TRANSIT COMMITEE

February 14, 2007

Prepared by: Nelson Diaz

EXHIBITS LIST

NO.	DATE	ITEM #	DESCRIPTION
1	2/14/2007	7D	Report titled Financial Consulting Services for CITT Analysis of MDT Pro Forma Assumptions
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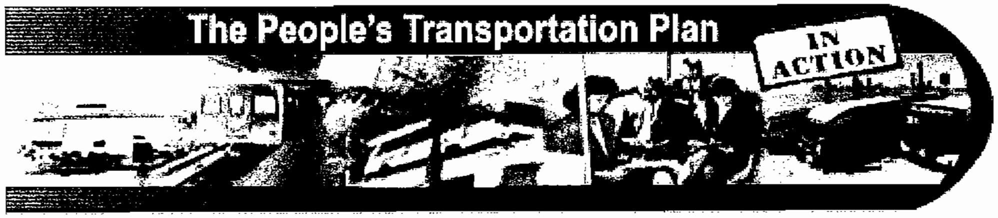
Financial Consulting Services for CITT
Analysis of MDT Pro Forma Assumptions



MIAMI-DADE

February 14, 2007

Infrastructure Management Group, Inc.

In association with:

Planning & Economics Group, Inc.
Dr. William Ankner

The IMG Team has been advising CITT regarding the PTP since June 2005.

- IMG Team Overview:
  - Infrastructure Management Group
  - Planning & Economics Group
  - Dr. William Ankner

- Previous work for CITT:
  - 2005 and 2006 Pro Forma review
  - Review of the actual spending of PTP funds
  - Developed the CITT Risk Assessment Model
  - Cost allocation formula review

Key Pro Forma assumptions fall into six major categories.

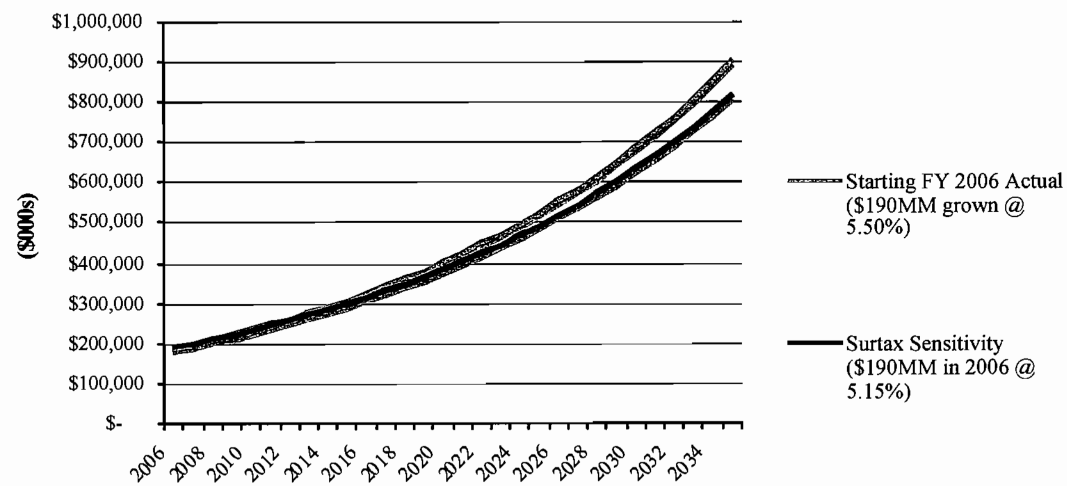
- Surtax revenue
- Operating revenue
- Operating expenses
- Construction costs
- Grant funding
- Financial Assumptions

- Key issue: A series of moderately aggressive assumptions can yield an aggressive overall forecast

The IMG Team identified a number of key assumptions in the MDT Pro Forma that may be aggressive.

- Using the 10-year historical average (1995-2005) surtax revenue growth rate of 5.15% instead of the assumed 5.50% would produce a different revenue forecast.

