FY2023 – 2024 Pro Forma Review

November 2023

Planning & Economics Group

A3BEL

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Background and Introduction

Background and Introduction

Pro Forma Review

The Citizens' Independent Transportation Trust (CITT) tasked IMG Rebel along with Planning & Economics Group (the "Team") to review and analyze the People's Transportation Plan (PTP) and Miami's Department of Transit and Public Works (DTPW) Pro Forma for FY 2024 (the "Pro Forma"). The Office of Management and Budget (OMB) developed the Pro Forma with inputs from DTPW. DTPW's inputs primarily related to the values from the draft budget adopted by the Miami-Dade County (the "County") Board of County Commissioners (BCC) for FY 2024.

The projection period for the Pro Forma is 40 years. As part of the Pro Forma review, the Team: (i) analyzed the Pro Forma, (ii) conducted discussions with OMB and MDT to understand the background on key assumptions and calculations, and (iii) produced this PowerPoint report with key findings of the analysis.

Background and Introduction

Pro Forma Review

The PowerPoint report detailing the team's Pro Forma Review is organized in the following sections:

- Section 2 – Elaborates the methodology followed in developing the Pro Forma
- Section 3 – Executive Summary and Key Recommendations
- Section 4 – Sensitivity Analyses
- Section 5 - Key assumptions and observations: PTP Revenue Fund
- Section 6 - Key assumptions and observations: the Transit Operating Fund
- Appendices:
  - Appendix 1: SMART Corridor Funding and Financing
  - Appendix 2: Miami-Dade's transit ridership trends

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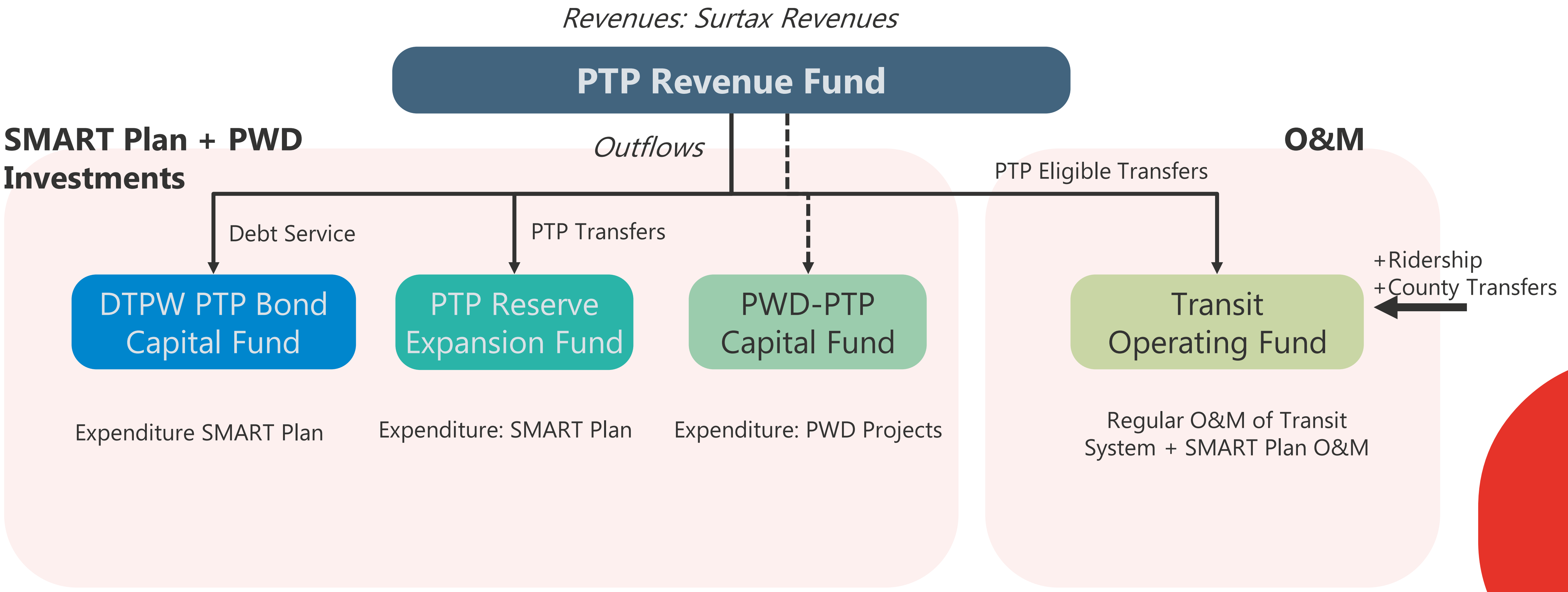
Pro Forma Methodology

Pro Forma (PF) Methodology

Overview

- The Pro Forma is a Microsoft Excel spreadsheet with calculations prepared in four key sets of calculations rolled up into a summary worksheet. The calculation worksheets reflect inflows and outflows relating to:
  - **PTP funds**, including PTP sales tax revenue, transfers to loan repayments, transfer to municipalities, and transfers to DTPW transit operating fund.
  - **DTPW's operations**, including transit proprietary revenue and transit operating expenses. State and federal grants to DTPW, including formula grants, state of good repair grants, local option gas tax, and others.
  - **DTPW debt service** for both existing and future bond issuances, and capital expenditures and bus replacement leasing plan.

Graphical Representation of the PTP Structure



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Executive Summary

Analysis of Pro Forma (PF) centered on reviewing the PTP Revenue Fund and the Transit Operating Fund (TOF)

PTP Revenue Fund

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Inflows PTP Surtax Sales Receipts. Outflows according to defined flow of funds.

This fund helps pay for Transit O&M related to SMART Plan as well as supports SMART plan capital investments (through debt service)

Transit Operating Fund (TOF)

(+) Transit Operating Budget Carryover

(+) Operating Revenues

(-) Operating Expenses

(-) Non-Operating Expenses

*Inflows to fund transit operations. Outflows related to the **operational costs** of running the transit system.*

This Fund is a recipient of funds from the PTP Revenue fund.

The PTP Revenue Fund is well-resourced; key recommendations center on ensuring adequacy of assumptions regarding fund outflows

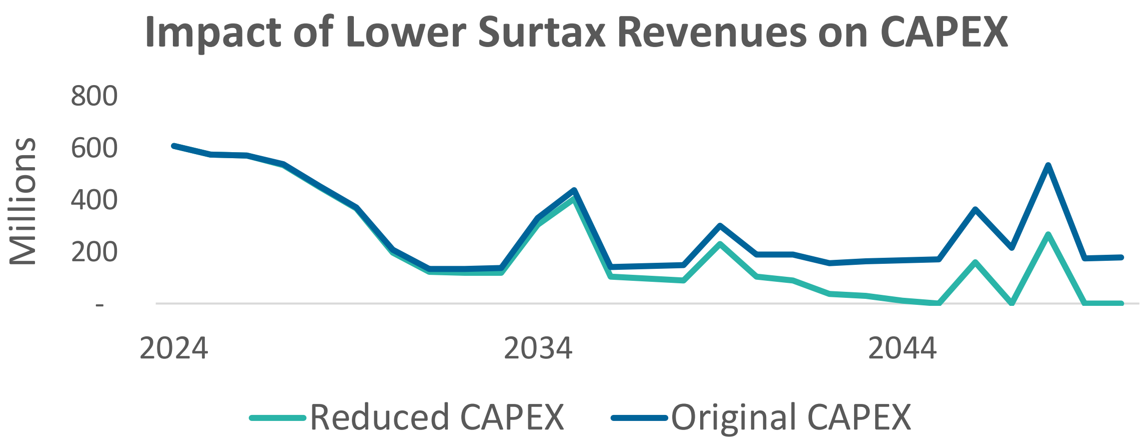
- **Overview:** The PTP Revenue Fund receives PTP Sales Tax Receipts and then distributes those receipts per ordinance to municipalities (#1), to service debt (#2), as per ordinance to the Capital Expansion Reserve Fund (CERF) (#3), to Administration (#4), to PWD Pay-As-You-Go (#5) projects, to the Transit Operating Fund for Transit O&M support (#6), and finally to the SMART Plan (#7).
- The review determined that the fund is well-resourced, though there are specific assumptions regarding growth rates and distributions that merit extra examination. This has been translated into six recommendations.

- **Recommendations:**

1. Keep an eye on surtax growth rate, as lower-growth could impact investments.
2. Periodically revisit accuracy of planned capital investment costs to ensure adequate budget.
3. Review outflows to the Transit Operating Fund to ensure they are for PTP-eligible expenses.
4. Review debt issuance model considering excess liquidity in the Debt Capital Fund.
5. Revisit size and timing of estimates for Metrorail car rehabilitation to ensure they are adequate.
6. Examine outflows to CERF and PWD PAYG.

Recommendation 1: Keep an eye on surtax growth rate, as lower-than-expected growth could impact investments

- While the PF's surtax revenue growth, projected at 3%, is very reasonable given a historical *average* of 5.3%, slower growth rates could put planned capital expenditures at risk.
- **Sensitivity 1** examined how a lower than projected growth rate for surtax revenue impacts capital expenditures. Growing surtax revenue at the historical *minimum* rate of 1.68%, all else held constant, would require a reduction in CAPEX spending of 27% by 2050.
- **Recommendation: As surtax growth rate assumptions lie at the core of the PTP PF and drive the PTP fund's ability to service debt, etc. OMB / DTPW should keep an eye on lower-than-expected growth.**

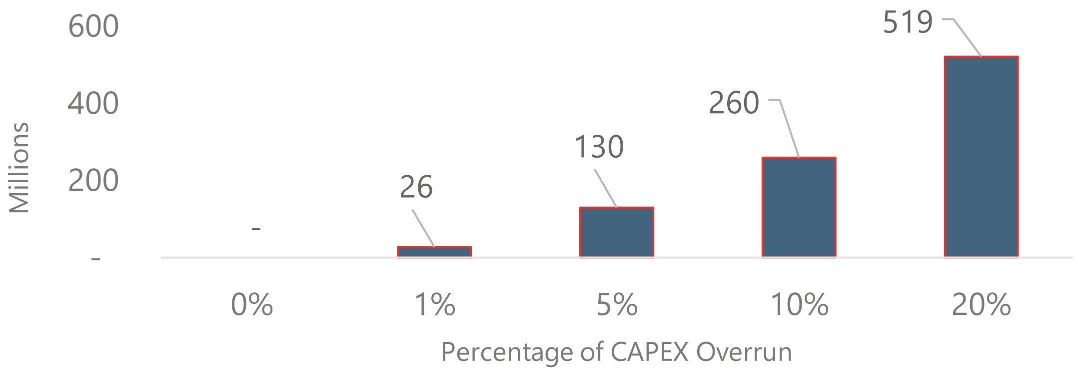


If surtax revenues grew at 1.68%, which is historical minimum as opposed to assumed 3% this would, <u>assuming debt ratios are held constant</u>, lead to 27% reduced CAPEX by 2050

