

ATTACHMENT 5 – PRO FORMA (as of December 2011)

Below presents the FY12 draft update of the Pro Forma. Following these tables is a summary of findings from analysis by the Trust’s financial consultant IMG.

It is important to note ongoing labor negotiations will have an impact in the Pro Forma, with finalized agreements expected to be reflected in next year’s update. Also, two items continue to be reflected in this County document (“Additional Local Revenue or Service Cut” and “Additional 2 Cents of Local Option Gas Tax”), which are not yet enacted by the Board of County Commissioners.

Revenue (000)	2012	2013	2014	2015	2016	2017-2041	Total
Operating Revenue							
Bus, Rail, STS, & Farebox	105,582	109,938	123,529	124,764	126,012	4,967,063	5,556,888
Other Revenues	5,605	5,661	5,718	5,775	5,833	166,377	194,969
Prior Year Carryover in PTP Fund	36,610	0	0	0	0	0	36,610
Additional PTP Surtax revenues at 100%	0	7,708	7,939	8,177	8,422	390,880	423,126
Grant Funds & Subsidies							
Federal							
Formula Grant Preventive Maintenance	56,100	61,740	64,827	68,068	71,472	2,563,369	2,885,576
JARC	2,055	2,055	2,055	2,055	2,055	51,375	61,650
State							
Block Grant	19,448	19,837	20,234	20,638	21,051	687,760	788,968
TD Program	5,439	5,548	5,659	5,772	5,887	192,345	220,650
Urban Corridor	1,524	1,524	1,524	1,524	1,524	38,100	45,720
TD Tokens	2,548	2,548	2,548	2,548	2,548	63,700	76,440
Local							
PTP Surtax (95 percent)	184,652	190,191	195,897	201,774	207,827	9,645,091	10,625,432
Miami Dade MOE (3.5 Percent)	156,707	162,192	167,868	173,744	179,825	7,254,299	8,094,635
<i>Additional Local Revenue or Service Cut*</i>	<i>0</i>	<i>0</i>	<i>19,301</i>	<i>19,395</i>	<i>20,074</i>	<i>809,232</i>	<i>868,002</i>
CI-LOGT (3 Cents)	15,553	16,877	18,500	18,529	18,807	504,380	592,646
<i>CI-LOGT (2 Cents)</i>	<i>0</i>	<i>0</i>	<i>10,103</i>	<i>13,538</i>	<i>13,606</i>	<i>363,174</i>	<i>400,421</i>
SFRTA GF Support	0	0	0	0	0	0	0
SFRTA Payment	666	666	666	666	666	16,650	19,980
PTP Interest	1,847	1,902	1,959	2,018	2,078	96,450	106,254
Capital Reimbursements	7,385	7,754	8,142	8,549	8,977	449,844	490,651
Total Operating Revenues	601,720	596,140	656,469	677,534	696,664	28,260,092	31,488,619



Expenses (000)	2012	2013	2014	2015	2016	2017-2041	Total
<u>Direct Operating Expenses</u>							
MDT Operating Expenses	442,098	457,313	469,074	488,231	502,973	19,521,322	21,881,011
<u>Other Operating Expenses</u>							
Municipal Contribution	36,930	38,038	39,179	40,355	41,565	1,929,019	2,125,086
New Municipal Contribution	11,079	5,706	5,877	6,053	6,235	289,353	324,303
CITT Staff	2,415	2,514	2,514	2,514	2,514	94,408	106,879
SFRTA Contribution	4,235	4,235	4,235	4,235	4,235	105,875	127,050
Deficit Repayment	27,564	0	0	0	0	0	27,564
PWD Project Management (Pay Go)	3,042	3,133	3,227	3,324	3,424	92,115	108,265
<u>Debt Service</u>							
Pre Existing Debt Service	11,845	7,439	7,439	2,494	2,494	2,494	34,205
Rezoning Bonds	1,425	1,425	1,425	1,425	1,425	35,625	42,750
Bridge Loan	1,500	0	0	0	0	0	1,500
Bus Leasing Payment (\$100 million lease for 10yr)	0	2,717	5,435	8,152	10,869	407,604	434,777
PTP Debt Service	53,817	60,760	82,330	103,895	119,513	4,831,140	5,251,455
Total Expenses	595,950	583,281	620,735	660,679	695,248	27,308,953	30,464,846
Year-End Difference	5,769	12,859	35,733	16,855	1,416	951,142	1,023,774
Accumulated Difference	5,769	18,628	54,361	71,217	72,633		
Coverage Factor	2.78	2.66	2.02	1.65	1.48	1.28 - 2.56	

