# CITT Recommendations for MDT FY2014+ Revenue Enhancement Opportunities

**Contents**

# CITT Recommendations for
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# Item #1: Toll Revenue Sharing



**Introduction**

Tolls may be charged as fixed, variable, or dynamic rates that change depending upon the level of congestion.With direct charging of roadway costs to users/drivers of the facilities,tolls have a twin impact on public policyby producing revenue that could be directed toward transit and by encouraging users to economically choose among transportation modes, including transit.

A more progressive type of toll,known as“congestion pricing” or a "congestion charge,” is being used in areas such as London and South Florida’s I-95, to incentivize forms of public transport while relieving road congestion. Congestion pricing can be used in city centers, on major thoroughfares into a city center, or for individual lanes. According to a 2005 University of California, Irvine, published article’s assessment of London’s congestion pricing system, “better [transit] service was made possible, desirable, and financially viable by congestion pricing itself.”

**Scope**

The revenue sources identified in this section include tolls collected from usersof certain Miami-Dade roadways by operators of these facilities. The benefit would be to the riding public and thus scope extends Countywide. The experience of congestion pricing from the I-95 HOT lanes demonstrates that users of such managed lane facilities also benefit from improved traffic flow. Potential sources considered for applying tolling revenues to transit are MDX, FDOT (I-95 and proposed expansion to Palmetto) andFDOT’s Florida Turnpike Enterprise (Homestead Extension of Florida Turnpike, or HEFT). There are two other tolling authorities in the county: the County for the Rickenbacker Causeway (used by B route), and Bal Harbor for the Venetian Causeway (used by G route).

**Fiscal Impact**

Under MDX’scurrent flat-rate pricing model,every 1% “carve-out” or allocationfrom current budgets of its net revenue(i.e., after operations & maintenance, debt service and fund payments),would generate about $0.1 million annually.Alternatively, an MDX incremental fee could potentially provide MDT new revenue in the range of $1.2 million for every 1% increase in toll revenue, or 1-cent per transaction.

An additional 1% carve-out of FDOT 95 Express (95X) revenue would generate about $0.5 million per year. Note in FY11, this program already provided $4 million for transit operations, a figure projected to grow to more than $8 million by FY 2021. An incremental fee with 95X could potentially give MDT new revenue in the range of $0.5 million to $1.2 million.

A 1% carve-out of HEFTnet revenueafter debt service would yield an estimated annual $0.3 million, if segment’s surplus is same ratio of its gross toll revenue as system’s 31.8% in FY11.

Amounts are difficult to project under funding transit via either a carve-out and incremental approach for proposed express lanes on MDX,HEFT,Palmetto/I-75, or similar future congestion pricing projectsthat include a dedicated portion for transit. Projections for planned facilities are not yet modeledand require further study.

**Background including Alternatives**

With Miami-Dade Expressway Authority’s (MDX) portfolio of five toll roads and implementation of the Interstate-95 Express Lanes (95 Express, 95X or I-95 HOT lanes), tolling revenue is a key potential new source of revenue for MDT. Research found transit agencies in Washington, DC, New York,the San Francisco Bay Area, and San Diego use toll revenues to directly fund transit operations. However, accounting for transit funding differs – FDOT treatsas an operating expense; others like San Diego consider as a use of surplus revenue – apparently depending on transit's role in the mission of the facility or its operator. Note a 2009 article published in the *Journal of Public Transportation* identified a common theme of the role of transit,from amacro-level analysis of 21 congestion pricing projects, was that "those congestion pricing projects with significant transit impact include a dedicated funding source, not just a portion of revenue."

Nearly all of MDX's funding (85-95%) comes from toll road revenues. MDX averagedabout $140 million totalrevenue (tolls, investments, and other income) over fiscal years 2009, 2010 and 2011 – however,after expenses such as toll and roadway operations, debt service and fund payments, generated surplus revenue under$10 million each year. MDX's Trust Indenture allows "carve-outs" of surplus revenues to finance or refinance transportation facilities located in Miami-Dade County, Florida or any programs or projects that will improve the levels of service on the MDX system. Alternatively, a small additional per-transaction fee could yield significant funds to generate revenues specifically dedicated to MDT (i.e., an incremental fee approach).

The 95 Express lanes generate about $1.3 million per month. One-third of these funds already are directed to transit, as FDOT support for MDT's95X routes operating expense is now at 100% (originally was 20% as match to FTA 80%).

The HEFT (Homestead Extensionof Florida Turnpike)generated nearly $104 million total toll revenue in FY11 on more than 169,000 transactions, primarily $86 million via SunPass on140,000 transactions. FDOT also generates revenue through concession agreements for advertising and highway signage and Service Plazas. The Florida Turnpike System's debt service coverage fell from 3.06x in FY06 to 1.92x in FY11.

MDX is contemplating utilizing congestion pricing on its toll roads. This involves variable tolls, like on 95X, in response to highway traffic conditions and facilitating shorter/more reliable trip times.Such managed lanes have a nexus to transit as a tool to reduce congestionboth for express and local lane drivers. Therefore, one may view it as reasonable to use some or all of the extra revenue created by the higher toll collections on congestion priced roads to fund MDT. However, there is no forecast of the additional revenue that congestion pricing could generate on MDX facilities, although a current PD&E study on implementing this approach for the South Dade Busway("US1 Express") may provide a useful model. A benefit of a new toll system of congestion pricing,as a transit-supporting revenue source, is that it does not reduce funds available to MDX from its current tolling systems to meet existing covenants.

Managed lanes pricing models are being studied or planned for other toll facilities in Miami-Dade County such as by Florida Turnpike Enterprise. Express Lanes for the HEFT are currently planned for 2017 and 2020 phases. The projected revenue and a potential partnership structure (or institutional arrangement)require further study in each County tolling application.

For further in-depth analysis of tolling, see the February 2012 CITT report prepared by its financial consultant IMG, "Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit, Phase II", page 42 (Tolling and Congestion Pricing).

**Key Implementation Issues**

The MDX Board appears to have the legal authority to provide toll revenue support to MDT. First, MDX would have to review its bond indentures to ensure that any use of surplus revenue does not violate any of its bond covenants. Despite large margins in preceding years, it nearly hit its 1.50x debt service coverage ratio threshold in 2010, which, if continued, would leave very little surplus to support MDT. In addition, it is anticipatedthat MDX support of capital costs for transitis likely to encounter less resistancethan paying for operating expenses.

This alternative would be subject to the availability of surplus funds above and beyond debt coverage covenants and policies. Seeking additional funds from 95X tolls is a considerably lower probability opportunity since the HOT lanes already provide substantial support for transit and little additional excess funding is likely to be available.

The 95X lanes are run by FDOT, and they were authorized in part via the U.S. Department of Transportation (USDOT) and the Federal Highway Administration (FHWA). An agreement to share toll revenues with MDT differently than the precedent established with 95 Express may require a more complicated process at the state and federal level. Imposing a dedicated fee on I-95 vehicles would require legislation at the state level; a carve-out would not.

Setting tolls on the HEFT is governed by Section 338.231, Florida Statutes, which authorizes FDOT to fix and adjust toll rates on the Turnpike System and requires all toll rate changes be implemented through the provisions of the Administrative Procedures Act (Chapter 120, Florida Statutes). This requires a published notice and the opportunity for a public hearing to solicit public comment before adoption of the proposed toll rate change.

*Cost of Implementation*

The cost of implementing either arrangement with MDX, or a carve-out with 95 Express or the HEFT, is relatively low. The main expense would be the attorneys and financial advisors, as well as public relations costs. Due to the legislative process, the costs and effort to implement an incremental fee with 95 Express,and likely the HEFT, are considerable.