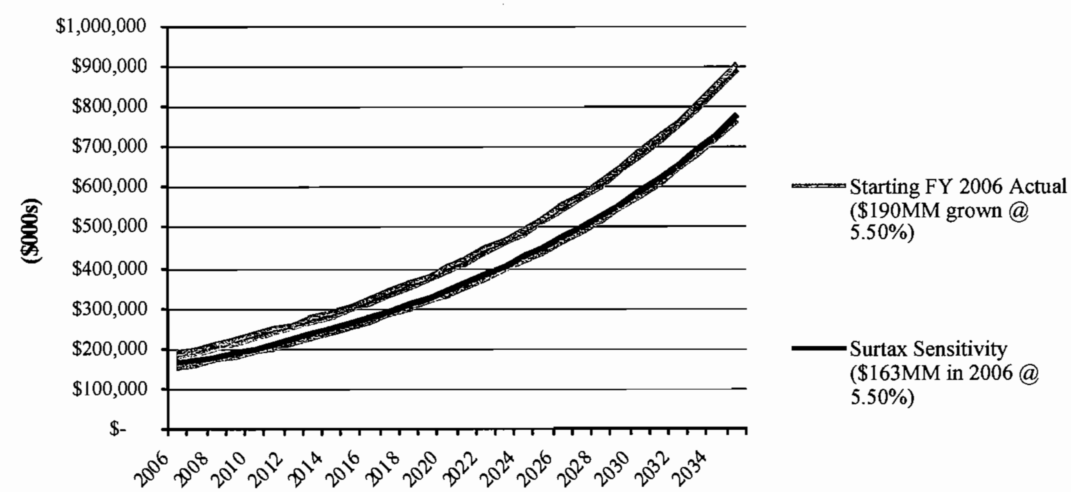
Surtax Revenue Scenario: Lower Growth Rate



The IMG Team identified a number of key assumptions in the MDT Pro Forma that may be aggressive (cont'd).

- 2006 was an exceptionally strong year for surtax revenue (up 11.5%). As an alternate assumption, growing surtax revenue from an average of the past 5 years ($163 million instead of actual $190 million) would produce a different revenue forecast.

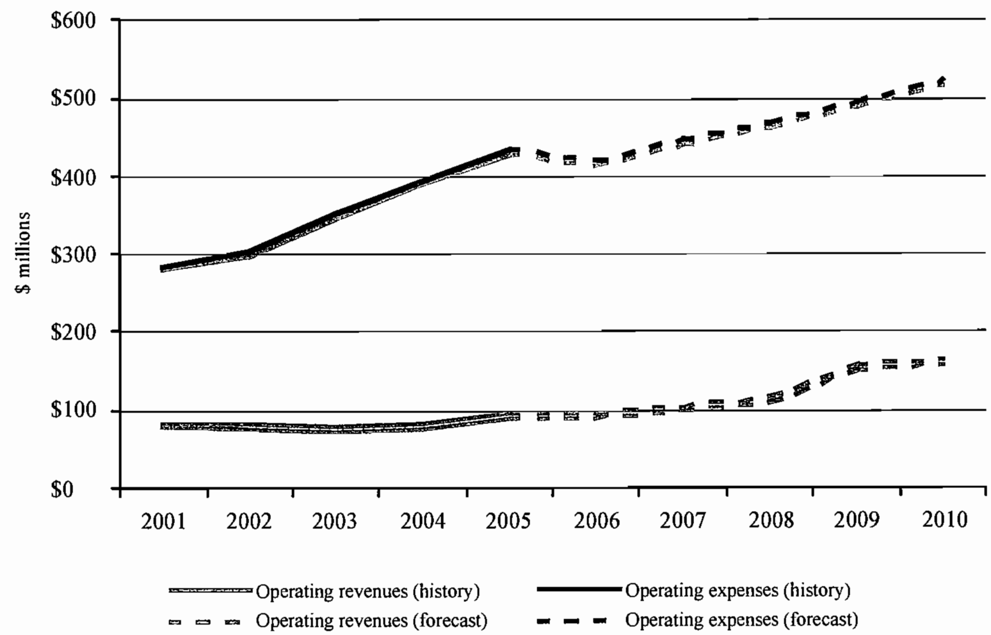
Surtax Revenue Scenarios: Lower Initial Value



The Pro Forma forecasts that operating revenues will rise at faster rate than operating costs, contrary to recent MDT history.