Recommendation 2: Periodically revisit accuracy of planned capital investment costs to ensure adequate budget

- Driven by the SMART plan, PF projects $2.6B in capital investments through 2030.
- Inflationary pressures, supply chain disruptions, and increased construction demand, have increased costs associated with transit capital investments in the last couple of years.* Thus, it is not unlikely that input costs related to DTPW's project SMART plan investments will grow.
- **Sensitivity 2** examined how "overruns" to the projected capital expenditures would lead to resource gaps, showing that a 1% increase in costs leads to a $26M gap.
- **Recommendation: Periodically revisit the accuracy of planned capital investment costs to ensure adequate budget.**

Resource Gap for 2024 – 2030 ($ Million)

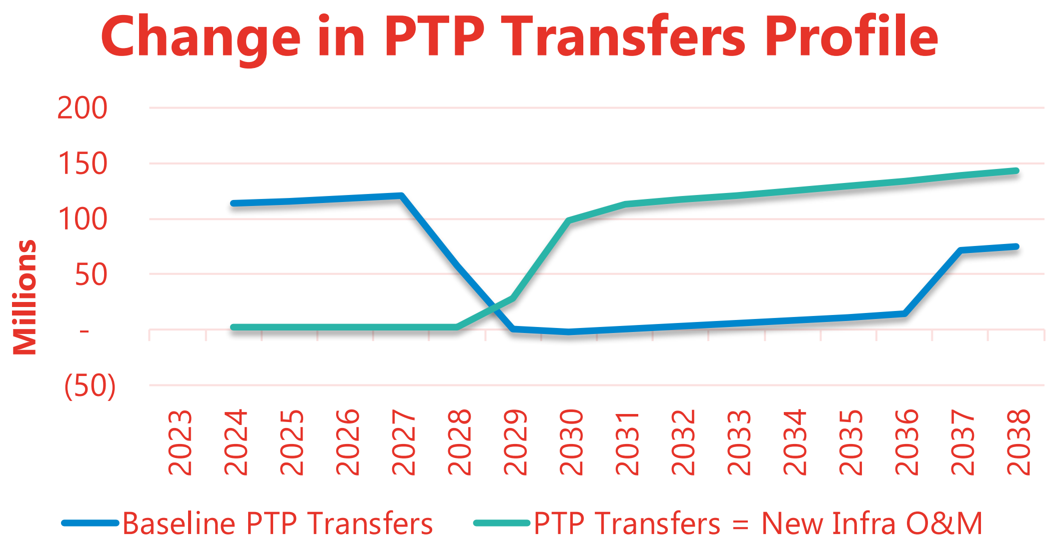


A 1% overrun is associated with a $26 million (M) gap; a 20% overrun is associated with a $519M

*See: https://www.constructiondive.com/news/annual-construction-prices-fall-materials-costs/653035/
https://www.cbre.com/insights/books/2022-us-construction-cost-trends*

Recommendation 3: DTPW/OMB and CITT should jointly review eligibility of PTP transfers to the TOF

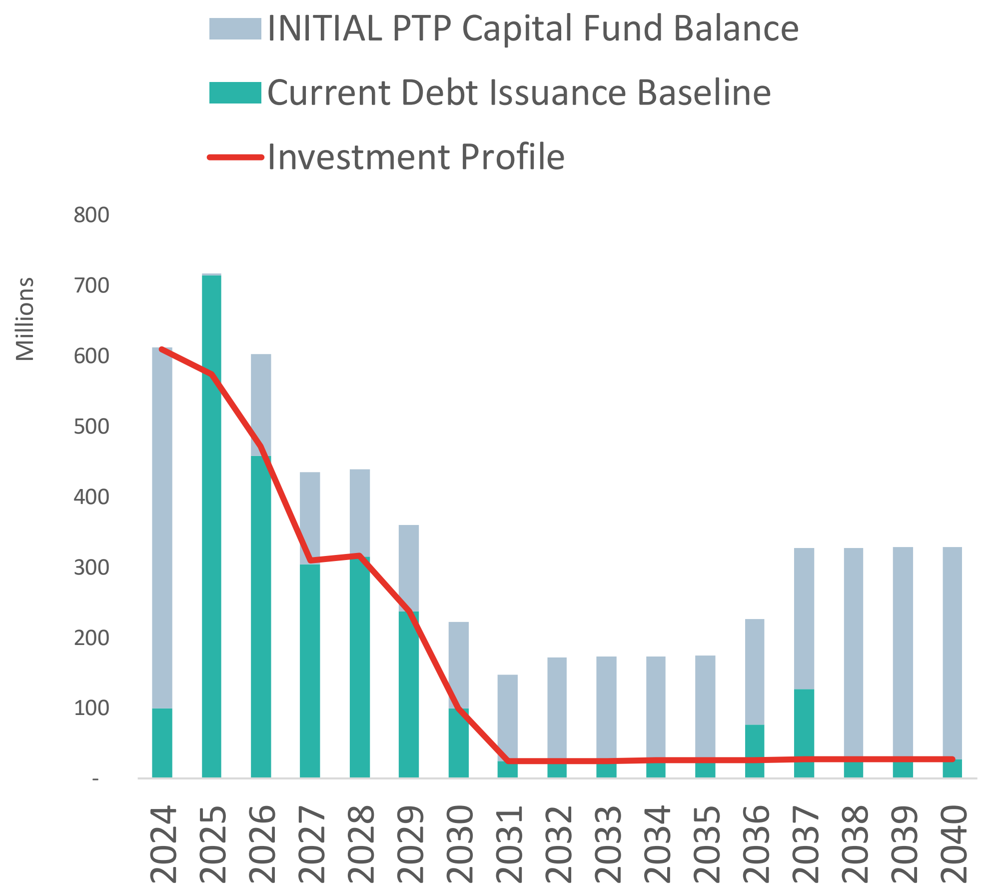
- PF assumes an annual transfer from PTP Revenue Fund to Transit Operating Fund. In FY24, this amount is projected to be 113.5M. Transfers grow at a rate of 2%; Further there is a one-time transfer of $85M in FY25.
- Based on the information in the PF, it is unclear whether the PTP transfers to the TOF are for PTP-eligible expenses
- **Sensitivity 3** models what annual PTP Transfers to the TOF would look like if the transfers were solely for O&M related to PTP capital investments –the profile is different than what is projected.
- **Recommendation: DTPW / OMB and CITT should jointly review PTP-eligible expense to determine the annual transfer from the PTP Revenue Fund to the TOF.**



Sensitivity shows that in the near term projected PTP outflows ("baseline") to TOF are too high whereas in longer term they are too low.

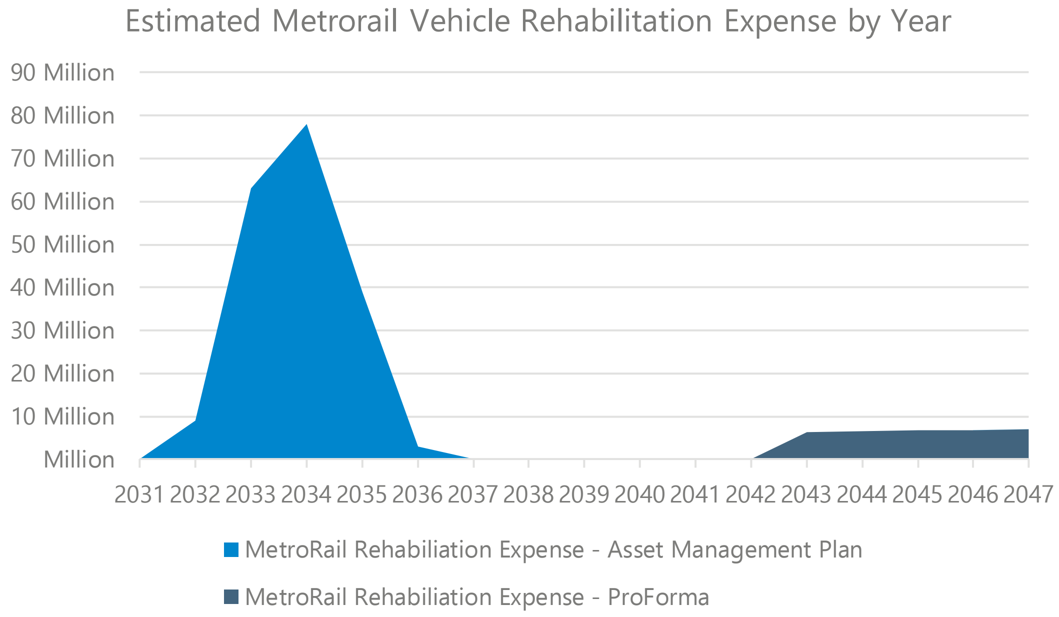
Recommendation 4: Review debt issuance model considering excess liquidity in the Debt Capital Fund

- Debt is issued based on investment needs with a lag without considering existing available cash leading to:
  - Continual issuance of debt
  - "Unproductive cash" over the years
- The graphic to the right shows how the PTP capital fund balance has excess liquidity from year 2025 onward.
- **Recommendation: Review debt issuance model considering excess liquidity in the Debt Capital Fund**



Recommendation 5: Revisit size and timing estimates for Metrorail car rehabilitation to ensure they are adequate

- Future PTP Capital Fund, which covers PTP-eligible expenses over the mid- to long-term estimates a total of $1.45B in expenses including $33.3 million (M) to rehabilitate the 128 active Metrorail cars.
- With a 31-year useful life*, all cars will need mid-life rehabilitation during the PF period. This is estimated at $1.5 million (M)/car**, totaling $192M for the active fleet, **representing a projected shortfall of $158.7 million. Based on the age of the current fleet, the bulk of this expense is expected around FY33-FY35.**
- **Recommendation: Revisit size and timing of estimates for Metrorail car rehabilitation to ensure they adequately plan for the costs.**



