



MEMORANDUM OFFICE OF THE COUNTY MANAGER

TO: Honorable Alex Penelas, Mayor DATE: December 11, 2003

Honorable Chairperson Barbara Carey-Shuler, Ed. D.
and Members, Board of County Commissioners

FROM: George M. Burgess
County Manager

A handwritten signature in black ink, appearing to read "G. Burgess", written over the printed name of George M. Burgess.

SUBJECT: PTP Pro
Forma Annual
Update

With the first year of the People's Transportation Plan (PTP) completed, we can all be very proud of our accomplishments. Last year, transportation was identified as one of our County's most serious concerns and the citizens of Miami-Dade County overwhelmingly responded by voting to tax themselves and bring substantial improvements to our area. This is undoubtedly one of the most exciting and significant programs to improve mobility and quality of life in this community.

Within the past year, the PTP's short-term public transit goals have been implemented. Transit service improvements already in place include:

- Several new bus routes
- An expanded Golden Passport program
- Free Metromover service
- Expansion to 24-hour operations of Metrorail, Metromover and Special Transportation Services (STS)
- Eleven additional 24-hour Metrobus routes
- Over 100 new buses now in service

We have increased the number of buses during the weekdays from 567 to 651; on Saturdays from 325 to 403 and on Sundays from 249 to 343: a net increase of 256 buses in service.

These enhancements have created approximately 500 new jobs for transit operators and technicians. In addition, we are moving ahead with requests to the Federal Transit Administration to obtain a Record of Decision and permission to proceed with Final Design for the Metrorail Extension to the Broward County Line. We are also proceeding with a request for permission to proceed with Preliminary Engineering for the Earlington Heights to the Miami Intermodal Center extension. Concurrently, Miami-Dade Transit (MDT) is aggressively pursuing the consultant selection for the review and update of the previously completed Environmental Impact Statement for the East-West extension.

As part of the PTP implementation the County's Public Works Department has developed a plan that, within the next two years, will fund a variety of projects such as:

Traffic Signals and Signs (TSS) Operations

- Improvement of signal timing
- Repair and install new traffic signs
- Repair traffic signals
- Install new loop detectors
- New pavement markings at intersections

Multiple Neighborhood Improvement Projects

- New bikeways
- Drainage improvements
- Street resurfacings
- Sidewalk enhancements
- School flashers
- Traffic calming devices
- ADA improvements
- Guardrail installation

Major Projects and Neighborhood Site Specific Projects - design and construction

- Drainage and safety improvements
- Additional entrance to Country Walk community
- A feasibility study for a new tunnel underneath the Miami River

Each Commission district will see progress on PTP projects in the coming two years. Some other major improvements that will be completed in two years include:

- Resurfacing of a portion of NW 22nd Avenue
- Street improvements to SW 62nd Avenue
- Reconfiguration of Grand Avenue
- Traffic calming measures on South Miami Avenue
- A new four-lane road on SW 160th Street

In addition, I have reorganized the County's ground transportation program to provide a single, unified transit department with responsibilities for both transit operations and expansion functions. Concurrently, the Citizens' Independent Transportation Trust (CITT) has organized itself so that it is fully empowered and staffed to make informed and independent decisions and effectively carry out its fiduciary responsibilities. A new Executive Director has been recently appointed to support the CITT and to ensure that our transportation program moves forward in an expeditious, organized and efficient manner.

To continue to deliver the entire transportation improvement program, we need to periodically assess if financial resources are sufficient, and if they are being applied in a responsible manner. A pro forma financial plan forecasts the financial feasibility of the implementation of the PTP. As you know, last year, a 20-year pro forma presented a forecast of all the potential transit and transportation revenue sources and expected expenditures. That

document detailed approximately \$7 billion in capital construction and acquisitions and about \$10 billion in operating support for our transit system.

However, a pro forma is a “snap shot” of a dynamic economic and operating environment. It is a living document and the original pro forma was created over a year ago using certain assumptions to forecast revenues and expenditures. When any of these assumptions deviate from reality, even slightly, there can be a significant impact to the long-term forecast and program. It is our collective responsibility to update the pro forma and review a new “snap shot” on an annual basis. Each assumption must be examined and the financial model updated as required.

In my Transit Summer Study memo to you dated September 12, 2003, I stated that I had concerns with the original pro forma. The CITT has also been concerned regarding the adequacy of funding available over the life of the program to accomplish the transportation services promised to the public as part of the PTP. The idea of citizen oversight was critical to the passage of the PTP last year and CITT members are to be commended for the time and effort they have given in their oversight role. Their questions and concerns mirror those of County staff.