*Issues to Consider*

Given the many complexities, MDT must carefully consider how it structures the specific provisions of a revenue sharing agreement.

MDX views its authorizing statute and trust indenture to restrict toll revenue for use only to capital expenditures along MDX roadways, and not for operating needs.

In a carve-out structure MDT will carry a critically-important risk that it might not get any revenue in a given quarter or year because MDX or other tolling partner is too close to its target coverage ratio or its surplus revenue is too small after debt service, fund payments, etc.  For example, a 2005 study for the Washington State Transportation Commission noted, “as seen in the I-394 MnPASS [Minneapolis] project, even though the law requires 50 percent of revenue to be spent on transit within the corridor, current revenue generated by the tolls has not covered the cost to build, operate, and maintain the system.”

An incremental fee structure with the toll operator, however, would remove coverage ratio risk because the fee would be dedicated to MDT, regardless of the other organization's cost structure. For congestion pricing, the fee would have to be incorporated into the dynamic tolling algorithm, and the fee's potential impact on the lanes' usage would also require examination.

This opportunity has direct nexus and significant revenue potential.

Transit also appears to contribute a significant public policy positive aspect to congestion pricing system implementation. A 2008 National Cooperative Research Highway Program study regarding the public opinion of congestion pricing projects articulates social equity as a key concern of the public as well as how revenue generated by the project is used. Transit addresses concerns for social equity; such concerns with congestion pricing center around the effect it may have on lower-income groups.

# CITT Recommendations for
# MDT FY2014+ Revenue Enhancement Opportunities
# Item #2: Parking Surcharge

**Introduction**

A parking surcharge for transit on public and private commercial parking facilities in core areas such as the Central Business District of Miami and the City of Miami Beach could be implemented in collaboration with municipalities.It would not include a surcharge on residential parking facilities. Non-transit parking fees are covered here; increasing parking rates at MDT facilities would fall within fare adjustments.

**Scope**

Miami-Dade County has a diverse inventory of paid parking, with over 22,000 on-street, 36,000 off-street and 62,000 private parking space options (commercial inventory only, excludes residential). There are over 98,000 on-street and off-street paid parking spaces within the highest concentrated municipalities: Coral Gables, Miami Beach, Miami and South Miami.

**Fiscal Impact**

The alternatives rangeannually from \$8M-\$25M for a surcharge on private spaces, and \$1M-\$2.5M on public ones, based on Miami (CBD, Coconut Grove), Coral Gables, and Miami Beach data.

Applying an estimated \$2,398 revenue per stall towards a “pool” of approximately 62,000 private parking stalls yields projected revenues over the next ten years ranging from \$86 million to \$258 million countywide, based on surchargesfrom 5 to 15%. Theseprivate facility revenue projections also do not account for any potential revenues from on-street parking fee collection.

**Background including Alternatives**

Parking is not an end in and of itself — rather it is a derivative of the demand for other activities and the travel characteristics of the market area.Parking fees, levies, surcharges or taxes allow governments to recover absorption costs from users equitably and allows the public sector to provide enhanced community services in the form ofimproved public transit or alternative transportation programs.The implementation of parking fees on publicly-owned on-street parking can serve the tri-fold purpose of managing parking demand and vehicle traffic (thus reduced congestion and traffic accidents), generating revenue, and best practice urban planning to improve access and walkability. Charges for public and private parking may also encourage some users to economically choose alternative modes such as transit.

Miami-Dade municipalities may have the opportunity to implement a parking fee strategy similar to that utilized by the City of Miami and other local governments in the United States,such as Pittsburgh, Seattle, Chicago, or New York.State legislative action would be required, as discussed below. The City of Miami applies the 15 percent parking surcharge only to off-street parking; the City first imposed a parking tax in July 1999 that has evolved over time.

Each municipality monitors its public on-street and off-street parking facilities. A transit-supportive surcharge on metered parking spaces will require County and municipal jurisdictions to collaborate.

There are two alternative levels of approaches: a) implementation through the County level; and b) implementation through individual municipalities.

This opportunity also has direct nexus and significant revenue potential.

For extensive in-depth analysis of parking, see the forthcoming 2012 CITT report “Parking Fee Study: Analysis of Revenue Enhancement Opportunities through Parking Fees”, prepared by the Metropolitan Center at Florida International University,

**Key Implementation Issues**
Only municipalities with population over 200,000 can levy a surcharge on municipal facility parking feesper Statute.    In addition, the statute requires that not more than 40 percent and not less than 20 percent of surcharge proceeds shall be used to improve transportation.

Developing a parking surcharge program proposal will need to offer area-specific transportation improvements in order to obtain stakeholder support.

There is considerable variation in utilization of parking capacity, with many facilities having less than 50-60% of their off-street parking used during the day or evening.  On the other hand, on-street parking was generally utilized at a rate greater than 90% and generally priced substantially less than off-street parking.  These two findings are consistent with patterns observed in other locales and confirm the reality that a high elasticity of demand will exist here as it does elsewhere.  There is further anecdotal evidence that small businesses and restaurants experienced reduced business as a result of the surcharge imposition in Miami.Utilization at or near 100% can be dysfunctional to the extent that it (which reflects its usually dramatically lower pricing) causes delays to find parking.  These types of difficulties to find an available spot,that is legal and convenient, are likely to result in driver aggravation and potential lost business for nearby establishments.

In the case of sample areas, while parking inventory had some impact, other factors contributed to an overall revenue growth of public commercial parking: adding inventory in high-demand locations even with overall inventory decreases; modifying parking rates (flat fee rates for weekends and special events);lengthening enforcement times for on-street parking; implementing technology such as pay-and-display and pay-by-phone.

# CITT Recommendations for
# MDT FY2014+ Revenue Enhancement Opportunities
# Item #3: Advertising and Marketing Revenues

**Introduction**

Advertising offerssignificant-value opportunities which can be most easily implemented within County administrative purview, and thus a very viablepotential methodfor generating additional revenue. These include aggressively expanding ads in Metrorail and Metromover stations, and Metrorail vehicle wraps. Techniques not currently used, such as guideway pillars and kiosks along the busway,may have implementation challenges including requirements for state and local legislativechanges.

Naming rights – discussed later in this paper – can be considered a special case of advertising.

**Scope**

MDT properties with advertising opportunities are across the County. The benefit would be to the riding public and thus scope extends Countywide.

**Fiscal Impact**

Revenue potential varies among the 10 identified subtypes of advertising with some already being utilized. Options include Rail/Mover station ads, more vehicle wraps, parking facilities and station domination advertising. As seen in the table below, total revenue could range upward of $12.9millionif all assets could be maximized. MDT collects ad revenue; actual FY12 was about $3.5 million, FY13 approved budget is $5 million.