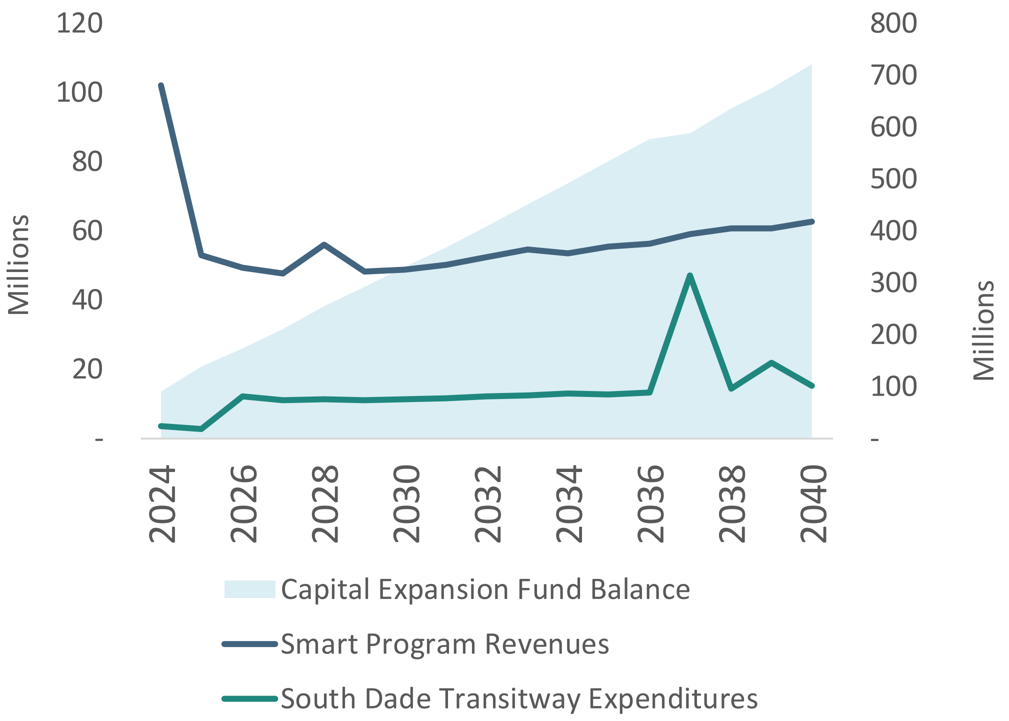
The Pro Forma projects that rehabilitation costs will occur between 2043 and 2047 which is later than the mid-life point of the vehicles. Further the Pro Forma underestimates the costs for mid-life rehabilitation.

Sources:
*Miami Dade County DTPW Asset Management Plan, 2022
**CITT estimates

Recommendation 6: Examine accuracy of outflows to Capital Expansion Reserve Fund & Public Works Department Pay-As-You-Go

- The Capital Expansion Reserve Fund (CERF) receives an average income of 50M+ per year with very little estimated expenses over the PF period, and thus, accumulates cash. **Recommendation: Clarify use of CERF funds as large unused cash balance expected to accumulate over PF period.**

- The PF shows Allocation to Public Works Department (PWD) Pay-As-You-Go (PAYG) from FY24-FY29 at $500,000/year. This figure does not grow in line with inflation or any other relevant growth factor. **Recommendation: adjust annual allocation to PWD PAYG for inflation.**



Per the PF assumptions, the CERF will accumulate a large (~800M) balance.

Transit Operating Fund requires transfers for solvency; recommendations center on accuracy of assumptions for revenue and cost drivers.

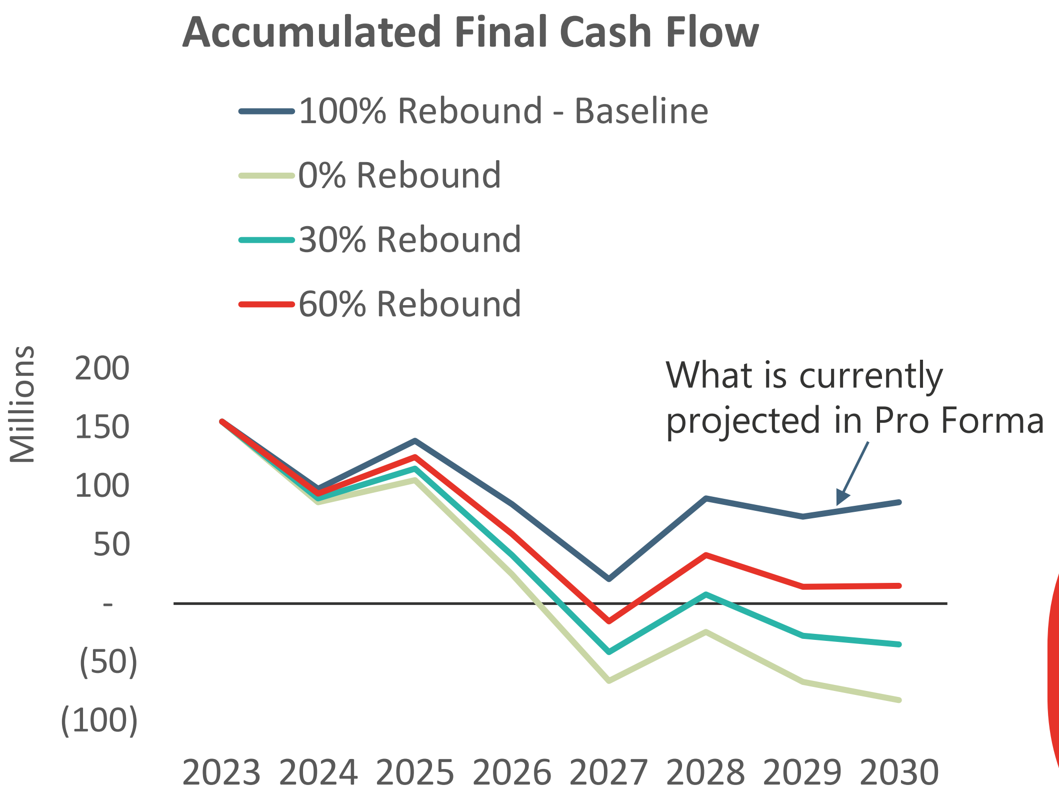
- **Overview:** The Transit Operating Fund (TOF), as presented in the Pro Forma, maintains a positive operating budget carryover each year (FY24-63). However, this positive balance is only possible due to significant interfund transfers (i.e., Countywide General Fund transfers), a key revenue source in addition to proprietary revenues (e.g., fares) and State transfers.
- These revenue sources are reduced by the expenses required to operate and maintain the transit system (O&M Expenses), payments to other agencies and non-PTP related debt service.

- **Recommendations:**

7. Review how less than projected ridership growth impacts fare revenue
8. Confirm likelihood of Countywide General Fund MOE Extraordinary Adjustments projected in FY28 and FY30
9. Review accuracy of projected expense growth related to O&M.

Recommendation 7: Review how less than projected ridership growth impacts fare revenue

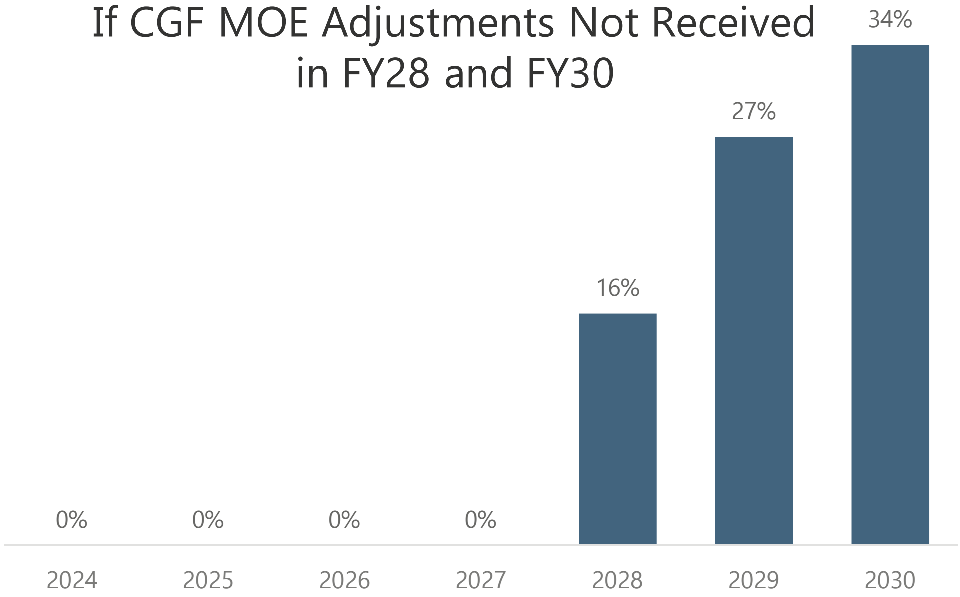
- The PF assumes continued "rebound" in ridership – several years post-COVID. While the system is currently experiencing a strong ridership rebound, it is not a given that the rebound will continue.
- **Sensitivity 4** assesses the level of funding gap that would develop in the TOF if ridership did not rebound as projected. A rebound less than the projected baseline could lead to deficit.
- **Recommendation: OMB / DTPW should review how lower than projected ridership growth impacts fare revenue and consequently the operating budget.**



Recommendation 8: Confirm likelihood of Countywide General Fund (CGF) Maintenance of Effort (MOE) Extraordinary Adjustments

- The TOF relies on CGF Maintenance of Effort MOE funds to achieve solvency.* Sometimes projected funding needs require increases greater than the mandated annual 3.5% increase. The PF assumes two such extraordinary CGF MOE transfers (for FY28 and FY30).**
- **Sensitivity 5** examines these two transfers and determines they are instrumental to the funds ability to pay for O&M.
- **Recommendation: OMB / DTPW should confirm likelihood of receiving the CGF MOE Extraordinary Adjustments in FY28 and FY30, as these extraordinary transfers are instrumental to the solvency of the TOF and its ability to pay O&M expenses.**