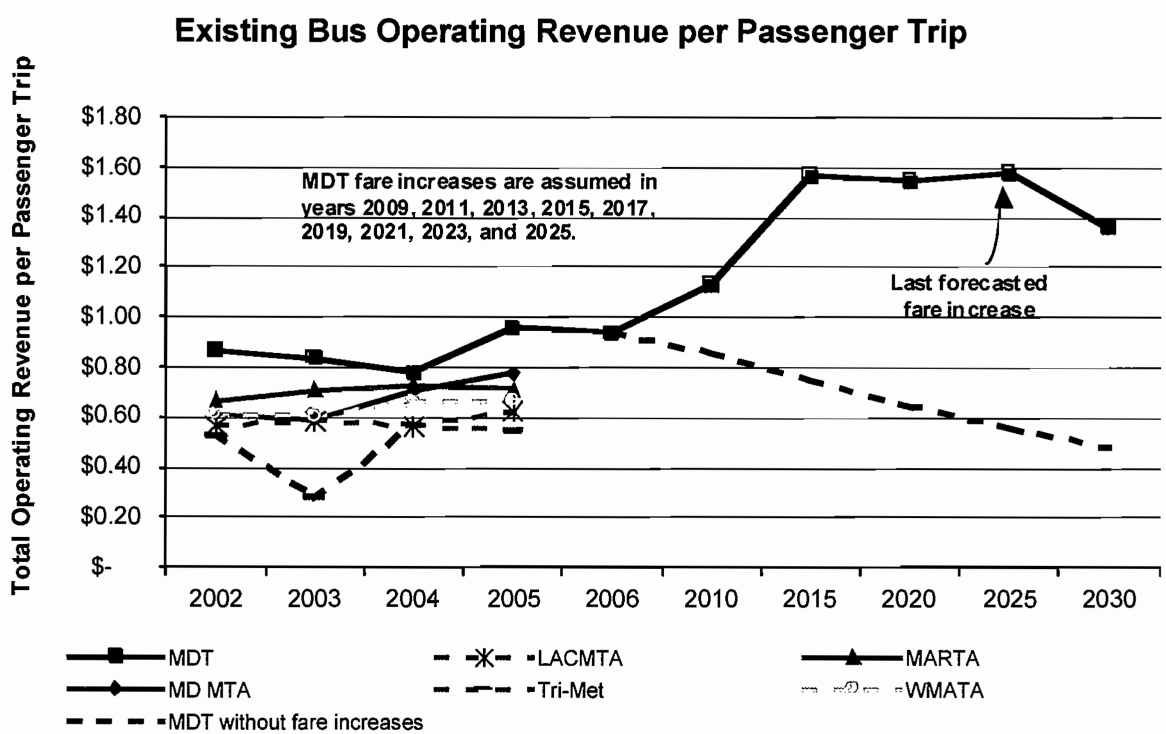
- Operating cost growth of approximately 5.0% per year is assumed in the Pro Forma (more in years when rail lines open).
- Total operating cost increase is 34.0% between 2005 and 2010.
- While proposed fare increases, increased ridership, and new fare collection systems are likely to increase revenue, the total expected growth is very high.
  - Total operating revenues are forecast to rise 91.4% from 2005-2010.
  - Existing bus service farebox revenue is forecast to rise 116.7% by 2010.

MDT System Operating History and Forecast



Revenue assumptions in the Pro Forma may be aggressive.

- Bus revenue per passenger for *existing* service increase of 67 percent by 2015 (in constant dollars).
- The last fare increase takes place in 2025.