Wrap advertising on Metrorail cars, ads on guideway pillars, and ads in Metrorail stations could each generate over $1 millionin “base case” expected revenue. The figures below are estimates developed by IMG as part of an extensive analytical study for CITT, and represent gross amounts including current levels. For example, Metrorail vehicle wraps projection assumes 50% average use during year, versus 15% average monthly rate achieved currently.

| | Low Case | | Base Case | | High Case | |
|---|---|---|---|---|---|---|
| **Revenue Source** | **Total Media Value** | **MDT Expected Revenues*** | **Total Media Value** | **MDT Expected Revenues*** | **Total Media Value** | **MDT Expected Revenues*** |
| | | | | | | |
| Metrorail Stations (including station pillars/billboards) | $ 708,000 | $ 285,000 | $ 2,407,000 | $ 1,075,000 | $ 3,204,000 | $ 1,366,000 |
| Metromover Station Ads (Station Pillars, interior walls, clocks, etc) | $ 559,000 | $ 280,000 | $ 1,822,000 | $ 911,000 | $ 1,762,000 | $ 881,000 |
| MetroMover Vehicle Interior Ads | $ 415,000 | $ 249,000 | $ 715,000 | $ 429,000 | $ 948,000 | $ 569,000 |
| Wrap Advertising on Metrorail Cars | $ 2,500,000 | $ 1,500,000 | $ 4,896,000 | $ 2,938,000 | $ 6,000,000 | $ 3,600,000 |
| Wrap Advertising on Metromover Cars | $ 650,000 | $ 390,000 | $ 1,218,000 | $ 731,000 | $ 1,575,000 | $ 945,000 |
| Surface Parking, Parking Garages, and Park and Rides (including parking pillars and wall ads; not including Kiosks) | $ 96,000 | $ 48,000 | $ 698,000 | $ 349,000 | $ 997,000 | $ 499,000 |
| Kiosks along Busway | $ 168,000 | $ 101,000 | $ 672,000 | $ 403,000 | $ 1,300,000 | $ 780,000 |
| Guideway Pillars | $ 140,000 | $ 56,000 | $ 2,852,000 | $ 1,141,000 | $ 8,069,000 | $ 3,228,000 |
| Wall Advertising on MDT Buildings | $ 120,000 | $ 36,000 | $ 480,000 | $ 144,000 | $ 1,080,000 | $ 324,000 |
| Domination Advertising-MetroMover and MetroRail | $ 630,000 | $ 315,000 | $ 1,260,000 | $ 630,000 | $ 1,512,000 | $ 756,000 |
| **Total Potential Media Value** | **$ 5,986,000** | **$ 3,260,000** | **$ 17,020,000** | **$ 8,751,000** | **$ 26,447,000** | **$ 12,948,000** |

*MDT expected revenues is a weighted average based on expected share of revenue from each revenue source. Each source has its own expected revenue percentage.

**Background including Alternatives**

Transit agency advertising is targeted both to riders and the passing public. The value of pricing and contracts for advertising in a particular system is dependent on the local market and the total amount of exposures, which is the total number of potential opportunities for viewers to see the advertisement.

Every major transit agency in the US uses advertising to increase revenue through various means, however noneas a major revenue source – advertising revenues average 1.23% of operating costs, or 4.20 cents per unlinked passenger trip (2009 data). Orlando, FL, Columbus, OH, and Hampton, VA use in-house advertising services. Atlanta, Washington, and Montreal advertise on non-traditional surfaces and/or leverage unsold advertising space. Tokyo uses electronic paper and domination-style advertising.

MDT's progress in improving advertising revenues in recent years is extremely encouraging. In a 2010 CITT study, MDT ranked 15$^{th}$ out of 18 peer agencies in advertising revenue as a percentage of operating budget (FY2009 National Transit Database).MDT revenues of $3.5 million in 2009 were well below the peer benchmarks at just 0.73% of operating expenses, or 3.41 cents per unlinked trip.However, the FY12 Approved Budget included $2.6 million; actual was $4.0 million, primarily reflecting a $1.7 million overperformance on in-house advertising such as the CBS contract. The FY13 Approved Budget is $5.0 million total for benches, shelters and in-house (which includes interior/exterior bus ads and the first 5 of the 10 items listed in the above revenue analysis table). In fact, the new bus passenger shelter contract has significant financial benefit to the County.

The MDT contract with CBS Outdoor through 2014 provides a minimum annual guarantee of $2 millionor 60% of net billings to MDT, whichever is greater. An $8.4 million5-year bus shelter contract (with 5-year option to renew) for MDT with Urban Advertising America was approved by the BCC in late 2012, to replace the previous $7.0 million, 10 year contract with CEMUSA. On December 9, 2009, the previous contractor voluntarily requested its contract be terminated, which waseffected September 30, 2010 after 8 years. The new recommended agreement is revenue-generating from the contractor's sale of advertising and includes real-time electronic signage. This Urban contract includes a Minimum Monthly Guarantee of $0.14 million or 42% of gross revenues, and total value is estimated at $11.9 million including performing substantial upgrades on existing bus shelters. The net financial gain to the County is $6.0 million over the initial contract term, after costs to manufacture and install 200 new shelters and electronic real-time signs at 125 shelters.

For extensive in-depth analysis of enhanced advertising, see the February 2012 CITT report prepared by its financial consultant IMG, "Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit, Phase II", page 15 (Advertising & Marketing Revenues).

**Key Implementation Issues**

It should be noted that there are other substantial advertising opportunities that could be newly or more widely utilized. There are three approaches available to implement new advertising programs.

1. Expand the existing contract with CBS Outdoor. Approval would occur via the typical County approval process, which takes approximately 6 weeks. It is unlikely that substantial changes to the terms of the CBS contract could take place without a new bid.

2. Create a new advertising package that includes several of the advertising mediums, and then putting that package out for bid. This process would take approximately 8 months, assuming no difficulties arose during the award process.
3. MDT performs advertising work in-house.

*Issues to Consider*

New or expanded implementation of a source may include more aggressively pursuing new avenues, further streamlining and facilitating implementation approval processes, and overcoming operational issues for media such as pillars that require extensive work. Some improved advertising revenue opportunities will require legislative (such as County sign ordinance) or administrative (for example, approval policies and procedures) actions. For example, legislative action would be required for external ads; other advertising modes are within County's control or already contracted.

However, some of the advertising opportunities may require a major shift in public opinion as well. Examples would be the placement of advertising on Metrorail piers or placement of billboards on the Metrorail guideway.

To expand the advertising program, MDT must accommodate (or, potentially, alter) a number of rules and regulations that govern the placement of fixed advertising signs. County code prohibits outdoor advertising signs within 300 feet of any similar sign or Rapid Transit System right-of-way. There are additional limitations on the size and orientation of the signs.

Advertising space outside of the Metrorail and Metromover stations along highways not fully owned or maintained by the County requires approval from other parties, such as Florida Department of Transportation, which may have various further restrictions. Local ordinances at points along the rail lines/busway may too have more stringent regulations than the County's.

While current law may allow for some pillar and billboard advertising, implementing these revenue sources to their fullest extent will likely require a change to the County sign ordinance and take a minimum of 3 months. In addition to legal issues, MDT reports potential maintenance issues with advertising on Metrorail and Metromover structures.

Some of the programs discussed will be challenging due to zoning and signage laws, public acceptance of increased advertising penetration, and even maintenance issues. Others will require more time and expense, including the need to change local, and, potentially, state, regulations governing advertising.

The following table summarizes each advertising opportunity'skey implementation issues.

**Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit**
***Summary of Required Steps for Implementation***

| Revenue Source | State Legislative Action | County/Municipal Legislative Action | New Physical Structures for Ads | Possible Extension of Current Contact | Significant Political Obstacles |
|---|---|---|---|---|---|
| Metrorail Stations (including station pillars/billboards) | ✔ | ✔ | ✔ | ✔ | ✔ |
| clocks, etc) | | | | ✔ | ✔ |
| MetroMover Vehicle Interior Ads | | | | ✔ | |
| Wrap Advertising on Metrorail Cars | | | | ✔ | |
| Wrap Advertising on Metromover Cars | | | | ✔ | |
| Surface Parking, Parking Garages, and Park and Rides (including parking pillars and wall ads; not including Kiosks) | | | | ✔ | ✔ |
| Kiosks along Busway | ✔ | ✔ | | ✔ | ✔ |
| Guideway Pillars | ✔ | ✔ | | ✔ | ✔ |
| Wall Advertising on MDT Buildings | ✔ | ✔ | | ✔ | ✔ |
| Domination Advertising-MetroMover and MetroRail | | | | ✔ | |

## *Cost of Implementation*

The cost to implement these advertising opportunities varies with the type of advertising. Because local law already allows MDT to contract with advertising agencies for ads placed inside of Metrorail and Metromover stations, implementing these options has a lower cost. This is especially true if MDT chooses to simply expand its current contract with CBS to include these options in the list of inventory on which CBS can place ads. It is important to note that streamlining of the approval process within MDT for new advertising campaigns could assist the existing, or new vendor to bring in more advertising revenues. If MDT decides to bid out these additional opportunities, costs could include significant staff time to manage the procurement process, attorneys to draw up a new contract, and other County staff to review proposals and award the contract. Implementing advertising opportunities that would require a change in State statute or County ordinance will be much more expensive to carry out, involving personnel, lobbyists, consultants, and the writing of any new legislation or regulations.

To continue aggressive efforts to improve advertising revenue including and in light of other substantial advertising opportunities, additional research and a public dialogue should be initiated on these prospects.

# CITT Recommendations for
# MDT FY2014+ Revenue Enhancement Opportunities
# Item #4: Naming Rights

**Introduction**

Naming rights for transit takes advertising (discussed earlier in this paper) a step beyond the typical wall and vehicle ads. This concept is an extension of naming rights in other industries, most notably sports stadiums which have a long and growing history of high-value naming rights agreements.

**Scope**

This revenue opportunity primarily applies to Metrorail and Metromover stations, although other transit services (such as Enhanced Bus Services and other unique high-profile offerings including Airport Flyer) and facilities (such as major transfer hubs or robust BRT stations). The benefit is to the riding public and thus scope is countywide.

**Fiscal Impact**

The alternatives range from five Metrorail stations each estimated as potentially generating over $25,000 per year, to several Metromover stations possibly generating at least $6,000 and three stations each valued over $12,000 per year. Overall, a naming rights program is projected between $0.2 million to $0.7 million in annual revenue at these fixed guideway facilities.

**Background including Alternatives**

Transit properties can enhance revenues by selling naming rights to private companies who stand to benefit from brand recognition. Several examples of U.S. transit systems have been established in recent years.

- The Tampa Streetcar System signed a 10-year, $1 million naming rights agreement with Tampa Electric Co. It is moving forward with naming rights sponsorships not only for the stations but also for cars.
- The Las Vegas Monorail System sold train and convention center sponsorship to Nextel Communications for $50 million over 12 years. The transit property is seeking further sponsorship on all of its seven stations for total revenues of $23 million per year.
- The Greater Cleveland Regional Transit Authority signed a 25-year, $11 million sponsorship program with the Cleveland Clinic and University Hospital for its nine-mile BRT-lite route. It is looking to sell naming rights to all 10 stations on the "Healthline" for up to $1 million per year.
- The Southeastern Pennsylvania Transportation Authority (SEPTA) approved the renaming of the Philadelphia Broad Street Subway's Pattison Avenue station on behalf of AT&T for an estimated value of $5.44 million over five years. Of this,$2 million will pay the advertising agent and for the updates of system signs and schedules.
- As a part of the development of the Barclays Center (a sports arena), the New York MTA developer brokered a $4 million naming rights deal to add their name to the end of the existing MTA station name for $200,000 per year for 20 years.

Miami-Dade Transit retained a firm to conduct a study on naming rights and sponsorship opportunities associated with Metromover stations. The firm produced a Naming Rights Marketing Report and a Naming Rights Evaluation Analysis Report, both dated July 25, 2008. The reports suggested that the County could charge rates ranging from $2,500 a year to

$48,000, depending on the location and demographics of the station. The implementation of the program was unsuccessful, and it did not result in any naming rights deal.

The recent analysis performed by IMG on behalf of CITT identified the following Metrorail stations with over $25,000 of yearly revenue potential: Vizcaya, University, Coconut Grove, South Miami, and Earlington Heights. Those estimated with a value between $20,000 and $25,000 per year include Okeechobee, Dadeland North and Dadeland South.

The Metromover stations with over $12,000 of annual revenue potential are Tenth Street, Bayfront Park, and Omni.  Stations with a value between $6,000 and $12,000 are the Financial District, Riverwalk, College/Bayside, and Knight Center.

For extensive in-depth analysis of naming rights, see the February 2012 CITT report prepared by its financial consultant IMG, “Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit, Phase II”, pages 27 and 32 (Naming Rights subsection, within Advertising & Marketing Revenues).

**<u>Key Implementation Issues</u>**

While a naming rights contract is fully within the control of MDT (subject to FTA restrictions), the 2008 program’s failure indicates that finding naming rights sponsors and securing deals have significant challenges.

Miami-Dade Code permits assigning anexisting or historical personal name to a Metrorail or Metromover station.  However, it is not permitted to assign the name of a corporation. Maximizing the opportunity for the kind of naming rights sale discussed here would require the rules for naming a station be amended. A new ordinance would need to be enacted by the Board of County Commissioners.

# CITT Recommendations for
# MDT FY2014+ Revenue Enhancement Opportunities
# Item #5: Value Capture: Special Taxing Districts

**Introduction**

Recognizing the value that transit adds to property is the basic underpinning of transit-oriented development (TOD). The public sector can capitalize on the increased property value resulting from the infrastructure (transportation) improvement by setting up special tax districts that help fund the project or new service. Such districts,including Benefit Assessment Districts, Tax Increment Financing Districts, Special Assessment Districts, etc.,are almost always used to support new capital development.

Developer impact fees (discussed in a later section of this paper) may be considered anothertype of value capture.

**Scope**

Special Taxing Districts are established with limited duration and geographic scope and normally affect only certain types of land use or property such as non-residential. The benefit would be to the riding public and thus the scope is also countywide.

**Fiscal Impact**

A lack of current market research data and the wide variety of implementation options make developing revenue estimates extremely difficult. However, as indications of the potential revenue base, note per CB Richard Ellis 2nd Quarter 2012 data, there are over 15 million square feet of rental office space in Miami CBD (Brickell and Downtown Miami), 6.3 million in Coral Gables and over 1.8 million in Miami Beach. The same source identifies in the industrial market 37 million square feet of rentable building space in North Central Dade, 1.1 million square feet in Downtown Miami, nearly 6.3 million in Coral Gables and 1.7 million in Miami Beach.

**Background including Alternatives**

The State of Florida permits Tax Increment Financing Districts(TIFs) under the "Community Redevelopment Act" of 1969. TIF districts are common in Miami and elsewhere to access increasing real estate values near transit, including a district established (since expired) to build the Metromover.

Benefit Assessment Districts (BADs) are special tax assessment areas that may be created to support the construction and operation of new transit service. A typical BAD creates a zone around the station, often ½ mile, with all businesses within the zone paying a tax based on real estate valuation per square foot.Frequently, residential property is exempted. Sometimes, assessments are "tiered" reflecting the fact that properties nearer to the station have higher benefit. In special cases, as with the Dulles Metrorail extension in Fairfax County, a benefit assessment district may cover an entire rail corridor.Los Angeles, Tampa, Portland and Seattle have also used BADs successfully, in the latter two cases the BADs paying for 17 and 50 percent, respectively, of streetcar project capital costs.