% of unfunded OPEX in TOF
If CGF MOE Adjustments Not Received
in FY28 and FY30



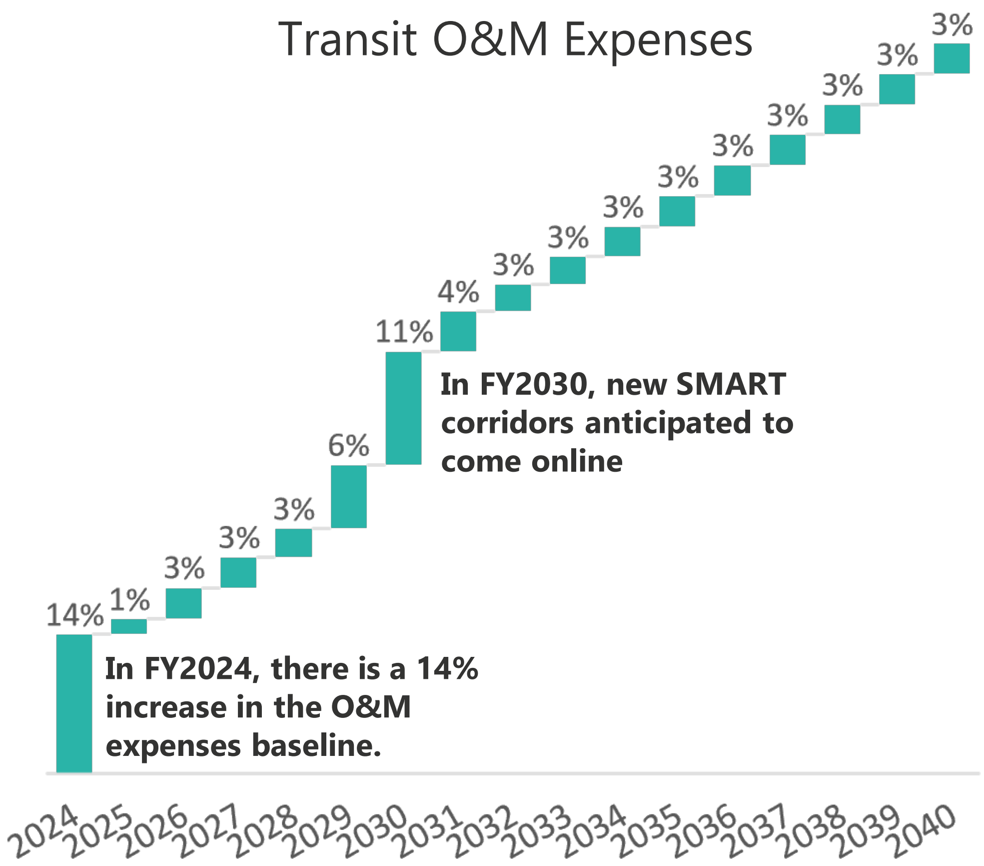
Without the FY28 and FY30 CGF MOE adjustments the TOF would have a hard time paying operating expenses by FY28.

**In 2005, the PTP was amended to restore CGF MOE support to DTPW to pre-Surtax levels and be annually increased by 3.5%. Source: PTP 5-Year Plan Update, 10th Annual Update*

**The FY28 figure is in the *FY23 -24 proposed budget and multi-year capital plan*, however, there are not yet documented plans including FY30 data so that figure is less certain.

Recommendation 9: Review accuracy of projected expense growth related to O&M

- There was a 14% increase in O&M expenses from FY23 to FY24, driven by growth in "other operating expenses", "security contracts", and "Better Bus Networks". It is unclear what constitutes "other operating expenses." Further, in FY30 once new corridors come online with corresponding increases in operating expenses, the structure of the O&M expense profile changes.
- **Recommendation: Given the O&M Expenses are projected to see large increases in FY24 and FY30 it is recommended to review their accuracy, especially for categories like "other" which are not well defined.**



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Sensitivity Analyses

Sensitivity #1: Slowed Growth of Surtax Revenues

Projected surtax revenue growth at 3% is very reasonable given a historical average of 5.3%. Even still, as surtax revenue growth rate assumptions lie at the core of the PTP PF and drive the PTP fund's ability to service debt, etc. the following sensitivity has been run to analyze what would happen if surtax revenues do not grow as anticipated.

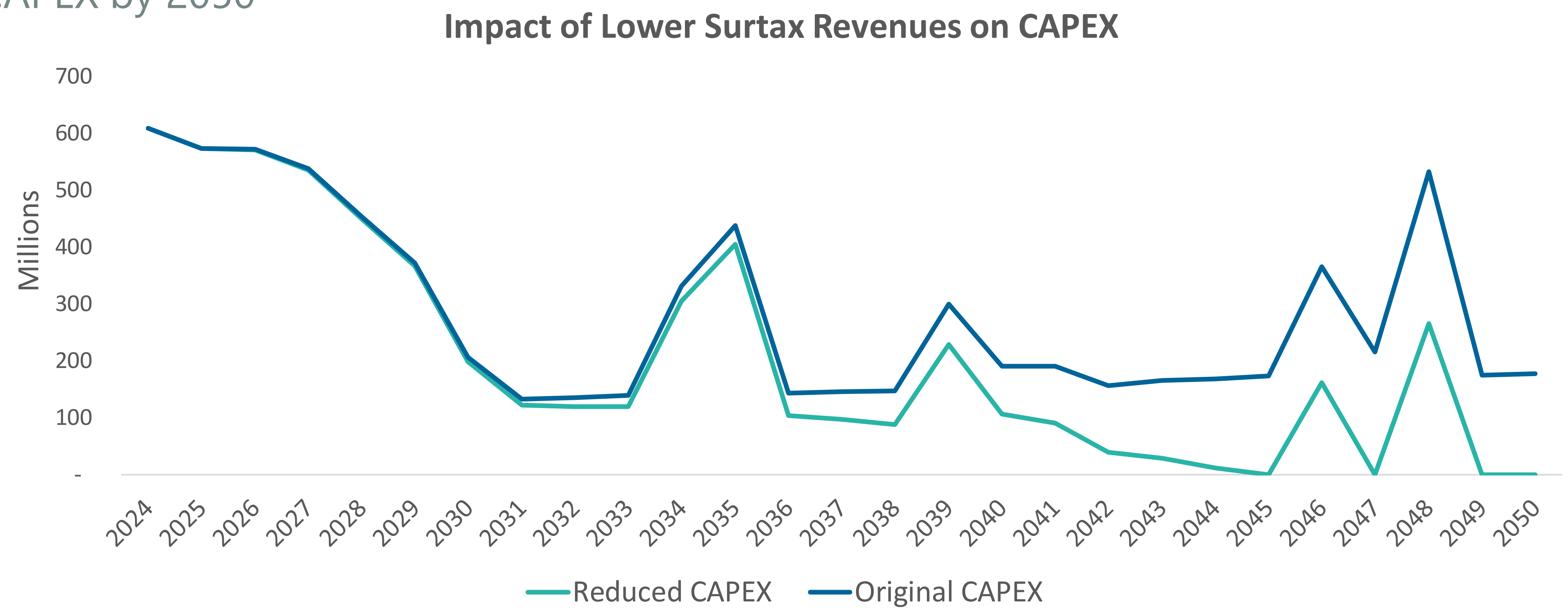
Sensitivity looks at how capital expenditures (e.g., on SMART Plan investments) will be impacted in the case where surtax revenues do not grow as anticipated (3%). The sensitivity assumes instead that surtax revenues grow at 1.68%, which is the historical minimum, excluding economic recession years (2017).

Depending on spending priorities, the impacts of a reduced growth in surtax would either impact capex or deteriorate debt service coverage ratios:

1. Scenario 1: In a scenario where a decision is made to hold debt service coverage ratios constant (at current levels), reduced surtax growth over the PF period will lead to reduced capex of 27% by 2050.
2. Scenario 2: In a scenario where a decision is made to proceed with capex plans despite slowed growth in surtax revenues, debt service coverage ratios will fall below the 1.4x standard in 2047.

Sensitivity #1: Slowed Growth of Surtax Revenues

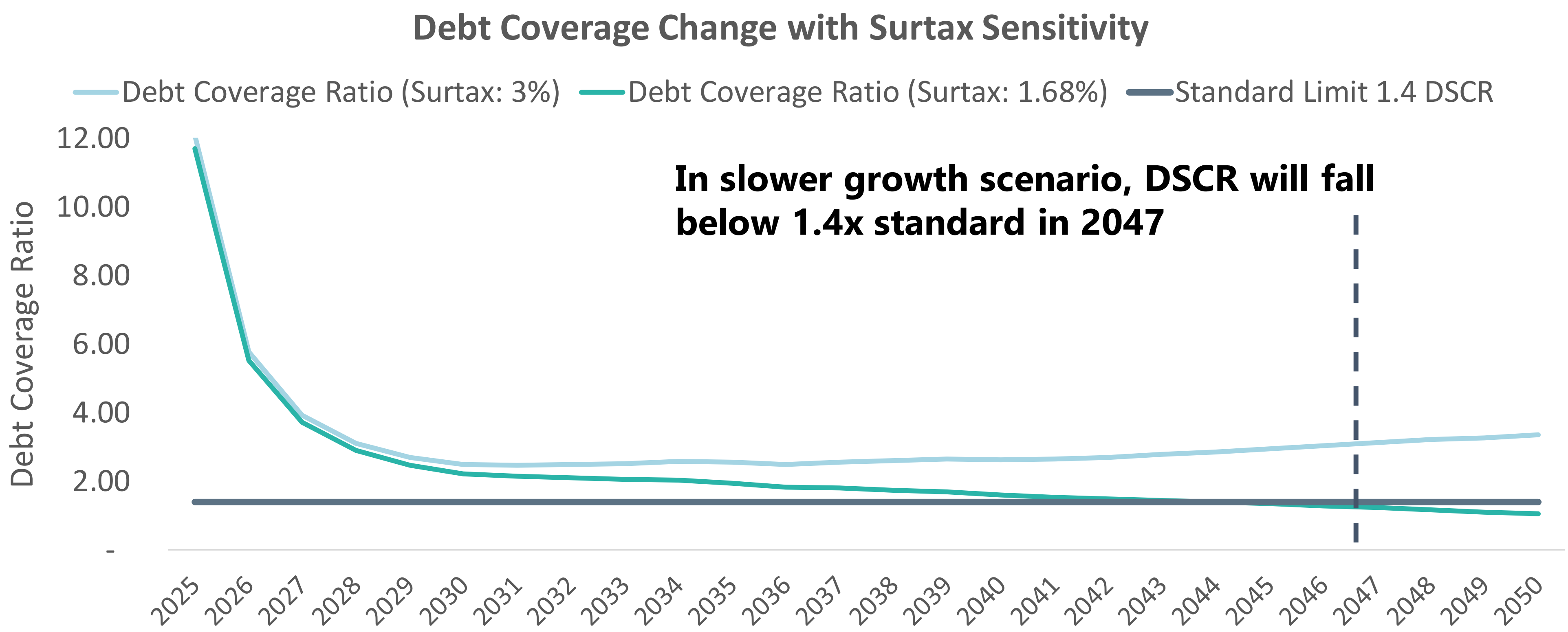
Scenario 1: If surtax revenues grew at 1.68%, which is historical minimum as opposed to assumed 3% this would, assuming debt ratios are held constant, lead to 27% reduced CAPEX by 2050



Holding debt ratios constant: 27% less CAPEX by 2050. The impacts are mostly seen from 2036 onwards

Sensitivity #1: Slowed Growth of Surtax Revenues

Scenario 2: If surtax revenues grew at 1.68%, which is historical minimum as opposed to assumed 3% this would, assuming making all investments are the key priority, lead to deteriorated debt service coverage ratios.