MDT: Miami-Dade Transit Agency

LACMTA: Los Angeles County Metropolitan Transportation Authority

MARTA: Metropolitan Atlanta Rapid Transit Authority

MD MTA: Maryland Transit Administration

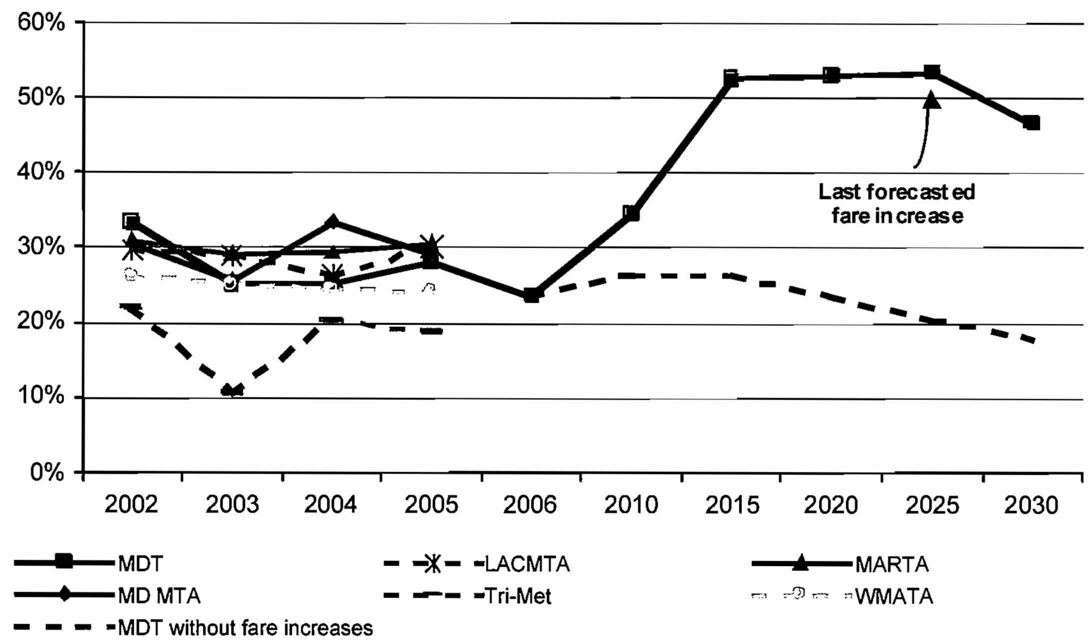
Tri-Met: Tri-County Metropolitan Transportation District of Oregon

WMATA: Washington Metropolitan Area Transit Authority

Revenue assumptions in the Pro Forma may be aggressive.

- The bus farebox recovery ratio is projected to almost double the peer average of 27% by 2017.

Bus Fare Recovery Ratio



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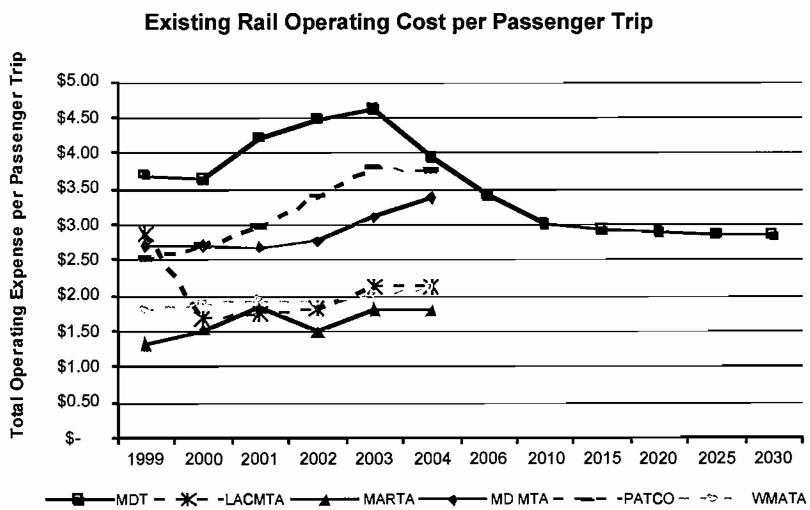
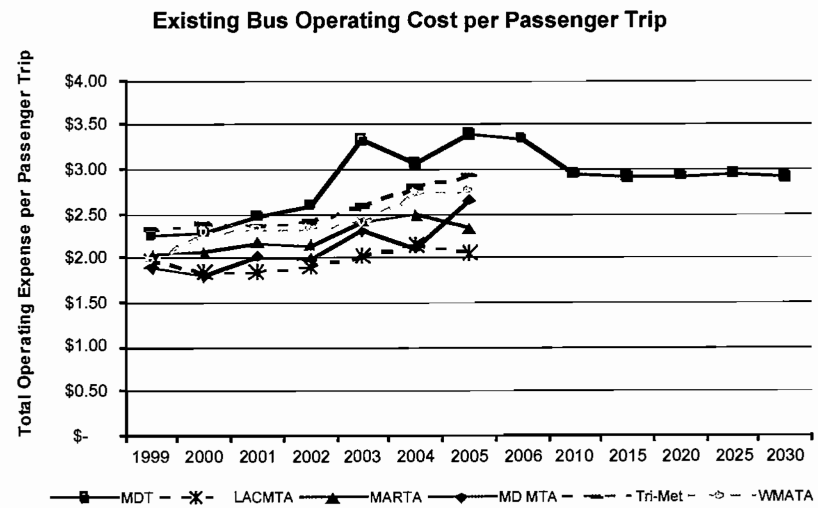
Slow growth in operating costs for existing rail and bus is a key assumption in the Pro Forma.