Tax Increment Financing Districts (TIFs) are a long-standing local tool used for specific projects to transform blighted areas into more productive ones. TIFs use future increases in property values resulting from the investments in that particular area or project(s). Often TIFs are used to finance specific transportation projects and create funding for transportation projects that were considered unaffordable without the new revenues generated. Similar to a benefit assessment district, a TIF district is a special assessment zone. However, unlike a BAD, property owners in the TIF pay no surcharge on their property taxes. Rather, the TIF district retains any increases in real estate (or income) taxes as property values rise and new developments occur, due to the new transit service.The FY11 Comprehensive Annual Financial Report (CAFR) states the 13 current Tax Increment Districts generated over $45 million in revenue for the County.

Special Assessment Districts are new levies (often only on business properties) to fund transportation improvements. Unlike TIFs, such districts generate revenue immediately, but also increase the tax burden for the affected properties. The FY11 CAFR states $39.9 million in special tax assessments revenue. The County's Property Appraiser website also states that Special Taxing Districts can be created by property owners in a defined area who vote to levy a tax in support of public improvements to the area; special districts may be created for lighting, sewers or other infrastructure improvements. Further, a Community Development District (CDD) can be defined as a special taxing district that may levy taxes and assessments and issues bonds.These taxes and assessments are added to the tax bill for the payment of the infrastructure, which includes the design, construction, acquisition and maintenance of certain roadway improvements, streetlights, water distribution systems, sewer facilities, storm water management, and landscape buffers. The BCC approves each CDD. A current list posted on the Appraiser website identifies 16 non ad valorem taxing districts in 2011, and about 60 CDDs.

For extensive in-depth discussion of Special Taxing Districts, see the CITT reports prepared by its financial consultant IMG:December 2010, "Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit", page 56 (Value Capture: Special Taxing Districts [Tax Increment Financing and Benefit Assessment Districts]); and October 2009, "Evaluating Innovative Financing Opportunities for Miami-Dade Transit."

Currently the County levies a rate of 0.5000 per $1,000 of assessed value for the Miami Downtown Development Authority, each year 2007 through 2013.

**<u>Key Implementation Issues</u>**

Special taxing districts are often used to fund transit capital projects, but use for operating costs is less common.It would be particularly challenging to implement a new tax of this type to fund existing service.

Funding from TIFs takes many years to come to fruition. The new asset must be built, and revenue is dependent upon rising property assessments. TIF revenue also is subject to fluctuation coincident with the housing cycle. For example, the risks inherent with TIF financing are highlighted in the potential foreclosure of a TIF-backed hotel/shopping complex in Cleveland.Conversely, Special Assessment Districts immediately provide funds and increase tax burden on affected properties.

Equity issues can arise, such aswhich commercial land uses or whether residential property is included, how small businesses should be treated, and the geography of the special tax district.

# CITT Recommendations for MDT FY2014+ Revenue Enhancement Opportunities Item #6: Right of Way Leasing

**Introduction**

Right-of-way leasing allows a transit property to lease available space alongside or above transit service areas for non-conflicting purposes. These leases allow for the use of transit system right-of-way for fiber optic cable, utilities, and other structurally dependent businesses as well as development rights or air space rights above a transit property for billboards, hosting communication equipment, or vertical real estate in step with the system's master plan. Note, billboard or other outdoor advertising revenue is excluded here and included in the Advertising category above.

**Scope**

MDT properties with leasing, concession or new joint development opportunities, are across the County. The benefit would be to the riding public and thus the scope is also countywide.

**Fiscal Impact**

A lack of current market research data and the wide variety of implementation options make developing revenue estimates extremely difficult.

An extensive evaluation is required (via in-house staff or contracting a specialized consultant) of leasing, concession and joint development potential uses at underutilized MDT property locations for non-transit usessuch as beneath guideways, excess parking garage capacity, and passenger stations and major facilities. The study's objective would be to identify creative methods for producing revenue for MDT and provide specific, concrete implementation recommendations, including action plans, resources and challenges. A key desired outcome is to greatly expand and formalize MDT's leasing program. The initial priority could focus on Metrorail stations such as Douglas Road that currently lack significant non-transit revenue.

**Background including Alternatives**

Miami-Dade Transit has an inventory of 186 properties. Some of the properties are used by MDT but are owned by other Departments in the County. The properties that would have potential for right-of-way leasing would be the 169 properties owned by Transit, with 40 Metrorail station parcels as the largest group.

The additional advertising revenue potential has been addressed in an earlier section of this report, for example, at Metrorail stations and onguideway pillars and garages. A few other properties were considered, however their site is not suited to this revenue enhancement opportunity – for example, the Coral Way Division of Metrobus Operations & Maintenance.

Another 76 properties also could be further examined regarding potential right-of-way leasing.

For extensive in-depth analysis of concessions and ROW leasing, see the February 2012 CITT report prepared by its financial consultant IMG, "Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit, Phase II", page 77 (Appendix C, MDT Property Analysis).

**Key Implementation Issues**

Challenges would be identified as part of the required study. Any greatly expanded and formalized leasing program must consider the sign moratorium and aesthetic concerns. However, this type of revenue enhancement opportunity typically has a long lead time to implement and thus is unlikely to help address the operating budget gap projected in FY2014.

# CITT Recommendations for MDT FY2014+ Revenue Enhancement Opportunities Item #7: Fare alternatives

**Introduction**

A$0.25base fare increase is planned for FY2014 (mandated automatic to keep pace with inflation). Additionally, the FY2013 MDT Pro Forma reflects fare increases projected for 2018 and every three years thereafter.

Other transit fare and feeproposals considered (together or separate timing from base fare adjustments) include premium fares for Airport or special service; revised fare structure such as time of day; and reinstating fares to substantially reduce PTP subsidies for Metromover and for Golden/Patriot Pass. Pursuing public-private partnerships for Metromover is related, and considered a substitute or complement to reinstituting passenger fares for that mode.

**Scope**

The alternatives apply to various aspects or portions of the transit system, and thus the revenue scope is countywide. The benefit is to the riding public and thus also countywide.

**Fiscal Impact**

The alternatives range from annually generating $90,000 to $8 million or more. They can be implemented in various timeframes and varieties. Combined alternatives have only slight overlap. Increasing fares also typically reduces ridership (an economic concept known as elasticity) and thus could lead to a potential loss of federal formula grant revenues related to ridership and passenger miles; the FY10 value was about $0.00029020 per passenger mile.

**Background including Alternatives**

The County has made numerous efforts to close the MDT revenue-expenditure gap including fare increases, additional General Fund support (beyond the current maintenance of effort level), unification of the transit system and adjustments to fare-free programs for Miami-Dade Transit (MDT). A fare increase was last implemented October 1, 2009, is overdue per R-924-08's mandated automatic 3-year adjustment, and is in process for 2014.

*Premium for the new Airport Link:* It is proposed that riders boarding Metrorail at the new MIA station would pay a surcharge for cash fares.Boardings in August 2012, the first full month of service, were 1,274 average weekday and 36,997 for the total month. Assuming conservative growth of 25% ridership over the next year, a 50-cent surcharge (the current bus-to-rail transfer fee), and a 30% portion of riders paying cash rate, would yield about $96,000 annually.

*Reinstate fare for Metromover:* During the July 9, 2002 discussion of the Transit Surtax ordinance (02-116), the Board approved an amendment in levying of the Surtax that provided for fare-free transportation on Metromover upon voter-approval. At that time, the Metromover fare was $0.25 per boarding, which generated $440,830 in revenues on a ridership of nearly 4.8 million. The Fiscal Year 2011Metromover ridership has nearly doubled to over 9.1 million (highest ever). This ongoing program is implemented and has no direct capital fiscal impact.