Sensitivity #2: CAPEX Overruns

Explanation of investments, budget, and scenarios of overruns

Driven by SMART plan investment needs, the PF projects $2.6B in capital investments through 2030. This includes $1.4B in capital investments for Beach, North and Northeast Corridors; $328M for Metromover and Metrorail improvements and $228M for the new South Dade Maintenance Facility.

Due to inflationary pressures, supply chain disruptions and increased construction demand, costs associated with transit capital investments have seen increases in the last couple of years.* Thus, it is not unlikely that input costs related to DTPW's projected needs will grow and as a result increase the amount of capital investment needed by DTPW to achieve the SMART Plan goals and other rehabilitation requirements.

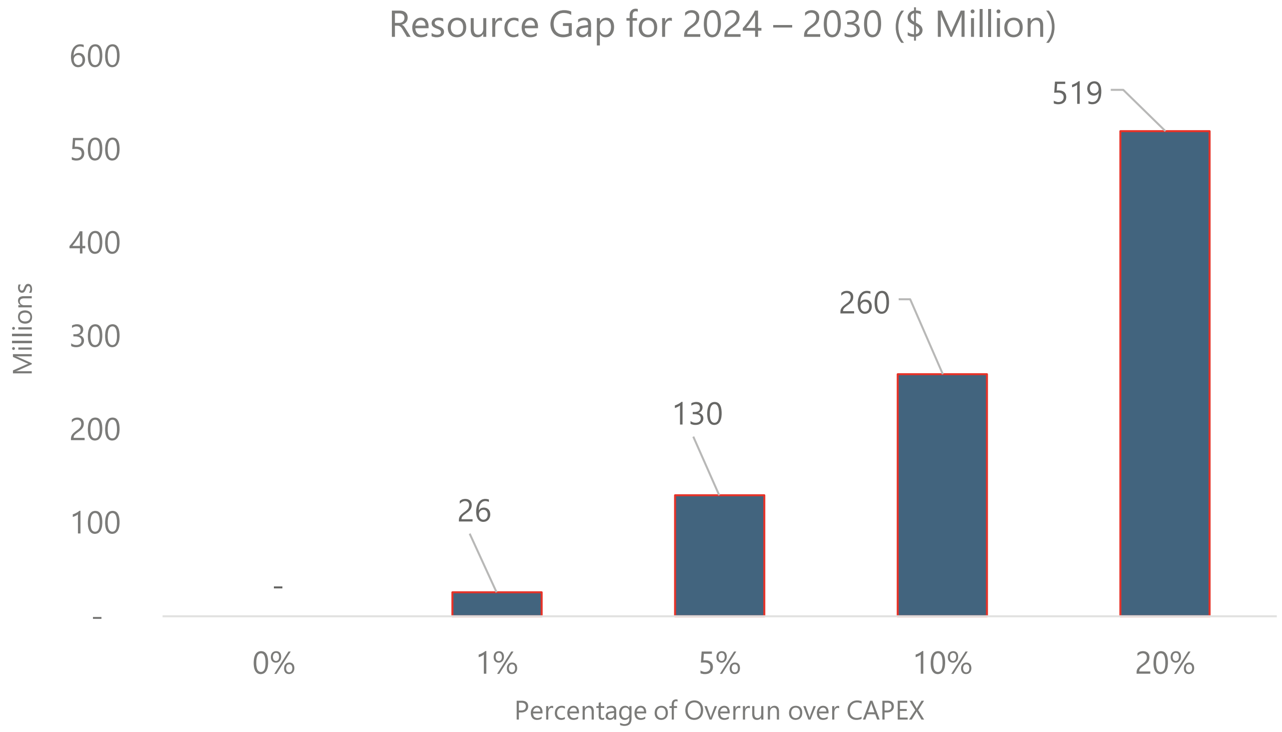
This scenario examines the financial impact of "overruns" on capex – i.e., what is the dollar amount associated with a percent increase in capital expenditures?:

- **1% increase = $26M gap, i.e., $26M more needed to meet investment goals**
- **5% increase = $130M gap**
- **10% increase = $260M gap**
- **20% increase = $519M gap**

**See: https://www.constructiondive.com/news/annual-construction-prices-fall-materials-costs/653035/*
https://www.cbre.com/insights/books/2022-us-construction-cost-trends

Sensitivity #2: CAPEX Overruns

If capital expenditures are more expensive than planned, this would result in a gap that would require additional resources.



A 1% overrun is associated with a $26 million (M) gap; a 20% overrun is associated with a $519M

Sensitivity #3: PTP Transfers match SMART Plan O&M costs

The PF assumes annual transfers from the PTP Revenue to the Transit Operating Fund (TOF) throughout the entire PF period. Based on conversations with CITT staff, it is not clear whether projected transfers are for PTP eligible expenses.

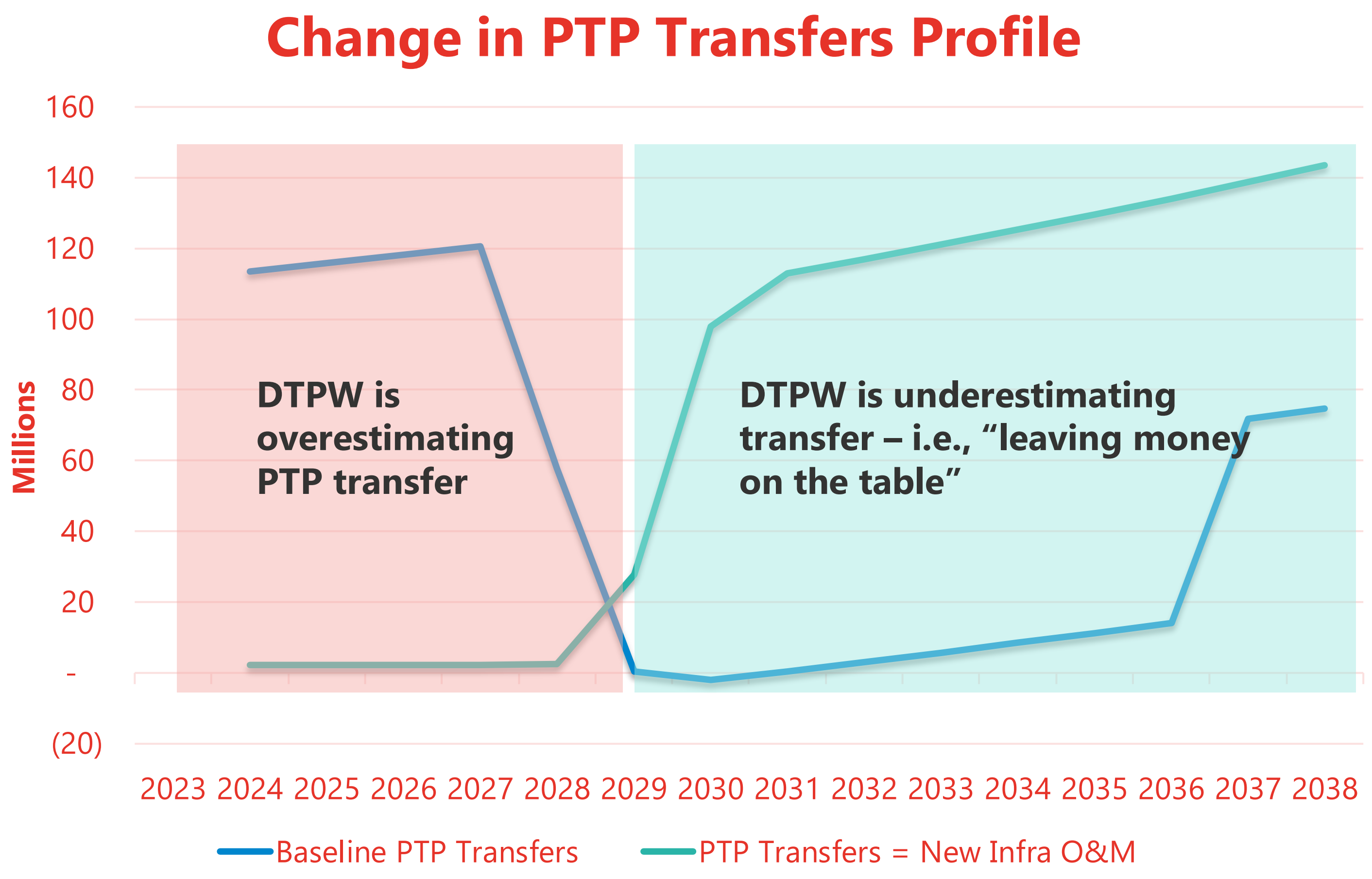
To test whether transfers are made for eligible expenses, the following sensitivity compares projected transfers ("baseline") against what transfers *should* look like given SMART plan investments – i.e., only the amount needed for SMART plan operating expenses is transferred. This resulted in the following findings:

- Based on data, it seems that transfers from FY23 – FY29 ***are greater*** than eligible expenses.
- From FY29 onward, projected transfers are likely *less* than eligible expenses, based on operating expenses required for SMART plan investments.

DTPW and CITT should confirm / discuss eligibility of PTP transfers and determine a PTP transfer profile that matches the (eligible) needs.

Sensitivity #3: PTP Transfers match SMART Plan O&M costs

Tests current assumption that PTP Transfers not tied to eligible O&M expenses



Sensitivity #4: Changes in transit ridership growth

Rebound of post-COVID ridership is important to the financial health of the Transit Operating Fund (TOF) and DTPW should monitor rebound of ridership in the next three-years to determine new ridership revenue reality.

