

## ATTACHMENT 5 – PRO FORMA (as of August 2012)

Below presents the FY13 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)	2013	2014	2015	2016	2017	2018-2041	Total
<b>Operating Revenue</b>							
Bus, Rail, STS, & Farebox	104,560	117,486	118,661	119,848	121,046	4,603,044	5,556,888
Other Revenues	8,025	8,105	8,186	8,268	8,351	227,504	194,969
Prior Year Carryover in PTP Fund	6,000	0	0	0	0	0	36,610
Additional PTP Surtax revenues at 100%	0	0	0	0	0	0	423,126
<b>Grant Funds &amp; Subsidies</b>							
<b>Federal</b>							
Formula Grant Preventive Maintenance	61,730	62,226	62,848	63,477	64,177	2,094,665	2,885,576
JARC	2,060	2,060	2,060	2,060	2,060	49,440	61,650
<b>State</b>							
Block Grant	20,428	20,837	21,253	21,678	22,112	686,140	788,968
TD Program	5,400	5,508	5,618	5,731	5,845	181,376	220,650
Urban Corridor	0	0	0	0	0	0	45,720
TD Tokens	2,478	2,478	2,548	2,548	2,548	61,152	76,440
<b>Local</b>							
PTP Surtax (95 percent)	205,548	211,714	218,066	224,608	231,346	10,042,913	10,625,432
Miami Dade MOE (3.5 Percent)	162,192	167,868	173,744	179,825	186,119	7,068,180	8,094,635
<i>Additional Local Revenue or Service Cut*</i>	<i>0</i>	<i>33,777</i>	<i>33,941</i>	<i>35,129</i>	<i>36,358</i>	<i>1,379,798</i>	<i>868,002</i>
CI-LOGT (3 Cents)	16,877	15,845	16,003	16,163	16,325	419,322	592,646
<i>CI-LOGT (2 Cents)</i>	<i>0</i>	<i>10,103</i>	<i>13,538</i>	<i>13,606</i>	<i>13,674</i>	<i>349,499</i>	<i>400,421</i>
SFRTA GF Support	0	0	0	0	0	0	0
SFRTA Payment	666	666	666	666	666	15,984	19,980
PTP Interest	2,055	2,117	2,181	2,246	2,313	100,429	106,254
Capital Reimbursements	4,472	4,696	4,930	5,177	5,436	253,997	490,651
<b>Total Operating Revenues</b>	<b>602,491</b>	<b>665,557</b>	<b>684,244</b>	<b>701,030</b>	<b>718,377</b>	<b>27,533,443</b>	<b>31,488,619</b>



<b>Expenses (000)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018-2041</b>	<b>Total</b>
<b><u>Direct Operating Expenses</u></b>							
<b>MDT Operating Expenses</b>	452,165	472,994	487,915	503,813	520,429	19,271,065	21,881,011
<b><u>Other Operating Expenses</u></b>							
Municipal Contribution	41,110	42,343	43,613	44,922	46,269	2,008,583	2,125,086
New Municipal Contribution	6,166	6,351	6,542	6,738	6,940	301,287	324,303
CITT Staff	2,360	2,360	2,360	2,360	2,431	86,194	106,879
SFRTA Contribution	4,235	4,235	4,235	4,235	4,235	101,640	127,050
Deficit Repayment	14,839	0	0	0	0	0	27,564
PWD Project Management (Pay Go)	3,133	3,227	3,324	3,424	2,527	89,588	108,265
<b><u>Debt Service</u></b>							
Pre Existing Debt Service	7,439	7,439	2,494	2,494	2,494	0	34,205
Rezoning Bonds	1,425	1,425	1,425	1,425	1,425	34,200	42,750
Bridge Loan	0	0	0	0	0	0	1,500
Bus Leasing Payment (\$100 million lease for 10yr)	2717	5,435	8,152	10,869	13,587	394,017	434,777
PTP Debt Service	60,760	77,842	94,920	111,729	138,123	4,831,140	5,251,455
<b>Total Expenses</b>	<b>596,350</b>	<b>623,651</b>	<b>654,980</b>	<b>692,009</b>	<b>738,460</b>	<b>22,514,078</b>	<b>30,464,846</b>
<b>Year-End Difference</b>	6,142	41,906	29,264	9,020	(20,083)	951,142	1,023,774
<b>Accumulated Difference</b>	10,396	52,302	81,565	90,586	70,503		
<b>Coverage Factor</b>	2.74	2.2	1.86	1.63	1.36	1.28 - 2.56	

The Trust's financial consultant was tasked to review and analyze the Pro Forma again this year. The analysis focused on a detailed review of the draft FY 2013 MDT Pro Forma (as of July 2012), which included changes in few 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 (SFPC) held a workshop at its regular meeting of September 6, 2012, which included a presentation of findings from the consultant.

The full IMG presentation on the Pro Forma and reports from previous years are available online at [miamidade.gov/citt/reports.asp](http://miamidade.gov/citt/reports.asp).

Note few items (MDT Operating Expenses lowered/improved by \$\_\_\_ million; Additional Local Revenue or Service Cut reduced/improved by \$\_\_\_ million) changed from the FY2012 version dated December 2012 and presented in last year's Five Year Plan Update. None materially changed.

The analysis shows that MDT's financial situation continues to be 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, and subordinated debt coverage bond covenants (compared to 1.25X minimum DSCR), may be violated as soon as FY2017.

- Collective bargaining agreements negotiated last year continue to be in effect. However, the 4 percent group health insurance contribution and other employee benefits are pending resolution. (Subsequent to the SFPC Workshop, the County restored the 4% health insurance contribution.)
- 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 do not appear based on the existing MDT bus fleet. The Pro Forma includes a \$400 million project for bus replacement, with bus enhancement programs and other procurements incorporated in other capital projects. To maintain a 14-year replacement cycle, \$1.24 billion is estimated.
- 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 about \$200 million must be deferred.
- The 2013 MDT Pro Forma appears to be optimistic with regard to key assumptions.
  - Surtax revenue grows at 4.5 percent after 2017, higher than the 15-year historical average of 3.62%.
  - The MDT Pro Forma assumes MDT operating expense (OPEX) growth rate at 3.5%, which is lower than historical average for MDT. For example, fuel and electricity expenses grow at an annual rate of 2.5% each, compared to historical averages closer to 7.00% and 2.50% 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, MDT Cost & Efficiency Study finalized (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 Update.

The SFPC followed up at its November 2012 meeting by developing recommended actions for about a dozen shortlisted items of Revenue Enhancements, for consideration at the December 2012 meeting of the Full Trust. The final CITT resolution will be forwarded to the Citizens Transportation Advisory Committee of the Miami-Dade Metropolitan Planning Organization and for approval by the BCC.