MDT examined reinstating the fare at $0.25, $0.50 and $1.00, as well as implementation alternatives.Assuming cash payers will be higherat these lower fares at about 50%, the potential gross revenue ranges from about $0.2 million to over $0.8 million. This range also reflects fare policies as other modes (discounts for students and seniors, use of monthly passes, etc.) and a high elasticity (large drop in demand of a previously free item, that is likely very substantial at the upper fare range, especially for short transit trips). Furthermore, fareboxreceipts would be offset by reduced federal formula grant funding, as well as bycosts discussed below under implementation issues. Three system options were considered: integration with Automated Fare Collection System; an honor system that may feature a coin dropbox; or proof of payment system including enforcement with security personnel.

*Private Partnership for Metromover:*A partnership arrangement with an organization such as the Downtown Development Authority has been explored recently. This type of relationship could include sponsoring operational aspects such as aesthetics, cleaning, security, local promotions and off-peak ridership, while MDT focuses on mechanical maintenance and customer service during peak hour and special events.

*Reinstate fare for Golden/Patriot Pass:* During the July 9, 2002 discussion of the Transit Surtax ordinance (02-116), the Board approved an amendment in levying of the Surtax that provided for fare-free transportation for seniorsupon voter-approval. At that time, the fare was $0.75 per boarding for the 55,000 GoldenPass participants;the program's next year (FY03)ridership was just under 9.0 million boardings. The Fiscal Year 2012GoldenPassridership has nearly doubled to 17.0 million on bus and rail (among highest ever), and there are over 200,000 pass holders. This ongoing program is implemented, and has no direct capital fiscal impact.

*Time of Day, Zone, or Other Structure:*Zone or distance based fares may not necessarily provide increased revenues and often are best suited to rural or suburban bus systems, or commuter rail. Time of day pricing systems are most effective at increasing amount of capacity used during off-peak hours while shifting more peak hour riders to monthly and similar passes.

**Key Implementation Issues**

*Premium for the new Airport Link:* None, other than typical for fare changes, which include public outreach and disparate impact analysis as required by FTA, as well as BCC resolution with public hearing. However, a fare differential is likely more viable for new service such as the Orange Line after it became established.

*Reinstate fare for Metromover:* Three system approaches for implementing a Metromover fare were examined: the Automated Fare Collection System (AFCS) with Ticket Vending Machines (TVMs) estimated at $9.1 million at all stations and $7.0 million at fourselected locations plus $0.5 million in annual operating costs; a "Proof of Payment" type system estimated at $3.4 million annual operating costs with a minimal capital investment amount pending further study; coin-based collection at entry gates most similar to pre-PTP system estimated at $0.5 million in annual operating costs. Cost/benefit ratioand potential ridership impact are significant downsides. Fare-free Metromover rides may also be considered a core PTP commitment.

A unique aspect of integrating reinstated Metromover fares with AFCS is the capability for extensive patron data – like provided by Metrobusfareboxes or even at the level of Metrorail faregates – allowing MDT to refine its services, offer loyalty products and fight fraud.

*Reinstate fare for Golden/Patriot Pass:* Fare-free rides for seniors were a key aspect of the PTPcommitment, and its modification or repeal likely would be viewed as a significant fare adjustment for one of MDT's largest customer segments.Further, federal rules limit the maximum fare for seniors at half the base fare.

*Time of Day, Zone, Other Structure:*In addition to the approval process for fare adjustments, potential customer confusion and system design costs may be significant. Developing more detailed cost and revenue estimates will require extensive further study.

# CITT Recommendations for
# MDT FY2014+ Revenue Enhancement Opportunities
# Item #8: Land Development Charges – Impact Fees

**Introduction**

Developer impact fees are a type of "value capture":transportation investments create access to real estate and, depending on the location, that access can have significant value.Land development charges (LDCs), also called "smart growth" taxes or "impact fees," are one method to capture the value of transit investment.Impact fees are very common for roads, schools, and other governmental functions, but are less frequently used to fund transit.

Another type of value capture is a special tax district (discussed in a separate section of this paper).

**Scope**

Impact fees extend to any permit for development activity within Miami-Dade County, and thus scope is countywide. The benefit is the riding public and thus Countywide.

**Fiscal Impact**

The County's Regulatory and Environmental Resources Department collects Impact Fees, which enter the General Fund and may be designated for Transit and Transportation purposes. Impact fees generated $38.5 million net available funds in FY10.

**Background including Alternatives**

Typically, impact fees must be directly attributable to municipal improvements, and are calculated using ratios tying (new growth-related) development to infrastructure.Miami-Dade County currently collects impact fees to fund road and utility improvements, butnot to support transit despite MDT efforts.The County code (33-E, 33-H, 33-I, 33-J) sets forth the mechanisms for collecting annual impact fees from developers to offset the County's cost of providing services, such as police, fire/rescue, roadways and parks in newly developed residential and commercial areas. The County is responsible for collecting and assessing all Countywide and Unincorporated Municipal Service Area impact fees along with school impact fees, which are remitted quarterly to Miami-Dade County Public Schools.

On December 6, 1988, the BCC adopted the Dade County RIF Ordinance (Ordinance 88-112 S. 1) Chapter 33E of the Miami-Dade County Code, for the purpose of ensuring that all new development bears its proportionate share of the capital cost of road facilities necessary to allow an adequate level of roadway service within the County and its municipalities. On January 29, 2009, the BCC amended the County Code by Ordinance 09-08 pertaining to Road Impact Fees, including updating the Road Impact Fee formula and Fee Schedule, and providing for automatic adjustment of fee schedule by Florida Department of Transportation (FDOT) inflation factor.

The Board of County Commissioners took up the question of establishing a separate transit impact fee in the past few years, but nothing has been implemented. MDT staff has also discussed including operations costs should a transit fee be assessed.

Expanding the use of impact fees to include transit would be allowable under Florida law. According to a Transit Cooperative Research Program report, the enabling legislation for impact fees in Florida is the broadest in the nation. Fees are adopted by ordinance at the County or municipal level, as has been accomplished in nearby Broward County.

For extensive in-depth analysis of impact fees for transit, see the December 2010 CITT report prepared by its financial consultant IMG, “Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit, Phase II”, page 50 (Value Capture: Land Development Charges (i.e., Impact Fees)).

**Key Implementation Issues**

Since impact fees are a one-time payment on new property, it has less benefit for transit, which needs both capital and operating costs funding.

The payment and amount of Road Impact Feesaredefined in a manual. Per Ordinance 09-08 mentioned above, the adoption of the RIF manual is now provided via resolution instead of ordinance.

Expanding the use of impact fees to include transit would be allowable under Florida law. In addition, Florida is one of only two states that allow the use of impact fees for operating costs. Developing a methodology to calculate the operating cost can be tricky, as individual developments might not lead directly to a new service, but do increase demands on existing routes. In addition, since operating costs are ongoing, the fee must consider a specific timeframe of analysis.

# CITT Recommendations for MDT FY2014+ Revenue Enhancement Opportunities Item #9: Local Business Fees

**Introduction**
Recognizing that an efficient and effective transportation system is essential to a strong local economy, a very fewpioneering U.S.municipalities have instituted nominal fees on businesses to help support and expand mass transit services.

**Scope**
Licensing and operating fees extend to any permit for registering business establishments within Miami-Dade County, and thus scope is countywide. The benefit is the riding public and thus Countywide also.

**Fiscal Impact**
Licensing and operating permit fees are collected by the Business Affairs Division of the Department of Regulatory and Environmental Resources to support regulatory activities.