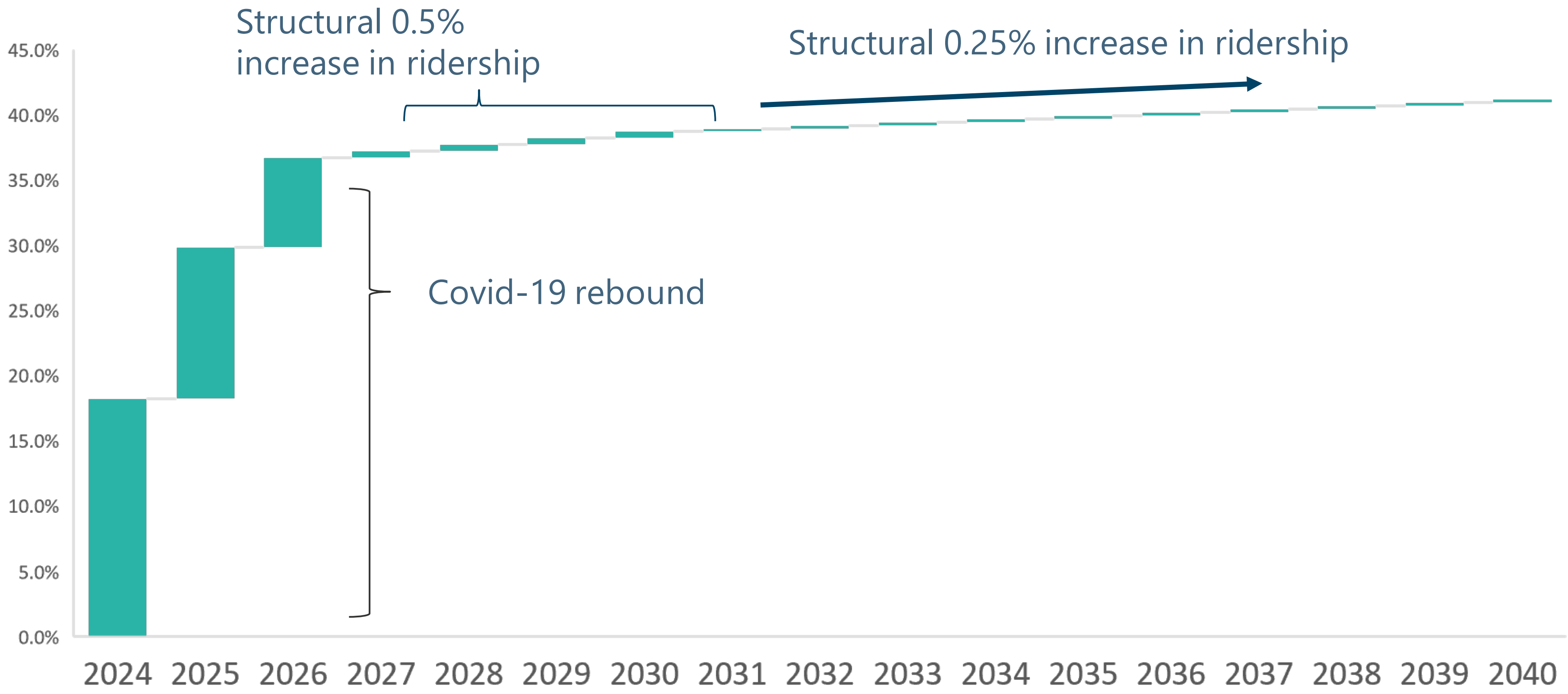
The PF assumes continued "rebound" in ridership – several years post-COVID. In FY21-22, the system saw a ridership rebound of ~17%. The PF assumes a ~18% rebound in FY24, a ~11% rebound in FY25 and a ~7% rebound in FY26 after which point ridership grows at 0.5% per annum. While the system is currently experiencing a strong ridership rebound, it is not a given that the rebound will continue throughout FY24 and beyond.

The following sensitivity assesses the level of funding gap that would develop in the transit operating fund if ridership did not rebound as projected. It assesses the following scenarios:

- No rebound of ridership in FY24-25
- 30% rebound of ridership in FY24-25
- 60% rebound of ridership in FY24-25

Sensitivity #4: Changes in transit ridership growth

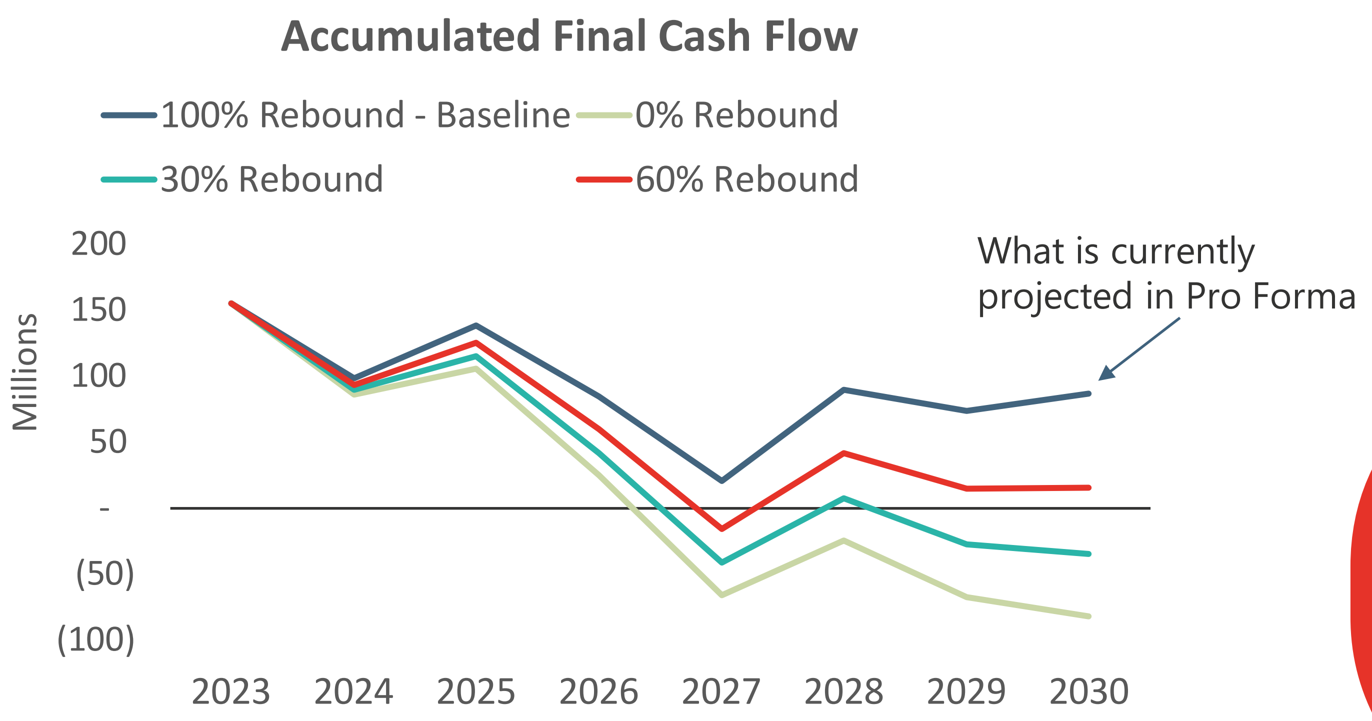
Pro Forma expects two jumps in ridership recovery in the years 2024 and 2025 in addition to a 0.25-0.5% annual increase in ridership



Sensitivity #4: Changes in transit ridership growth

A less than projected ridership rebound leads to deteriorated TOF balance.

Monitor rebound of ridership in the next three-years to determine new ridership revenue reality. Less than projected rebound, deteriorates TOF balance.



*For more information on ridership patterns, see Annex 2

Sensitivity #5: Elimination of CGF MOE Adjustments

DTPW's Transit Operating Fund is heavily reliant on the County General Fund (CGF) Maintenance of Effort (MOE) – without it the TOF would face deficits. In July 2005, the PTP was amended to restore CGF MOE support to DTPW* to the pre-Surtax level of $123.171 million and be annually increased by 3.5%**.

There have been instances where DTPW's projected funding needs required CGF MOE annual increases above the 3.5% mandated. As documented in 2019, in FY20-21 a 30% increase was projected and in FY22-23 a 15% increase needed.***

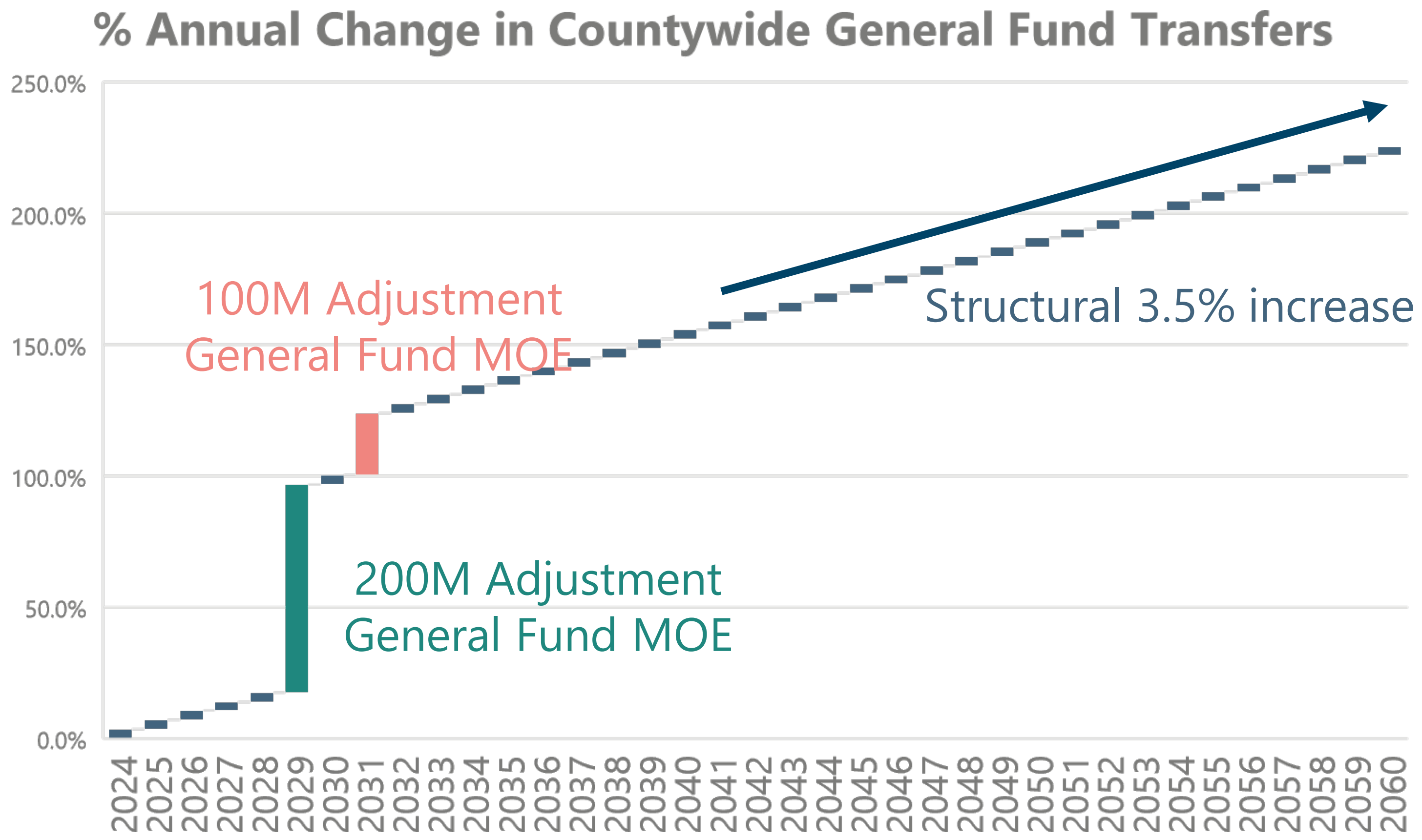
Likewise, the current Pro Forma projects an additional increase (beyond the 3.5%) of 73% or 200M in FY28 and an additional increase of 15.7% or $100M in FY30. This additional CGF MOE is needed to balance the TOF, which receives reduced PTP Revenue fund support during those years on account of increased debt service. The 2028 adjustment is projected in the *FY23 -24 proposed budget and multi-year capital plan*****, which proposes through FY28-29; however, there are not yet documented plans including FY30 data so that figure is less certain.

