



M E M O R A N D U M
OFFICE OF THE COUNTY MANAGER Agenda Item No. 11(B)1

TO: Honorable Chairperson Barbara Carey-Shuler Ed. D. DATE: December 4, 2003
and Members, Board of County Commissioners

FROM:  George M. Burgess
County Manager

SUBJECT: Report-- Memorandum of Understanding relating to financing construction of MIC-MIA Mover

On December 7, 1999, the Board of County Commissioners approved a Memorandum of Understanding (MIC MOU) (Resolution No. R-1268-99) between the County and the Florida Department of Transportation (FDOT) outlining certain responsibilities and commitments with respect to the development of the Miami Intermodal Center (MIC). As envisioned, the proposed MIC is a critical transportation project in Miami-Dade County that will be constructed to the east of Miami International Airport and is designed to coordinate various forms of vehicle and rail transportation in and about the Airport, the entire County, and the Tri-County Regional area. The MIC will consist of a core building for the consolidation of various transportation systems, an adjoining Rental Car Facility for the use of all rental car companies operating at Miami International Airport, and other associated development.

Pursuant to the MIC MOU, the County has committed to construct the "MIC-MIA Mover," an automated people mover connector between the MIC and the Airport's Terminal Building. The MIC-MIA Mover is designed so that passengers, employees, and users of the Airport may access the vehicle and rail services offered at both the MIC and facilities in the immediate vicinity of the MIC. Funding the MIC is being coordinated by FDOT. FDOT has received approval for a loan through the U.S. Department of Transportation under the Transportation Infrastructure Financing Innovation Act ("TIFIA") to support certain roadway improvements and other improvements associated with the MIC including the consolidated Rental Car Facility. The portion of the loan used to pay the costs of the consolidated Rental Car Facility will be repaid through a customer facility charge paid directly by rental car customers. In addition, the County's commitment to construct the MIC-MIA Mover serves as a portion of the local matching requirement for the TIFIA loan. The construction costs of MIC-MIA Mover will be repaid through general airport revenues, including those received from airlines using the airport.

Subsequent to the approval of the MIC MOU, the Aviation Department developed a business plan for the management of its capital improvement program (CIP) for its airport system. In the spring of 2001, the Aviation Department validated the scope cost estimate and schedule of its CIP. As part of this effort, the Phase I CIP was established at \$4.8 billion, and the Phase I projects were defined. The County Commission included the MIC-MIA Mover as one of the Phase I projects. Also, the target for the maximum Cost Per Enplaned Passenger (CEP) in FY 2015 was set at \$40.

In the aftermath of the terrorist attacks of September 11, 2001, and the reshaping of the airline industry, the Aviation Department's CIP business plan was revised in March 2003, and a target maximum CEP of \$30 in FY 2015 was established. In order to meet the new target, operating and debt service costs incurred by the Aviation Department were required to be reduced, with a peak reduction of approximately \$130 million in FY 2009. As part of the costs savings, the Aviation Department suggested deferring construction of the MIC-MIA Mover, budgeted at \$224.8 million, until FY 2011.

After the approval of the MIC MOU, FDOT and the Aviation Department proceeded to negotiate with the rental car companies for the business terms of the facility agreement and concession agreement for the consolidated Rental Car Facility. A decline in the rental car market at the airport was aggravated by the economic downturn following the September 11 attacks. As a result, the long-term projections for rental car transaction days, which will support the consolidated rental car facility, are substantially below the estimates made prior to 2001. The reduced market is putting substantial pressures on the financial feasibility of the consolidated rental car facility, notwithstanding a reduction in the size of the facility. The prompt completion of the MIC-MIA Mover is a significant element in finalizing the plan of finance for the consolidated Rental Car Facility.

In consideration of the importance of the MIC-MIA Mover to the overall success and efficiency of the MIC project and the prior commitments that have been made, it is necessary to proceed with the construction of the MIC-MIA Mover prior to the currently scheduled commencement date in the Airport CIP. Staff from the Finance Department, Aviation Department, and the Office of Strategic Business Management was directed to develop a financing plan that would meet the following conditions:

- The project completion date must be in FY 2008;
- No Aviation Funds would be used for debt service payments until FY 2011;
- The total capital commitment of the Aviation Department would not exceed the project budget of \$224.8 million;
- There would be no requirement to use general fund or other non-aviation county funds for debt service payments; and
- Operating costs from the time of completion until FY 2011 would be covered equally by Aviation funds and general funds or other non-aviation revenues.

I am pleased to report that, as detailed in the attached Memorandum of Understanding (MOU) among the Finance Department, Aviation Department, and the Office of Strategic Business Management, a financing plan has been developed that meets all of these conditions.

