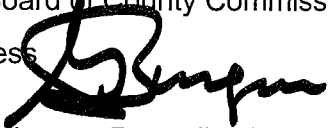


# Memorandum



**Date:** May 4, 2009

**To:** Honorable Dennis C. Moss, Chairman  
And Members, Board of County Commissioners

**From:** George M. Burgess  
County Manager 

**Subject:** First Reading Ordinance Repealing Transit System Sales Surtax

Before elaborating on what we have done and plan to do with the transit system sales surtax, and before stressing the truly cataclysmic impacts of repealing this hugely important revenue stream, let me simply say this Administration **strongly** recommends against this proposal.

The Charter County Transit System Sales Surtax (Surtax) was approved by voters on November 5, 2002 to provide a secure source of funding for enhancing transportation services throughout Miami-Dade County. The original plan called for expansion of the Golden Passport Program, fare-free service on the Metromover system, 20 percent of sales tax proceeds for municipal transportation projects, and bus service, rapid transit, and major highway, road and neighborhood street improvements. As of September 30, 2008, a total of \$974.3 million was collected and used towards these functions.

There are those that say that the surtax has been mismanaged or squandered on bloated salaries rather than funding projects promised as part of the People's Transportation Plan (PTP). This is simply not true. Since the inception of this tax, the \$974.3 million has been used as follows:

Activity	Service Provided	Value (000)	Percent
Support for expanded mass transit services	( <b>Metrobus</b> - current bus revenue miles are 32.6 million and peaked at 37 million from a pre Surtax base of 26.7 million; current staffing levels reflect over 500 additional positions added since the Surtax with a peak of 1,200) ( <b>Metrorail</b> - 24 hour Metrorail service until 2004 and increased headways as well as maintaining a state of good repairs on the system)	\$523,485	54%
Municipal Contributions	Municipal contribution for mass transit projects as well as roadway improvements	\$192,000	20%
Cash Funded Capital Projects	Bus acquisitions (\$46.9 million) and roadway projects (\$47.2 million)	\$94,100	10%
Debt Service	Debt service obligations for Series 2006 and 2008 Surtax Revenue Bonds totaling \$461 million	\$70,600	7%
Golden / Patriot Passport	Free transportation services for persons receiving Social Security benefits and United States veterans who earn an annual income of \$22,000 or less	\$46,700	5%
STS Support	Support for Special Transportation Services function	\$32,800	3%
OCITT	Administration and support for the Citizens' Independent Transportation Trust	\$9,015	1%
Metromover	Projected revenue loss for this activity that the Surtax is covering	\$5,700	1%
<b>Total As of September 30, 2008</b>		<b>\$974,400</b>	<b>100%</b>

The focus of criticism you read and hear among some is that the rail corridors promised have not been delivered. As we have repeatedly said, it was totally and completely unrealistic for anyone to have ever thought 80 percent of a one-half cent sales tax could address all of the above PTP commitments and build multiple heavy rail transit corridors. The transit tax was certainly over-promised, but not mismanaged. As relates to rail corridors, consider the following:

- The PTP was always intended to provide only 25 percent of a transit corridor's development cost. The federal government (50 percent) and state government (25 percent) were to provide the balance of funding.
- Competition for federal funding is extremely intense. There is simply not enough funding at the federal level to fund the transit corridor needs of our nation's cities.
- Our community does not yet have the densities and congestion levels to ensure we are highly graded for receipt of federal funding.
- Each transit corridor takes roughly 8 to 10 years to complete and the federal government rarely funds more than one corridor at a time for any one jurisdiction.
- Assuming a transit corridor project is roughly 8 to 12 miles in length, the most one could develop with federal funding would be approximately 24 to 36 miles of rail over a 30 year period.
- The PTP, in collateral materials, showed all planned rail corridors, which totaled 88.9 miles.
- We are only seven years into the PTP.
- We are now building 2.4 miles of rail without federal funding (originally assumed at 50 percent when presented to the voters in 2002). It is being funded 75 percent with local PTP funding!
- It was always assumed other funding would supplement PTP funds.