- Both bus and rail costs per trip are expected to decline (in constant dollars).
- Existing service costs are used here since passenger trips by corridor are not forecasted.





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PATCO: Port Authority Transit Corporation
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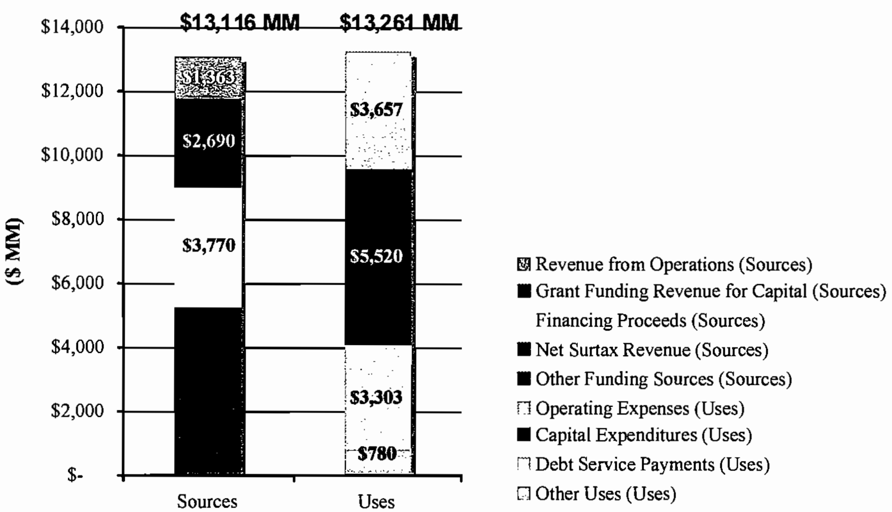
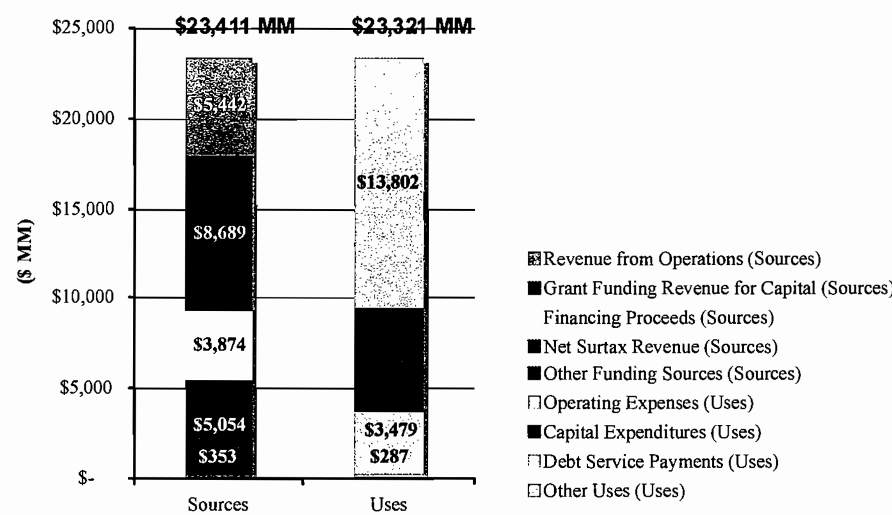
Operating expenses comprise 28% of PTP costs, and 59% of total MDT costs in the Pro Forma.