The financing plan is made possible because, by beginning construction in FY 2006 and by taking advantage of current technology, the construction cost for the MIC-MIA Mover is projected to be \$270 million, a portion of which will be covered by a share of \$75.7 million in FDOT grants being provided through FY 2012. As a result, the net required County construction funds can be made

available as part of a \$224.8 million financing that would include capitalized interest required during the construction period. To provide the necessary funding with a minimum interest rate, the Finance Department has suggested issuing "double barrel" general obligation and revenue bonds pursuant to Ordinance 86-75. These "double barrel" bonds were approved in a countywide referendum in 1986 as a way to improve the cost of aviation debt issuances. Similar approvals were received for Water and Sewer and Seaport debt. The use of such a "double barrel" financing will not translate into an assessment against property owners as general obligation (GO) debt. The debt issued will be aviation revenue bonds, but with a secondary GO pledge serving exclusively as a credit enhancement. The decision to use the double barrel bonds or another source as agreed to by the Finance Department and the Aviation Department will be made when the funding is needed.

In FY 2009 and FY 2010, when construction has been completed and the MIC-MIA Mover is operating, the debt service payments can be covered by the FDOT grant funds programmed for those years. In FY 2011, the Aviation Department will begin amortizing the debt in accordance with the Department's business plan for the CIP. The maximum amount of financing proceeds for which the Aviation Department shall be responsible shall be limited to \$224.8 million. Because no Aviation funds for the financing are required before FY 2011, no increases in charges to the airlines will be necessary above those already projected for the CIP. Since this plan commits the Aviation Department to accepting responsibility for the MIC-MIA Mover debt in FY 2011, this financing plan limits the flexibility of the Aviation Department to adjust the CIP business plan by further deferring the MIC-MIA Mover project if passenger growth is lower than currently projected.

It is estimated that the cost of operating the MIC-MIA Mover, once it is operational in FY 2009, will be about \$7 million per year. Half of the operating cost is to be paid by the rental car companies through a customer facility charge. The remaining half is a County responsibility. Because of the possible effect on the Aviation Department and its business partners, I recommend that if current projections in the business plan for the CIP are realized (CEP between \$22 and \$23 in FY 2009 and between \$23 and \$24 in FY 2010), then half the County's share should be made available from the general fund or other non-aviation funds. In the event that the CEP during FY 2009 and FY 2010 is greater than \$23 and \$24 respectively, general funds or other non-aviation funds should continue to pay one-half of the County's share of the costs through September 30, 2012. In the event that the CEP for FY 2009 and FY 2010 is less than \$22 and \$23 respectively, the Aviation Department shall pay the entire County share of the operating costs of the MIC-MIA Mover in those years.

The County will pursue federal, state, and/or local grants for the benefit of the MIC-MIA Mover whether as an individual project or as an element of a countywide or regional transportation program. In the event that grants or other funds are available for the MIC-MIA Mover, such grants or funds will be used to reduce the cost of the MIC-MIA Mover.


Assistant County Manager

**MEMORANDUM OF UNDERSTANDING
AMONG THE
MIAMI-DADE FINANCE DEPARTMENT
AND THE
MIAMI-DADE AVIATION DEPARTMENT
AND THE
OFFICE OF STRATEGIC BUSINESS MANAGEMENT**

THIS MEMORANDUM OF UNDERSTANDING (MOU) is entered into as of this ___ day of _____, 2003, by and among the Miami-Dade Finance Department (Finance), the Miami-Dade Aviation Department (MDAD), and the Office of Strategic Business Management (OSBM), each being instrumentalities or departments of Miami-Dade County, a political subdivision of the State of Florida,

WHEREAS, the Miami Intermodal Center (MIC) is a critical transportation project in Miami-Dade County, designed to coordinate various forms of vehicle and rail transportation in and about Miami International Airport, the entire County and the Tri-County Regional area; and

WHEREAS, the MIC is being coordinated by the Florida Department of Transportation (FDOT) and will consist of a core building for the consolidation of various transportation systems, an adjoining Rental Car Facility for the use of all rental car companies operating at Miami International Airport, and other associated development, all of which are directly related to transportation services provided within the County and regional area; and

WHEREAS, a vital element of the MIC is an automated people mover connector between the MIC and the Airport's Terminal Building (called the "MIC-MIA Mover"), so that passengers, employees, and users of the Airport may efficiently access the vehicle and rail services offered at both the MIC and facilities in the immediate vicinity of the MIC; and

WHEREAS, the MIC is estimated to cost approximately \$1.3 billion for all its components, including the MIC-MIA Mover which, based on available technology, has a cost projected not to exceed \$270 million; and

WHEREAS, in order for FDOT to obtain funding for the project, the County agreed to commit to the construction of the MIC-MIA Mover, which commitment served as the local matching requirement to enable FDOT to obtain a loan that will support the development for the entire \$1.3 billion Phase I MIC development through the U.S. Department of Transportation under the Transportation Infrastructure Financing Innovation Act (“TIFIA”); and

WHEREAS, FDOT has currently programmed \$75.7 million in grants specifically to pay a portion of the project costs of the MIC-MIA Mover; and