Another criticism of the program is the lack of independent oversight of the PTP by the Citizens' Independent Transportation Trust (CITT). The CITT has had an important impact on the delivery of the PTP projects to date, as well as protecting the original intent approved by the voters. The current structure of the PTP reserves funding for future capital projects, a critical point required by the CITT when the most recent adjustments were made to the funding structure.

A final criticism is that no sales tax funds should support existing transit operations. That argument is also flawed since the PTP never explicitly stated existing service could not be enhanced. The notion of adding new service while existing service is allowed to deteriorate makes no sense whatsoever. The plan was never to raise property taxes and add a sales tax to fund a quality transit service. As it is we are funding our transit system with property tax support at unprecedented levels and are committed to increasing such property tax support by 3.5 percent a year. This is more that reasonable and is quite responsible.

Repealing the Surtax will have devastating impacts on maintaining our current transit system as well as moving forward with roadway infrastructure improvements and the rehabilitation and expansion of our Metrorail system. The impacts on existing services include eliminating the Golden and Patriot Passport program, impacting 30,000 riders on a daily basis; reducing service or charging for use on the Metromover system; reducing bus service levels to approximately 20 million revenue miles per year from the programmed 30.5 million level, impacting 100,000 riders per day; and doubling the headways on the Metrorail system to 15 minutes for peak service and 1 hour for off-peak service from the 7.5 minute and 30 minutes levels currently programmed. Approximately 14 of the 45 remaining roadway projects identified in the PTP will become unfunded and \$40 million in remaining neighborhood improvements will not be completed. The County will discontinue the Transit Capital Improvement Program which includes rail car replacement, the Earlington Heights – Miami Intermodal Center (EH-MIC) extension project, and other critical transportation infrastructure related projects. The impact to the operations and maintenance of the County's public transportation programs and services would be catastrophic.

In addition to the operational impacts of eliminating or reducing service, the general fund would have to cover an annual \$29.392 million debt service payment for the next 28 years for projects that have begun but will not be completed, including the second phase of the Metromover vehicle replacement program, the EH-MIC Metrorail extension, implementation of the new fare collection system, and the approved Metrorail vehicle replacement program. On top of the annual payments for debt already issued, the general fund would have to cover approximately \$270 million in capital expenditures that will be incurred by the end of the fiscal year for projects that were going to be reimbursed with the upcoming Series 2009 Surtax-backed debt issuance that is anticipated to be finalized this summer.

The repeal of the surtax will negatively impact all 34 cities in Miami-Dade County. This includes the 31 cities that currently receive surtax funding and the three newly incorporated cities and unincorporated Miami-Dade County that may begin to receive surtax funding in the near future. In total, 21 municipal circulator systems carrying thousands of people daily will be negatively affected, if not eliminated. The majority of these circulators are funded primarily with surtax proceeds and the ability of municipalities in this economic downturn to continue these services will be an enormous challenge. Additionally, the cities currently receive approximately \$28 million annually in surtax funds for transportation and public works projects, such as street paving and drainage work. The loss of this significant amount of funding will cause major reductions to municipal transportation programs and result not only in the cancellation or postponement of important projects but also in the loss of jobs related to those projects.

#### **Status of Surtax Programs**

The Golden Passport program was originally intended to provide free transportation services low income seniors over the age of 65. After the passage of the surtax this program was expanded to all persons, regardless of age or income level, who are receiving Social Security benefits. The program grew by 214 percent to 175,000 Golden Passport riders from the 55,400 riders that existed before the surtax. In June 2004, the PTP was amended (R-729-04) to allow honorably discharged United States veterans who earn an annual income of \$22,000 or less to ride free on transit. Surtax proceeds in the amount of \$46.7 million have reimbursed these activities since the inception of the surtax through September 30, 2008. The surtax will continue to fund this activity in the current and foreseeable future.