As a result of such concerns, I requested an update of the pro forma by Transit's financial advisors, Public Financial Management (PFM), with the input of staffs from the County's Transit Department, Finance Department, and the Office of Strategic Business Management and the Office of the Mayor. At the request of the CITT, the update included adding 10 more years to the pro forma for a total of 30 years. The updated results are attached.

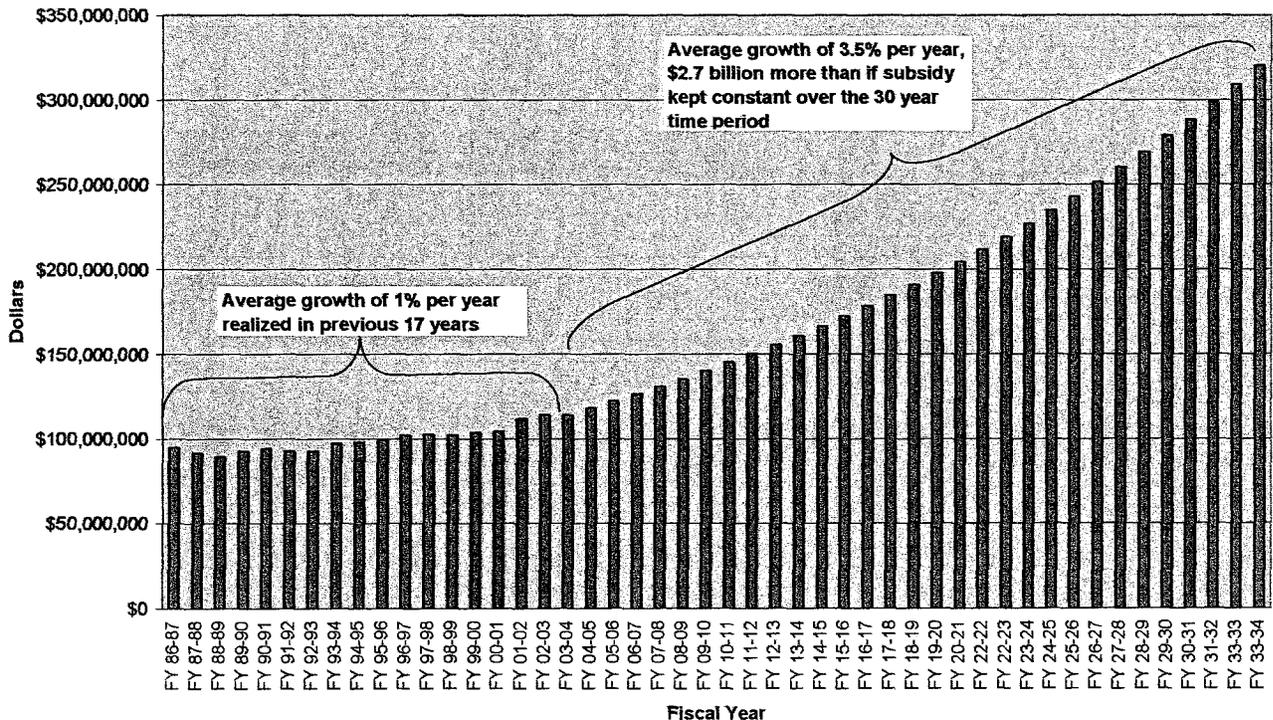
PFM initiated the update by taking into account several significant revenue and expense changes that were not previously envisioned or included. All the PTP projects remain in the updated pro forma; none have been deleted. Changes such as wage adjustments in the current collective bargaining contracts, employee retirement and health insurance costs, lower-than-expected fare-box recovery rates, lower-than-expected ridership on newly implemented routes, lower early year sales tax revenues, an expanded Golden Passport program and federally-proposed limits on its funding participation are addressed in the update to reflect a more realistic scenario of our future.

Based on the current projection of the revenue and expenditures, the updated financial forecast projects that expected revenues will be sufficient to cover expected expenses for delivering existing and enhanced transit services during the 30 years of the pro forma. Last year's pro forma showed an ending balance of approximately \$20 million by 2023, although it should be noted that had the forecast been extended beyond 2023, it would have shown a negative balance commencing in 2024. The update indicates an ending balance in 2023 of approximately \$74 million. We are working with the financial advisor analyzing the debt structure to see what additional savings can be obtained. Currently, the pro forma projects a level debt structure that may have to be revised. As I mentioned, the pro forma is a living document that will be updated regularly and include changes in the forecast that reflect the latest trends and financial plans.