WHEREAS, the remaining portion of the costs of the MIC-MIA Mover is programmed to be paid for with MDAD funds derived from revenues received from the airlines, as well as from passengers, tenants, and users of the Airport system; and

WHEREAS, MDAD has developed a business and development plan that seeks to control Airport costs so that the airline industry and its passengers can reasonably absorb such increases in costs; and

WHEREAS, in order to facilitate and expedite construction of the MIC-MIA Mover, in consideration of the importance of the MIC-MIA Mover to the overall success and efficiency of the MIC, the County wishes to proceed with the construction of the MIC-MIA Mover sooner than scheduled in the MDAD Capital Improvement Plan; and

WHEREAS, the parties have agreed to provide financing that, through the use of capitalized interest and grant funds, will not require the commitment of general funds or other non-aviation County funds for debt service, nor MDAD funds for debt service, prior to FY 2011; and

WHEREAS, the parties have agreed that general funds or non-aviation funds will be made available, under certain conditions, to reimburse MDAD for a portion of the operating costs of the MIC-MIA Mover; and

WHEREAS, the parties desire to establish the conditions under which general funds or other non-aviation funds will be made available to MDAD;

NOW THEREFORE, in consideration of the foregoing premises, Finance, OSBM and MDAD agree to the following:

1. This MOU shall continue in full force and effect commencing upon the date set forth above and expiring on the date of receipt of the scheduled repayments.
2. The direct project expenses (excluding capitalized interest, issuance costs, etc.) shall not exceed \$270 million; FDOT has agreed to provide not less than \$75.7 million to be received by the County from FY 2004 through FY 2012.
3. The total cost of MDAD's participation in the MIC-MIA Mover shall not exceed \$224.815 million including capitalized interest, interest deferred or paid through September 30, 2010, and financing costs. It is understood that the final total cost of the MIC-MIA Mover may be a lesser amount depending on the technology and type of system finally selected by MDAD. However, should the projected construction costs exceed the estimate of \$270 million, then MDAD shall not be required to go forward with the project until the total costs are reduced to an amount less than \$270 million, or state, federal or other non-aviation funds become available to absorb the increased costs.
4. MDAD, OSBM and Finance shall work closely to determine the periodic funding that MDAD will need for the MIC-MIA Mover. MDAD shall be entitled to obtain the funding draws as required and agreed for the completion the MIC-MIA Mover.
5. MDAD will take appropriate steps, assuming that funding is made available as provided herein to construct the MIC-MIA Mover so that it is placed in operation no later than September 30, 2008.
6. In the event that the MIC-MIA Mover is completed at a cost lower than \$270 million, then any savings shall accrue for the benefit of MDAD.

7. MDAD shall use all monies financed under this Memorandum of Understanding, and any interest that may be earned thereon, solely and exclusively for the MIC-MIA Mover, and to be the local matching requirement to enable FDOT to obtain a TIFIA loan in connection with the MIC.

8. The County agrees to issue "double barrel" general obligation and revenue bonds pursuant to Ordinance 86-75 to provide the funding contemplated under this MOU or such other funding sources as agreed to by Finance and MDAD. MDAD shall not be required, prior to October 1, 2010, to make any debt service payment. Beginning October 1, 2010, MDAD shall either refund the outstanding balance due with respect to any financing as described above or assume responsibility for future payments due under such financing. The maximum financing proceeds for which MDAD shall be responsible for the project shall be limited to \$224.815 million.

9. The County will pursue federal, state or local grants for the benefit of the MIC-MIA Mover whether as an individual project or as an element of a countywide or regional transportation program. In the event that grants or other funds are available for the MIC-MIA Mover project, the County will make available to MDAD such grants or funds to defray MDAD's costs of the MIC-MIA Mover project.

10. MDAD will be reimbursed from general funds or other non-aviation funds annually for one-fourth of the costs of operating and maintaining the MIC-MIA Mover commencing with the date of operation through September 30, 2010. In the event that the cost per enplaned passenger during FY 2009 and FY 2010 is greater than \$23 and \$24 respectively, MDAD shall continue to be reimbursed for one-fourth of such operating costs through September 30, 2012. In the event that the cost per enplaned passenger for FY 2009 and FY 2010 is less than \$22 and \$23 respectively, MDAD shall pay the County's share of the operating costs of the MIC-MIA Mover without reimbursement in those years.

The Finance Department, the Office of Strategic Business Management and the Aviation Department have caused this Memorandum of Understanding to be executed by their duly authorized directors or officers as of the date first written above.

ACKNOWLEDGE AND AGREEMENT

The undersigned hereby acknowledge this Memorandum of Understanding and agree to the provisions therein.

BY: 
Rachel E. Baum, C.P.A.
Director
Miami-Dade Finance Department

BY: 
Angela Gittens
Director
Miami-Dade Aviation Department

BY: 
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Miami-Dade County

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