Total 30-Year PTP Sources & Uses in Current Dollars

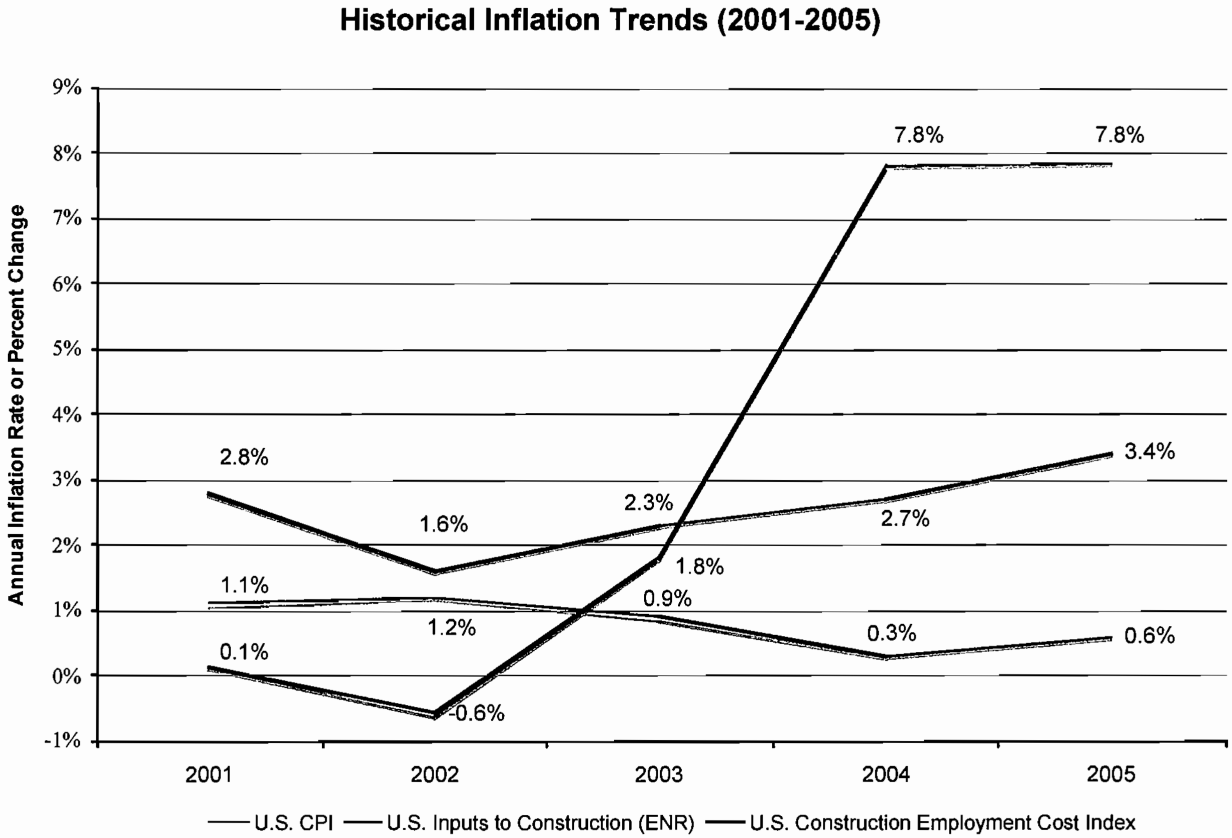


Total 30-Year (PTP+Non-PTP) Sources & Uses in Current Dollars



MIAMI-DADE COUNTY

U.S. construction input costs rose dramatically from 2002-2005.



Construction costs are difficult to project, particularly in the early stages of design.