A rise in average business fee transaction cost of 1% with the same number of ratepayers as 2010 would only yield just under $160,000. If the rates were raised by the maximum 5% every two years currently allowed by law, the additional revenue would be $0.8 million.

**Background including Alternatives**
Business-related fees include registration fees required for business operations, or licensing fees, which designate firms authorized to conduct certain activities or sell particular products. Most state and local governments require annual payments at the time of registration renewal. However, while requiring business registration and licensing fees is common, using these funds to support transit is not typical.

In the U.S., at least two agencies, in Louisville, KY and Park City, UT, collect business taxes or fees to directly fund transit operations.

The current Approved Budget shows FY13 total Business Taxes net revenue at $2.0 millionfor UMSA and $4.6 million Countywide.

There are annual regulatory fees by various categories and initial application fees. As is typical in large cities, Miami-Dade County charges various taxes and fees to establish and maintain business licenses. Most of these fees are nominal. Typical County fees are $45 (in the City of Miami) to $75 (in unincorporated parts of the county) for businesses with up to 10 employees, and $4.50 or $7.50 per additional employee. Some industries have higher fees.

For extensive in-depth analysis of business license and registration fees for transit, see the February 2012 CITT report prepared by its financial consultant IMG, “Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit, Phase II”, page 35 (Local Business Tax Fees).

**Key Implementation Issues**
There are two ways that MDT could receive funding from Local Business Taxes: State Legislation of a Surcharge and a County Ordinance to Dedicate a Revenue Stream for MDT Purposes.

The authority to levy business license fees in Miami-Dade County is governed by Florida state law. Any increase in business license fees or surcharge specifically for the purpose of funding transit appears would require state levelapproval.

The process at the state level to increase this revenue sourcewould take approximately 5-6 months to complete in the most optimistic case and would cost up to tens of thousands of dollars a month in lawyers' fees to get the legislation through. Further, there would be considerable effort on the part of state legislators and sponsors of the bill at the County level for such a bill to even get to a vote. Assuming it was enacted, the County would likely have to take action at the BCC level to utilize their powers to raise the business tax.

While fees can be raised, the increased revenue appears cannot be designated for MDT use; i.e., the revenue would need to enter the General Fund. BCC legislative action could ensure increases in MDT general fund support are commensurate with the increase in the County's portion of the additional revenues from an increase in business fees (under the current rules).

*Cost of Implementation*

There are no capital costs or ongoing operating costs associated with increasing or expanding business licensing fees. However, substantial costs could be associated with implementation of increasing the business tax, such as public relations and lobbying efforts, not to mention a potential reduction in business activity if the fees are too onerous.

*Issues to Consider*

There is a risk that a large increase in business licensing fees would be a concern for some businesses to locate in the County, especially if the new fees are higher than surrounding jurisdictions.

While local business fees are common across the U.S., using these funds for transit is not. Businesses have supported special districtsfor improvements includingpublic works infrastructure, and their acceptance of the increase would likely be needed to facilitate implementation.

# CITT Recommendations for MDT FY2014+ Revenue Enhancement Opportunities Item #10: Utility Fees

**Introduction**

Utility fees are a broad category of fees that include both franchise taxes and flat taxes on a broad spectrum of utility providers – electricity, natural gas, telephone, internet, water and sewer, garbage collection, etc.Estimating the amount of revenue that will likely be generated and projecting revenues into the future is relatively reliable.Only very few innovativeU.S. local jurisdictions dedicate utility fee revenues directly to transit needs.

**Scope**

The revenue sources identified in this section include dedicated utility fees,which are charged to residential, commercial and institutional customers of electricity, water and sewer service, and thus extend countywide.The benefit is the riding public and thus Countywide.

**Fiscal Impact**

The alternatives range widely.  The County currently collects utility fees on (retail customer) water bills to fund two programs. It funds county regulatory functions in the Department of Regulatory and Environmental Resources, and is used for the protection of landfill-related groundwater projects in the county solid waste department.

The 2010 average monthly water bill in Miami-Dade County was $31.00; with a 1% transportation fee increase, the County could realize an extra $1.56 millionin annual revenue. The average sewer bill is estimated at $54.92, and a 1% transportation increase would bring in an extra $2.23 million annually. A per-account, electricity transportation fee of $0.50 or $1.00 per month would bring another $6.05 million or $12.1 million, respectively, in yearly revenue, while a usage-based electricity fee of $0.0001/kWh would add $2.73 millionannually.

**Background including Alternatives**

Transit agencies in Vancouver, St. Joseph, MO, and Pullman, WA use utility fees to fund transit initiatives.In comparison to a motor vehicle excise or household tax, utility fees have been perceived as more politically acceptable in Pullman, WA. Unique demographics with a large student population likely promote this view.

Water and Sewer services are provided throughout the County to more than 422,000 water and 339,000 wastewater retail customers,and to15 water and 13 wastewater municipal wholesale customers.Wholesale customers make up a significant portion (about 25%) of the total water and sewer services sold by Miami Dade County, although this analysis only takes into account the possibility of generating revenue from retail customers.  This is because all Miami-Dade wholesale customer contracts stipulate that wholesale customers must be charged based only on the “cost of service.” Thus, wholesale customers are exempt from any additional fees that Miami Dade might levy against other customers.

Electricity is almost exclusively provided by Florida Power and Light (FPL) in Miami-Dade County. FPL has been offering Floridians power since 1925. It is now the largest electric utility in Florida, servicing around 4.5 million customers. Over 1 million of those customer accounts come from Miami-Dade County, where FPL sells approximately 27 billion kilowatt hours of electricity annually. Those sales are divided into different categories of customers: residential, commercial, and industrial.  Each of these classifications is divided into subcategories with each having different rates for electricity usage.  Average annual change in consumption between 2003 and 2008 was -0.096% per year for residential customers, 1.571% for commercial customers, and -2.218% for industrial.

The County also collects a Communications Tax, also known as the unified or simplified tax. It became effective October 1, 2001, and is meant to create a “simplified” tax structure for communications services, replacing the utility tax on telephone and other telecommunications services, the cable television franchise fee, the telecommunications franchise fee, and communications permit fees.

For extensive in-depth analysis of utility fees, see the February 2012 CITT report prepared by its financial consultant IMG, “Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit, Phase II”, page 56 (Utility Fees).

The current Approved Budgetshows FY13 UMSA total Utility taxes forecastednet revenues at $80.0 million, Communication taxes $39.1 million and Franchise fees$38.8 million.

**Key Implementation Issues**

Procedurally, creating a dedicated source of revenue for transit through the implementation of a fee on water, wastewater or electric fees is fairly straightforward. The Board of County Commissioners must enact an ordinance, and MDT could expect costs related to using staff. One method for utilizing this source can be viewed as overlapping the “business registration and license fee” enhancement opportunity discussed elsewhere in this paper: raise the franchise fee on the private utility by a targeted amount to be dedicated to transit, in lieu of imposing a transit support fee directly on customers that the utility must collect and remit to the County.

*Issues to Consider*

Fees for necessities such as water, sewer, and power can be seen as regressive taxes, particularly if per-account instead of based on amount used; because utility services are a necessity, account-based fees will affect poor constituents more than the wealthier ones. Both Miami-Dade Water and Sewer and Florida Power and Light mitigate this by charging higher unit rates to more intensive users of their services.

Utility revenues are generally very consistent and draw from a large payer base, which provides potential for a large and predictable revenue stream.

However, it is critical to note the nexus to supporting transit is weak, given the diverse economic drivers, and substantial equity concerns as discussed above are key issues for this revenue source.

