 passengers/hour)
- **Status:**
 - First nine gates to open in 11/03 and terminal complete 6/06
 - \$1.0B has been contracted with \$541M work in place

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South Terminal Program

MAJOR BENEFIT... CAPACITY

- **Programmed for Star (United) and SkyTeam (Delta) Alliances**
 - Projected to handle 25% of MIA's passenger volume
- **Major Components**
 - New Terminal Space (1M sq.ft.) with Customs & Immigration facilities for international passengers (2000 passenger/hour) and concessions past security
 - New Concourse J with 15 international gates
 - Renovated Terminal / Concourse H spaces with the conversion of 8 (of 12) gates to international
 - Apron and taxiways associated with Concourse H and J
- **Status:**
 - To be operational by late 2005
 - \$342M has been contracted of \$510M of construction

Miami-Dade
Aviation Department



Central Terminal Program

MAJOR BENEFIT... CODE COMPLIANCE
MAINTENANCE

- **Future home for the Wings (Continental/NW) Alliance and Other Non-Aligned Airlines**
 - Projected to handle 10%-15% of MIA's Passenger Volume (50+ Airlines)
 - Current capacity is sufficient for the foreseeable future
- **Major Components**
 - Fire sprinklers & alarms throughout the terminal & concourses
 - Initial terminal re-roofing in the Terminal DEF areas
 - Ramp-level reconfiguration for eventual tenants
- **Status:**
 - Project is currently under design and to be completed in 2008

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Ground Transportation Improvements / MIA Mover

MAJOR BENEFIT... CAPACITY

- **Ground Transportation Improvements**
 - Completed a new 1500-space vehicular parking garage and vehicular south drives extension to serve the South Terminal
 - Centralized revenue collection plaza under construction; will be completed 10/03
- **MIA Mover**
 - Automated People Mover to shuttle passengers between the Intermodal Center/Rental Car Facility and the airport
 - Scheduled to be completed in 2008
(pending unresolved issues with the rental car companies and assessing alternate procurement methods (Design/Build/Operate/Maintain))

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Environmental and Utilities Program

MAJOR BENEFIT... CAPACITY
ENVIRONMENTAL PROTECTION

■ Cleaning Up Pollution

- All environmental assessments have been completed; the remediation program to extract ground pollutants and clean-up ground water/soil is **80% complete**
- Improved air quality: removal of asbestos is **90% complete**
- Noise Abatement: MDAD has completed the NW 36th Street Noise Wall and is starting the program to insulate neighboring schools

■ Utilities and Infrastructure for Future Development

- Major utility loop around the airport for water, sewer, electrical, communications, jet fuel and storm water (**80% complete**)
- Fuel storage and delivery system (**60% complete**)
- Under construction is the Chiller Plant Expansion, which supplies chilled water to the terminal building for air conditioning; to be completed in late 2003

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Security

MAJOR BENEFIT... SECURITY

- **Terminal-Wide Security Network**
 - New security network is near completion
- **Security Operations Command Center (SOCC)**
 - Project is currently under design and will be completed mid-2004
- **Improved Access Control and Surveillance**
 - Improved security door equipment (completed in 2/03) and infrastructure installation for the surveillance cameras around security and safety-sensitive areas is underway
- **North and South Terminal baggage infrastructure that allows for more efficient in-line baggage screening**
- **Improved security at general aviation airports**

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Business Systems

MAJOR BENEFIT... AIRPORT SERVICE
CUSTOMER SERVICE

- **Airport Operational Information System (AOIS) and Public Address System**
 - Improved communication between the airport, airlines and passengers by use of visual displays and audio announcements for flight information, baggage information, visual paging, and emergency announcements
- **Common Use Terminal Equipment (CUTE)**
 - Provide for multi-airlines usage of the ticket counters and gates, which allows the airport to more efficiently use the airport's ticket counters and gates
- **Premise Distribution System and Building Management**
 - High speed data network to support the business systems
 - Building Management System integrates airport mechanical systems for efficient utilities usage as well as building systems management and maintenance

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SAFETY AND SECURITY - ECONOMIC VITALITY - CUSTOMER SERVICE

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2001

ENVIRONMENTAL RESPONSIBILITY

MIAMI-DADE AVIATION DEPARTMENT

A NEW ERA

A N N U A L R E P O R T