- Construction costs have been rising rapidly in the U.S. in general and in Florida.
- Property values in Florida have risen in recent years, increasing the cost to acquire right-of-way (Office of Federal Housing Enterprise Oversight Florida Housing Price Index grew by 11.8%, 70.1%, and 41.4% in years 2003, 2004, and 2005 respectively).
- Rail corridor cost increases were incorporated into the latest Pro Forma.

Project	February 2006 (2006 - 2035)	February 2007 (2006 - 2035)	% Change
EH/MIC Connector	$334,177,000	$517,864,850	55%
North Corridor	$911,400,000	$1,450,748,426	59%
FIU to MIC	$1,374,300,000	$2,277,364,363	66%

Note: Above project costs only compare 2006-2035 costs; total project costs are currently assumed to be $1,457 MM, $2,281 MM, and $523 MM for North Corridor, FIU to MIC, and EH/MIC Connector respectively.

- Bus capital costs rose 109% in the new Pro Forma.

MIAMI-DADE COUNTY

The availability of federal funds is likely to get tighter.

- Two key federal issues face transit New Starts with respect to MDT and the CITT: 1) Federal funding availability, and 2) The local share of project costs.
- The first issue is the availability of current and future federal funds for MDT to advance the transit corridors:
  - The good news is current FTA commitments to MDT's authorized "New Starts" projects are likely be met;
  - The bad news is future federal funding commitments for design and construction are at "risk."
- The federal Highway Trust Fund that finances the highway and mass transit accounts is facing unprecedented deficits. The Trust Fund's Highway Account may not be capable of meeting its current authorizations, unless obligation ceilings are imposed or new revenues are identified.
- Historically, Trust Fund revenue shortfalls have been met through "obligation limitations," which result in the net federal amount available to the states for actual spending to be around 80-90 cents on a dollar for highways and 98 cents per dollar for transit.
- The consequences could be less opportunities to "earmark" additional funds in the appropriations process.

The availability of federal funds is likely to get tighter (cont'd).

- The second issue is that "New Starts" projects with higher local funding percentages remain more attractive to the FTA participation.
- The good news is the SAFETEA-LU provision that allows MDT to receive a federal credit for the MIC funds and to apply the credit to the North Corridor will enable the federal share to be greater than 60%.
- The bad news is that FTA's funding commitments for Full Funding Agreements for construction currently average 45%. Percentage increases to the local share will affect the surtax's ability to finance all the future projects.
- The following SAFETEA-LU provisions also affect the PTP projects:
  - The total final cost is to be determined at Preliminary Engineering (PE) and not final design; any additional costs over the fixed costs will be the the local participant's responsibility. The consequence is PE will be expanded to include final design.
  - The contractor's prior ridership and revenue forecasts will be audited by the FTA. This audit can assist MDT and the CITT in determining the viability of the forecasts for MDT transit New Starts. The sensitivity of the ridership and revenue forecasts in the Pro Forma will affect the fundability of the PTP.

The MDT financial plan is feasible under current assumptions, but there is almost no margin for error.

- The IMG Team conducted several downside sensitivity analyses using the CITT Risk Assessment Model
  - The sensitivities analyze the effect of moderate changes in surtax revenue, operating cost, construction cost, operating revenue, ridership levels, and grant funds
  - In each sensitivity, there is not enough revenue to pay for all planned capital and operating costs
  - The fact that feasibility requirements are violated with modest changes to assumptions demonstrates that it is unlikely that revenues will be adequate to cover proposed costs.

Our analysis shows that even minor variation from the draft Pro Forma assumptions will result in PTP fund balances being exhausted.

- County officials and CITT members should consider the priority of the various PTP projects in case not all projects can be funded
  - The status quo is that funds go to whichever project is ready first.
- Meeting operating cost and revenue targets is critical for success.
- New revenue sources will likely be required to implement the full PTP program
  - As little as a 0.25 percent increase in the surtax would dramatically improve the outlook
  - Increased County general fund contributions could also be considered.
- Allocation of operation and maintenance costs for eligible projects is being reviewed now to ensure that only costs of new facilities are paid with surtax funds
  - When the new cost allocation methodology is applied, the amount of O&M costs eligible for PTP surtax fund support could change.
  - This does not affect the overall MDT Pro Forma.