The Approved FY2013 Budget reflects Water & Sewer retail rates held flat for FY2012 and FY2013, with adjustments necessary in following years to support increased costs of operations and maintenance. The future rate adjustments also fund debt issuances necessary to complete capital projects for regulatory compliance, aging infrastructure, plant rehabilitation and day-to-day rehabilitation activities. The County estimated a 15-year capital program will cost up to $12 billion for required upgrades to the Water & Sewer system. The program includes an immediate update and overhaul of three water treatment plants, implementation of pipe infrastructure, as well asaddressing compliance with Clean Water Act and State Water Use Permit. Current County estimates are a nine percent increase in water rates for FY2014, and six percent for three years after.Further adjustment may be requiredto these projected rates,due to a consent decree likely to result from negotiations with the US Environmental Protection Agency.

# CITT Recommendations for MDT FY2014+ Revenue Enhancement Opportunities Item #11: Local Option Gas Tax

**Introduction**
An additional two cents per gallon of local option gas tax is available for enactment by BCC action under Florida law.

**Scope**
The local option gas tax applies countywide. The benefit is the riding public thus countywide.

**Fiscal Impact**
Restoring the available additional two cents is estimated to generate about $13.5 million (full year FY15).

**Background including Alternatives**
Many US municipalities charge a local gas surcharge, with some examples including Miami-Dade County to support transit. Miami-Dade County currently charges a Local Option Gas Tax (Operating) (LOGT): a six-cent tax on gas, gasohol and diesel. This tax applies on the use, sale or delivery of all motor vehicle fuels used, sold or delivered in the County for any purpose whatsoever. All legitimate transportation uses are allowed for this source and can be used both for Public Works and Waste Management Department and Miami-Dade Transit needs. The funds are distributed between the County and municipalities pursuant to interlocal agreements based on a formula and the gas tax collected within the County. The County's share per Approved FY13 Budget is approximately $40.8 million.

Miami-Dade County also charges another local option motor fuel tax, referred by the County as the Capital Improvement Local Option Gas Tax. As noted above, this tax can be up to 5.0 cents, but the County currently only charges 3.0 cents on gas and gasohol. These funds are also distributed between the County and cities pursuant to interlocal agreements based on a formula and the gas tax collected within the County. The County's share per Approved FY13 Budget is approximately $18.3 million. Revenue from this tax may be used for capital transportation projects by either Public Works and Waste Management Department or Miami-Dade Transit.

Once the full five-cent LOGT is charged for capital, no further increases in the tax will be allowed without a change in state law as well as County approval.

The MDT Pro Forma currently reflects a proposed increase to the full five-cent LOGT for 2014; however the BCC has yet to consider its enactment.

The Ninth-Cent Gas Tax is one other locally imposed gas tax. It is one cent per gallon on motor and special fuel for expenses related to establishing, operating and maintaining a transportation system.

For extensive in-depth analysis of LOGT, see the December 2010 CITT report prepared by its financial consultant IMG, "Analysis of Operating Revenue Enhancement Opportunities for Miami-Dade Transit", page 66 (Gas Surcharges: Motor Fuel Tax and Local Option Gas Tax).

**Key Implementation Issues**

The County originally imposed the five cents ofCapital Improvement Local Option Gas Tax effective on January 1, 1994. The reduction to three cents was September 1, 1996.This opportunity has direct nexus to transportation policy and significant revenue potential.

# CITT Recommendations for MDT FY2014+ Revenue Enhancement Opportunities Item #12: Taxi Surcharge

**Introduction**

As a supplemental tax on every taxicab owner per taxicab ride on every ride within the County boundaries, with funds directed to Miami-Dade Transit;can be added to the initial charge for a taxi ride (the “drop charge”).

**Scope**

The taxi fee schedule and a potential taxi surcharge would apply countywide to taxicab riders, however concentrated among patrons of the hospitality industry and the airport, and residents of economically disadvantaged/underserved areas. The benefit is to the riding public and thus countywide. In 2010, there were 2,105 taxi medallions issued in the County, including 1,028 held by corporations, 624 owner/driver, and 453 held by individuals.

Other for-hire (ground) transportation, such as airport shuttles, limousines, car services, and liveries, are not considered here.

**Fiscal Impact**

Projecting a potential revenue range is difficult, as there appears to be little reliable data available on the number of taxi trips taken in the County.

According to a 2007 report, Yellow Cab is the largest radio dispatch company in the County and the only one to keep computerized records. A very broad estimate can be taken from the report’s finding that Yellow Cab dispatches about 4,000 taxi trips per day, another 4,000 initiate at Miami International Airport, and up to 400 more at the Seaport. If these 8,400 daily trips represent 75% of total taxi trips, the theoretical revenue from a 50-cent surcharge would raise over $2 million per year. If the known trips are 50% of total trips, the figure would be over $3 million per year.

**Background including Alternatives**

The only taxi surcharge for transit in the U.S appears to be New York, and some consider it a case of a regulated private industry mandated to subsidize its public sector competitor.

A 50-cent surcharge was added by New York State Legislature on New York City (NYC) taxis in 2009, to raise funds for the New York Metropolitan Transit Authority (MTA), and thus bailout the authority’s operating shortfalls and finance the first two years of its five year capital program. The package also included a payroll tax and other increases (vehicle-registration and license fees, the auto-rental tax, 10% in base transit fare). Itavoided 20-30 percent fare raises and drastic service cuts.

The surcharge applies to any ride starting in NYC and terminating in the 12-county MTA service area. The tax is collected by taxicab drivers as an addition to the standard “drop-charge”, and then paid to the State by the taxi medallion owners.

The taxicab tax has been highly controversial in New York, with cab drivers arguing that it reduced their tips since passengers assumed the extra 50 cents flows to the driver, and its effectively raising base fares has significant impact on their ridership particularly on short trips. In addition, the mechanism under which the taxi tax was passed has been challenged in multiple cases, at least two of which resulting in rulings that would strike it down if upheld. It should be noted that the taxi tax was struck down not due to the fee itself, but because procedures were violated in its legal implementation.

There is a nexus between taxis and transit, as MDT provides an alternative to taxis, and less taxi use decreases congestion.

Currently in Miami-Dade, flat rate taxi service applies to trips to and from Miami International Airport and the Seaport (Port Miami), the Beaches, the Village of Key Biscayne and two zones close to the Airport. Metered rates include $2.50 for first one-sixth of a mile. A fuel surcharge was instituted by the BCC as of March 29, 2011: allowing taxicab drivers to add a $1.00 fuel surcharge to help offset the rising cost of fuel, with increments of $0.50 as gas prices rise.

**<u>Key Implementation Issues</u>**

The taxicab tax has been highly controversial in New York and has significant equity issues and challenges for Miami-Dade implementation.

Enforcement and efficient collection of funds being remitted to the County could be issues. The most recent in-depth study of County taxicabs was the 2007 *Taxicab Ridership Final Report*, which found “the taxi industry has become purely a cash business with little recordkeeping....the vast majority of taxi companies no longer utilize employee or commissioned drivers.”

Political resistance can be expected from taxi medallion owners and the drivers.

A Taxicab Advisory Group meets quarterly to provide input on various issues relating to the taxicab industry, such as BCC actions. Regardless of whether or not the Advisory Groups decide to consider a legislative proposal, staff from the Department of Regulatory and Economic Resources (RER) always transmits pending legislation electronically to Advisory Group Board members and other interested parties within the hospitality industry as soon as it becomes available.

Taxicabs and other for-hire vehicles are governed by Chapter 31 of the Code of Miami-Dade County. A schedule of Consumer Service Department Fees is outlined in County’s Implementing Order 4-107.