The following sensitivity examines these two exceptional adjustments to the CGF MOE in 2028 and 2030 and the funding gap that develops when this money is not received.

*Called Miami Dade Transit (MDT) at the time
**Source: PTP 5-Year Plan Update, 10th Annual Update
***Source: Board of County Commissioners, Office of the Commission Auditor, PTP and General Fund MOE, Memorandum, September 18, 2019
****See: FY 2023-24 Proposed Budget Volume 1, "expenditure forecast" p77

Sensitivity #5: Elimination of CGF MOE Adjustments

Currently growth in CGF MOE sees two baseline adjustments



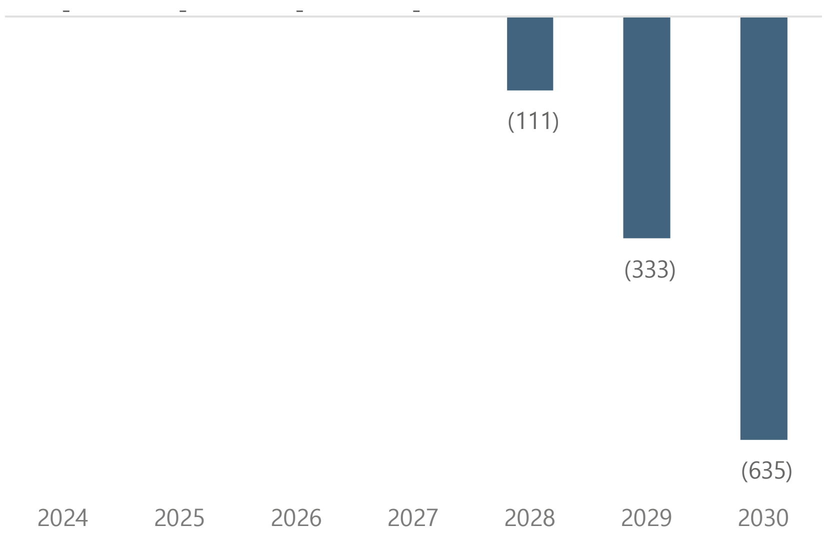
Overview:
Every year, DTPW's Transit Operating Fund receives a transfer from the Countywide General Fund (CGF) MOE. This transfer grows a 3.5% p.a.

Current Assumption:
Two baseline adjustments to the yearly transfer figure:
- $200M in FY28 (79.2% increase)
- $100M in FY30 (23.9% increase)

Sensitivity #5: Elimination of CGF MOE Adjustments

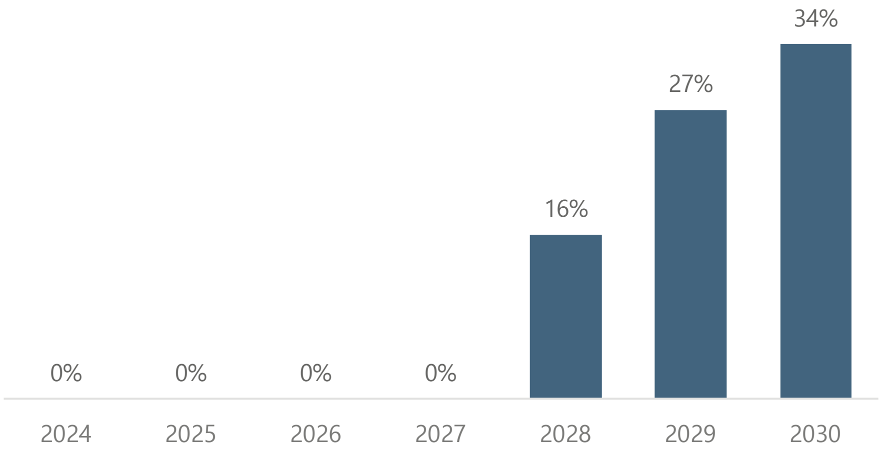
Sensitivity assesses a scenario in which DTPW does not receive anticipated CGF MOE adjustments in 2028 and 2030.

Accumulated Deficit without MOE Adjustments ($M)



This would imply a reduction in funds for OPEX

Percentage of unfunded OPEX in TOF



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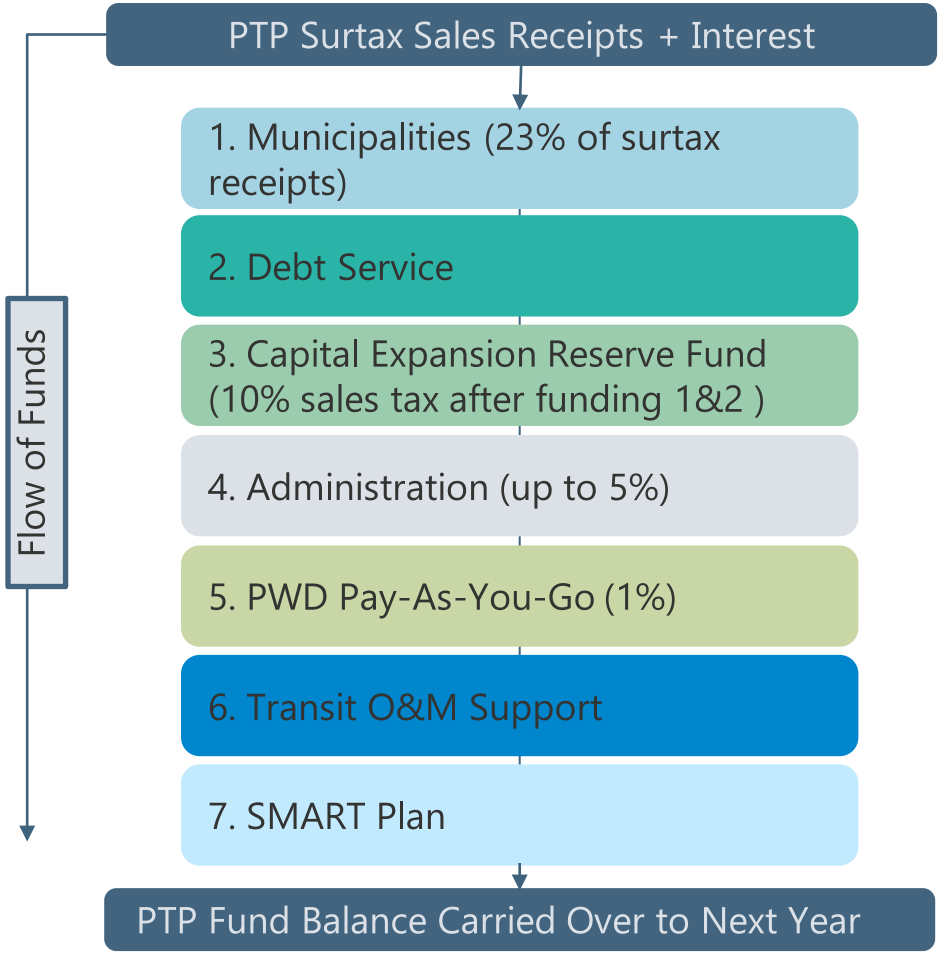
PTP Revenue Fund: Assumptions in the Pro Forma, Observations and Commentary

PTP Revenue Fund: Overview



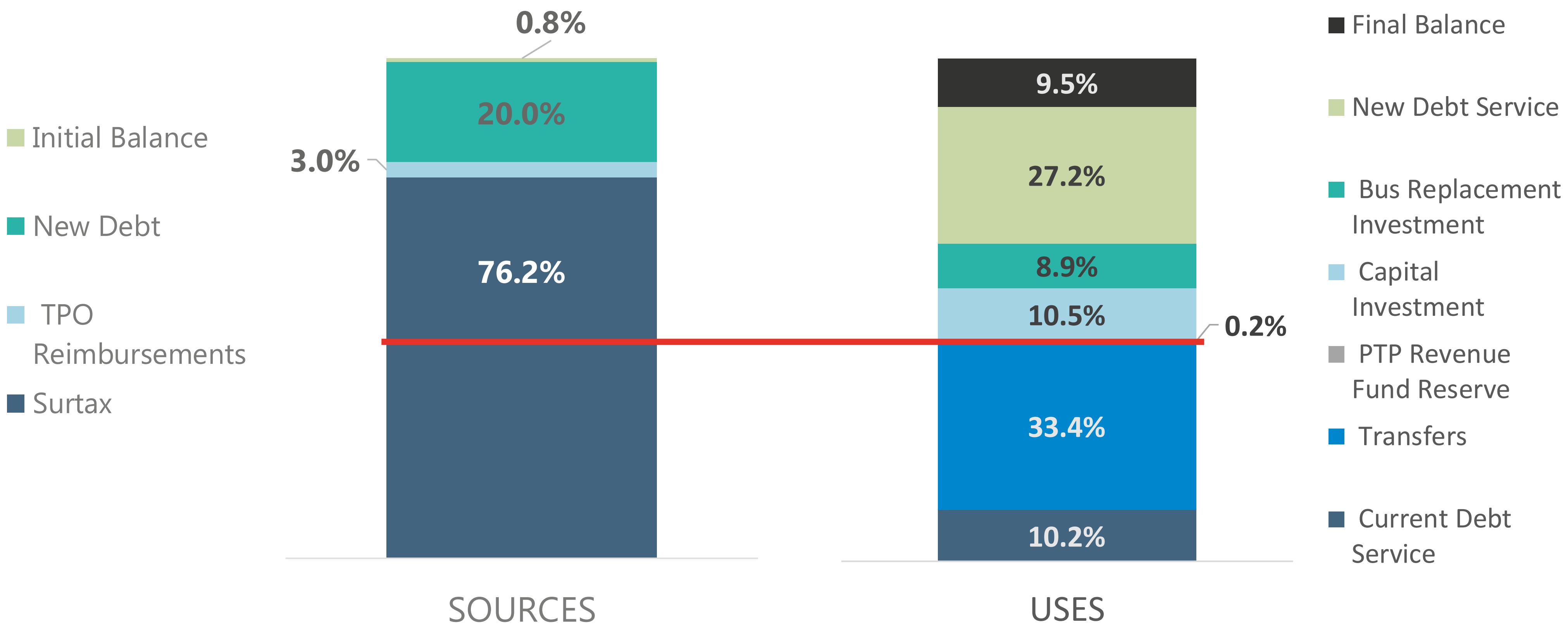
The Pro Forma's (PF) PTP Revenue Fund shows inflows of PTP Sales Tax Receipts as well as a marginal interest fee of 200K per year.