It is important to fully understand the changes that are reflected in the new forecast that extends the planning horizon from twenty to thirty years. An important difference in the two documents is the projection of the Local Option Gas Tax (LOGT) and the General Fund that

year's pro forma in which a 3 percent annual increase was forecasted. In the last forecast the General Fund contribution remained flat throughout the planning period; in the new pro forma it grows by 3.5 percent annually. We must recognize the need to make this change. The future of the transit program is dependent on this increase of the General Fund revenues. These changes will be necessary, given our current assumptions, in order to deliver the PTP, continue to improve the "base" service, and provide for the on-going operations of a rapidly growing mass transportation system. The combination of the longer time horizon and the revised revenue assumptions results in the new pro forma projecting approximately \$6.8 billion available by 2033 from the General Fund and LOGT as compared to the \$2.8 billion by 2023 in the original pro forma. The growth in the general fund allocation is greater than historical growth as illustrated in the accompanying graph. In FY 1986-87, the general fund contribution to Transit was \$94.97 million; in FY 2003-04, \$114.050 million. That is an average growth of 1.08 percent per year. At the same time, while there were no major reductions in routes, services were affected through reduced reliability, cleanliness, maintenance, equipment replacement, etc. Under the revised pro forma, we are able to provide the PTP service in a quality, on-time manner.

**Miami-Dade Transit General Fund Subsidy
(Not including Tri-Rail or RTA)**



Another change is the role of the municipalities. In the original pro forma it was assumed that the 20 percent share of the surtax the municipalities would be receiving would be used to implement bus routes envisioned in the PTP within their communities. This would result in the County having to purchase fewer buses and operate fewer routes. This, however, is not the case. The municipalities are using their share of the surtax for other transportation and transit projects and not for the implementation of routes envisioned in the PTP. It was also assumed that the municipalities would reinvest one-fifth of their 20 percent share of new

transit projects and not for the implementation of routes envisioned in the PTP. It was also assumed that the municipalities would reinvest one-fifth of their 20 percent share of new revenues for countywide projects. Again, this is not occurring at the moment. In the original pro forma the municipal reinvestment represented approximately \$207 million over a 20-year period.

The last significant revenue change is the new assumptions on transit fares. This update includes an assumption that fares will be increased by \$.25 in 2007, \$.50 in 2012; \$.50 in 2017 and \$.50 in 2022. Given that our last fare increase took place in 1991, and base funding has not been inflation sensitive, these increases are a reality that must be a part of our planning. By the time the first fare adjustment would be implemented, 16 years will have passed with no fare increase in Miami-Dade County. Based on recent research by MDT, having no fare increase for such a long period of time is highly unusual even for transit agencies with dedicated funding sources.

Other effects on revenue include the loss of revenues as a result of the extension of the Golden Passport program to qualified residents regardless of their income level and free Metromover service

On the expenditure side, major differences between the two forecasts are that the new pro forma reflects the on-going financial impact of the new collective bargaining agreements, the increase in security costs, the enhanced weekday and weekend service and the acceleration of certain rail corridors explained below.

In addition, capital expenditures not contemplated in the last pro forma include the increase in bus acquisition cost, the accommodation of the purchase of replacement Metrorail and Metromover vehicles that will have reached the end of their useful life (even after a mid-life overhaul) starting in 2020 and, an additional \$100 million in capital reserves to maintain the financial security of the program.

The overall level of bus service for the near term that is incorporated into this update contemplates building on the base of 30.9 million annualized revenue miles by adding:

- 2.1 million miles in 2004
- 3.3 million miles in 2005
- 3.6 million miles in 2006
- 3.7 million in 2007 for a total of 43.4 million miles of revenue service annually

To accomplish this aggressive expansion that was committed in the PTP, the purchase of additional buses has been programmed, bringing the fleet size to 1191 by 2008 from the approximately 700 before the PTP.

Both documents accommodate the completion of four rail corridors (North Corridor, Earlington Heights to MIC, Light Rail to Miami Beach, and FIU to MIC to the port), except that, in the new pro forma, subject to the MPO approval and establishment of priorities, three of the corridors are now programmed to open earlier.