The Trust's financial consultant was tasked to review and analyze the Pro Forma in two phases. First, the project team reviewed the official FY 2011 Pro Forma, plus constructed a model to replicate and confirm the results, as well as to allow for sensitivity tests. The second phase focused on a detailed review of the draft FY 2012 MDT Pro Forma (as of August 2011), which included numerous changes in key assumptions and input data. The project team updated the CITT Model to check Pro Forma results and to conduct sensitivity and scenario analysis of the Pro Forma under a variety of assumptions. The Trust's Strategic and Financial Planning Committee held a workshop on August 31, 2011, that included a presentation of findings from the consultant.

The full IMG report on the Pro Forma is available online at miamidade.gov/citt/reports.asp.

Note the amounts in the above tables are from the County's subsequent December 2011 draft, however only two line items are revised significantly from the reviewed August version. The OCITT considers neither item (MDT Operating Expenses lowered/improved by \$873 million; Additional Local Revenue or Service Cut reduced/improved by \$338 million) to materially change the findings below.

The analysis shows that MDT's financial situation is precarious. In particular, the project team noted the following.

- MDT faces a significant operating challenge that relies on "proposed" new revenue sources to balance its budget – fare increases, 2 cents local option gas tax, and additional 0.02 percent property tax millage (MIL).
- The Pro Forma itself shows that the senior debt minimum debt service coverage ratio (DSCR) of 1.50X may be violated as soon as 2016, and subordinated debt coverage violates bond covenants in 2017 at 1.24X (compared to 1.25X minimum DSCR).

- The Pro Forma assumes bonds are issued every other year (except 2016) to fund PTP capital expenditures.
- Capital expenditures in the Pro Forma are a placeholder targeted to ensure a minimum DSCR of 1.25X, (the Master Bond Ordinance definition excludes operating cash flows), and are not based on projected capital needs.
- Bus capital expenditures in the Pro Forma are not based on the existing MDT bus fleet. The Pro Forma includes \$400 million in bus replacement expenditures, compared to \$1.24 billion needed to maintain a 14-year replacement cycle.
- Bus replacement assumes leasing of equipment rather than purchase with long-term debt. This financial strategy transfers the cost from debt service payment to operating expense.
- Following the legal requirements of the Master Bond Ordinance, the Pro Forma debt service coverage calculation is based only on surtax receipts and debt service. It excludes MDT operating cash flows. When MDT operating expenses are taken into account, capital expenditures of up to \$200 million must be deferred.
- The MDT Pro Forma appears to be optimistic with regard to key assumptions.
 - Surtax revenue grows at 4.5 percent after 2016, higher than the 15-year historical average of 3.62 percent.
 - The MDT Pro Forma assumes MDT operating expense (OPEX) growth rates that are lower than historical averages for MDT. For example, fuel and electricity expenses grow at an annual rate of 1.00 percent each, compared to historical averages closer to 7.00 and 2.50 percent for fuel and electric, respectively.
- The sensitivity analysis also shows that cash flow forecast can be greatly improved if MDT OPEX growth can be controlled and growth rates are kept to reasonable levels.

Addressing the continuing MDT financial challenges, particularly the upcoming budget gap, requires examining both the revenue and cost sides of the ledger. Toward these ends, the Trust is collaboratively working with the County on several strategic initiatives: the study of Revenue Enhancement Opportunities for operations (current Phase 2 focused on developing implementation plans for short list of techniques), MDT Cost & Efficiency Study underway (examining both peer comparison data and the effectiveness of implementing past study recommendations), the completed Innovative Financing for Capital Investments study and this Five Year Implementation Plan.