Collection of the Metromover fare was lifted when the surtax was passed. The projected revenue loss from this activity is estimated to be \$5.7 million since the inception of the surtax through September 30, 2008 alone.

Over time, bus service improvements were programmed to increase to 44 million revenue miles from the 26.7 million that was in place prior to the passage of the surtax. Bus revenue miles were increased to 37 million in only four years and have been gradually decreased and will likely be rolled back to 30.5 million revenue miles in FY 2009-10. MDT is also in the process of evaluating all bus service in order to maximize farebox revenues and improve bus service. This undertaking may further reduce revenue miles, but will also eliminate inefficient bus routes.

Several rapid transit corridor improvements were envisioned when the surtax was passed, including the "North Corridor" expansion along 27<sup>th</sup> avenue north, an East-West Corridor, and a connector to the airport from the Earlington Heights Metrorail station. This Metrorail connection to the airport will commence in early May 2009 and is projected to be completed in mid 2012. In fact, the formal groundbreaking was held on Friday, May 1, 2009. We are currently reviewing alternatives for the North and East West Corridors. In addition to the expansion improvements, the surtax is also funding the fare collection system, Metromover vehicle replacement, Metrorail railcar vehicle replacement, and other critical track and guideway upgrades, all of which are required to maintain and expand our current system.

Major highway and road improvements, including the automated traffic management system, new roadways, and roadway widening projects are underway. Exhibit 1 of the PTP Ordinance identified specific projects listed as Board-requested projects. Of the 45 identified projects, the Public Works Department (PWD) has completed 16 projects, ten are under construction, design has been completed on 7, which are undergoing right-of-way acquisition, 5 are under design, and two have JPAs approved for the Town of Cutler Bay to complete. In addition, JPAs being developed for the City of Miami to complete two other projects.

PWD has completed 540 neighborhood improvement roadway projects that include roadway resurfacings, and ADA sidewalk accessibility, drainage, arterial street lighting, illuminated street name sign, and school flashing signal improvements and expansions. Additionally, the PWD continues to enhance the safety of our neighborhoods by installing traffic signals and traffic calming devices where appropriate.

Municipal transportation improvements include a wide range of transportation and transit improvements. Thirty one cities currently receive approximately \$36 million annually for these projects. Major transportation improvement projects have included the reconstruction of Grand Avenue in the City of Miami; the reconstruction of Sunset Drive in the City of South Miami; over 70 public works projects in the City of Hialeah; traffic calming in the Village of Palmetto Bay; and citywide street lighting in Sunny Isles Beach, to name just a few. Surtax funds have also been used as local match dollars and to leverage additional funds for such projects as the resurfacing and improvement of Crandon Boulevard in the Village of Key Biscayne. A total of 21 cities currently operate successful municipal transit shuttle or circulator systems. These include the Coral Gables Trolley, the NOMI Express in North Miami, the City of Hialeah Transit System, and the City of Sweetwater Shuttle System, to name just a few. Additionally, a number of municipal circulator and shuttle services are the result of partnerships between cities including the City of North Miami and the Village of Biscayne Park, the City of Hialeah and Hialeah Gardens, and Miami Springs and Virginia Gardens.

Again, your administration vigorously opposes the repeal of this critical and widely utilized source of revenue. The service impacts of the loss of this revenue would have irreparable impacts now and in the future. If you have any questions regarding this information, please feel free to contact me directly.

c: Honorable Carlos Alvarez, Mayor  
Honorable Shirley Gibson, President, Miami-Dade County League of Cities  
Robert A. Cuevas, County Attorney  
Linda Zilber, Chairperson, CITT  
Denis Morales, Chief of Staff  
County Executive Office Staff  
Department Directors  
Charles Anderson, Commission Auditor