- The North Corridor originally projected to be operational by 2016 is now programmed for a December 2012 finish

- The Earlington Heights to Miami Intermodal Center (MIC) originally projected to be operational by 2015 is now scheduled to be open by August 2012
- The Kendall Corridor Bus Rapid Transit (BTR) was and is expected to be operational by 2017
- Light Rail to Miami Beach continues to have a 2022 planned completion
- The FIU to MIC corridor now is programmed for a 2012 completion and its opening was beyond 2023 in last year's pro forma
- The MIC to the Port corridor is now carrying a 2017 completion projection subject to FTA approval. Its completion was beyond 2023 in the original plan

Three other corridors are now programmed for completion at later dates. The Northeast Corridor, MIC/Douglas, and Metrorail to Florida City were all programmed to open beyond 2023, in the original pro forma. In the new pro forma these corridors are now starting construction in the 2028 range.

Please note that implementation of all corridors is based on Federal funding availability and participation in rail projects at 50 percent and up to \$100 million per year consistent with the current policy of the Federal Transit Administration. It also requires that all projects receive a "recommended or highly recommended" rating, by the Federal Transit Administration (FTA) during the project "New Start" evaluation process.

In addition, as anticipated in the original 20-year pro forma, Florida Department of Transportation (FDOT) participation in rail projects is assumed at 25 percent. The FDOT has advised that it would require reprogramming other projects to reallocate funds for rail projects.

As with any long-term estimate, when changes are compounded over a 20 to 30 year period, there is a very significant impact on a forecast. While we do not want to be overly conservative or optimistic in this financial plan, it is prudent to use the best available information, while inviting independent validation and oversight. To the extent that the growth of operating costs can be contained and operating revenue enhanced, the entire transit program will be more comfortably afforded. To be able to deliver the PTP and to upgrade long under-funded services and maintenance facilities, there are aggressive actions that must be taken to be able to financially deliver all the service and projects that were promised.

Significant actions, which are delineated in the MDT Business Plan, are now underway to achieve both of these objectives by putting in place many efficiency-enhancing initiatives, including:

- A review of the bus fleet deployment plan to determine appropriate bus departure locations to minimize "deadhead miles" and maximize revenue miles
- An examination of ridership to correlate deployments and headways with demands for the most effective use of tax dollars
- The initiation of a diligent claim loss prevention program
- The start of an aggressive advertising, sales, and promotions program to find creative ways to inform the public of new services and explore revenue-generating campaigns

South Florida's Center for Urban Transportation Research (CUTR) has been engaged to oversee a comprehensive operations analysis to help the County match transit service with citizens' needs and ridership demands. The first results of this study, to be available in mid-2004, will provide the information needed to position our resources more wisely taking into account such factors as traffic, new travel destinations, land use, transit trip patterns, and a comprehensive public information effort. We envision that as additional results and recommendations become available, there will be opportunities to realize more efficiency.

These are just a few of the initiatives now underway within MDT. Each activity has an established target and performance measure. As MDT begins to meet these targets, and the efficiencies are gained, they will be incorporated into the next annual pro forma. With each annual update we have an opportunity to share information and to make knowledgeable decisions. Each year we should view this as a chance to take a fresh look at exactly where we are heading, given our financial circumstances.

Some difficult decisions may need to be made to implement a sound transit plan of which we can all be proud. The data and continuing recommendations from PFM and CUTR will provide the county and the CITT with the tools to make those decisions dealing with service levels, new bus routes, fares, allocation of revenue streams, bus purchases, and other pertinent issues.

Our goal is to spend our tax dollars wisely, to maximize revenues, and contain expenditures while providing high quality service to our customers. Effective and efficient transit and transportation service along with prudent fiscal responsibility is everyone's goal. With the annual pro forma review process in place, we will be able to work together to bring the citizens of, and visitors to, Miami-Dade County a world-class transit system.

On December 11, 2003, we will be making a presentation to the Transportation Committee of the Board on the new pro forma. Staff and the Financial Advisor (PFM) will also be available to answer questions and concerns raised by the members. On December 16, 2003, we will make this presentation to the full Board and on December 17, 2003, we intend to make the same presentation to the CITT.

Attachment

cc Hon. John Cosgrove, Chairperson, Citizens' Independent Transportation Trust
Members of the Citizens' Independent Transportation Trust
Carlos F. Bonzon, Surface Transportation Manager
Roosevelt Bradley, MDT Director
Aristides Rivera, PWD Director
Jose Mesa, MPO Director
Hilda Fernandez, CITT Executive Director
David Morris, Director, Office of Strategic Business Management