The PTP Revenue fund then shows outflows as per ordinance to municipalities (#1), to service debt (#2), as per ordinance to the Capital Expansion Reserve Fund (#3), to Administration (#4), to PWD Pay-As-You-Go (#5) projects, to the Transit Operating Fund for Transit O&M support (#6), and finally to the SMART Plan (#7).

Details of these outflows and the assumptions regarding these outflows for the PF period are covered in the following slides.

PTP Revenue Fund Overview- Sources and Uses 2024-2061

Throughout the Pro Forma period, Surtax revenues can cover current debt service and transfers



PTP Revenue Fund Assumptions: Surtax Revenue (1/2)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

FY24 Estimate	How Calculated	Assumed Annual Growth Rate
$424 million	4.7% increase over the FY23 sales tax revenue figure	FY25-FY27: 2.5% FY28-FY63: 3.0%

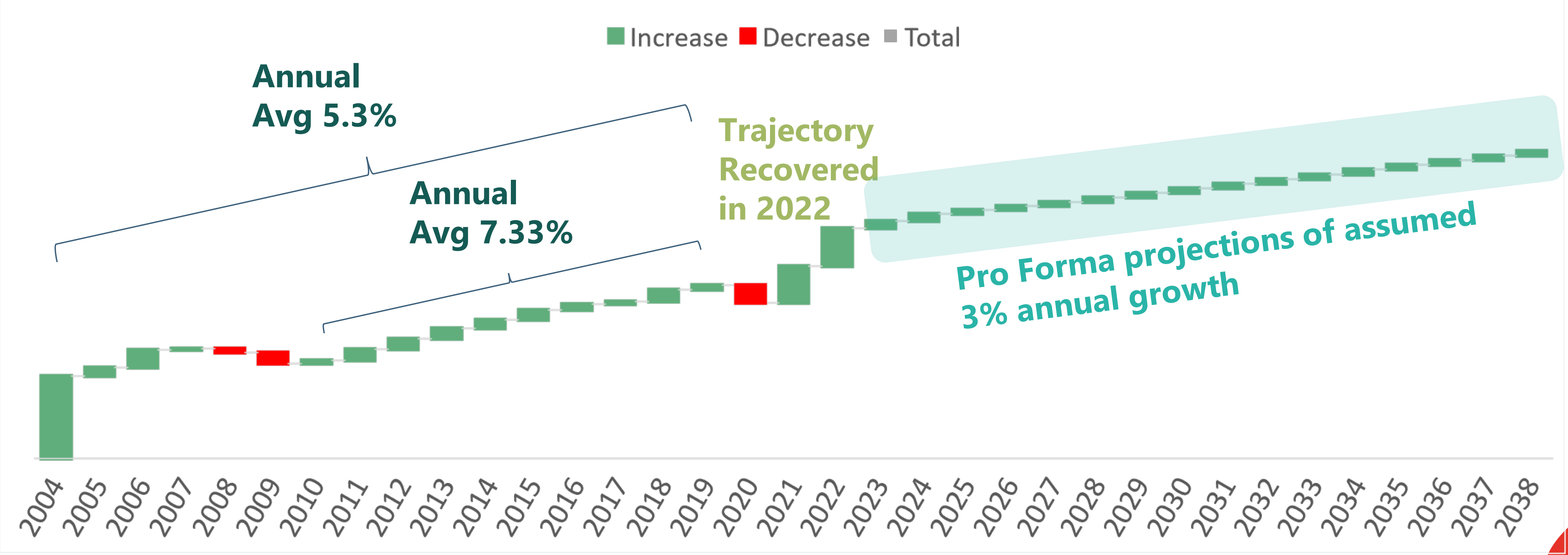
Commentary / Analysis:
Assumed annual growth rate for surtax revenue is conservative given historical patterns of annual sales tax growth rate of 5.3% between 2004-2019 (refer to graphic on following slide).

Recommendation: Keep an eye on surtax growth rate, as lower-than-expected growth could impact investments.

See Sensitivity #1 for an examination of how less surtax revenue impacts the Transit Operating Fund.

PTP Revenue Fund Assumptions: Surtax Revenue (2/2)

After a COVID-19 slump, sales tax revenue growth trajectory recovered in 2022, and Pro Forma conservatively assumes 3% long-run growth



PTP Revenue Fund Assumptions: Municipalities

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Overview:

Transfers to municipalities are in line with the People's Transportation Plan (PTP).

For FY24, PTP Sales Tax "Transfer to Existing Municipalities," is estimated at $84.8 million (M), which per the PTP, is calculated as 20% of surtax receipts. Over the PF period transfers to Existing Municipalities is estimated at $6.3 billion (B).

For FY24, "Transfer to New Municipalities" is estimated at $12.7M, which covers municipalities not included in the original PTP. This transfer is calculated at 3% of total PTP Surtax revenues. Over the PF period, transfers to New Municipalities is estimated at $945M.

PTP Revenue Fund Assumptions: Debt Service (1/6)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Overview / Analysis – PTP Bond Financing:
After allocation to municipalities, PTP surtax sales receipts service debt issued for PTP-eligible capital expenditures. The PF's PTP Debt Capital Fund includes a debt issuance schedule that assumes new debt is issued each year from FY25, leading in certain cases, to excess liquidity (refer to graphic on following slide). Debt is assumed to be issued for a 30-year term at 6% interest, which is conservative based on a historic average of 4%*.

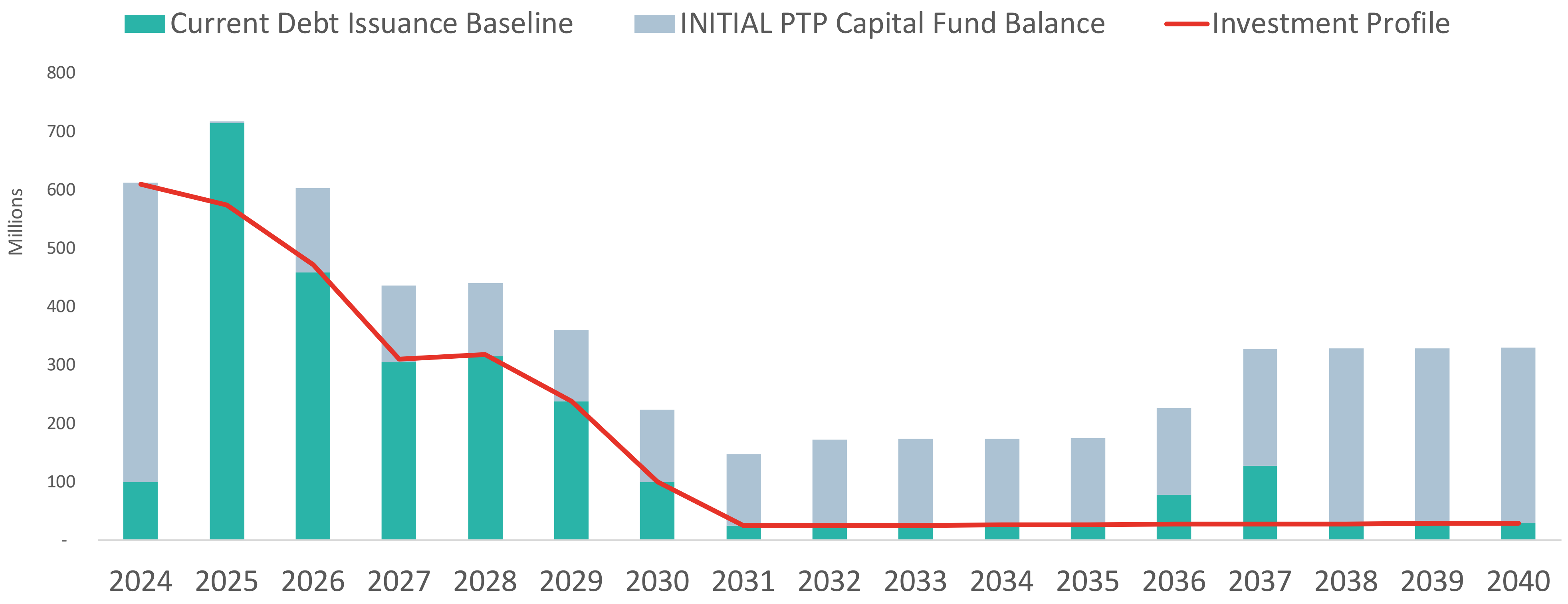
👉 **Recommendation: Review debt issuance model considering excess liquidity in the Debt Capital Fund.**

Debt Capital Fund Assumptions
• Debt issued annually from FY25 for 30-year term @ 6% interest • Issues debt if estimated capital expenditure needs over a period of two years minus the PTP capital fund's beginning balance for the current year is greater than zero. • Does not account for existing balance in PTP revenue fund

*Source: https://emma.msrb.org/IssueView/Details/P2417759

PTP Capital Fund Assumptions: Debt Issuance Dynamics

Debt is issued based on investment needs without considering available cash, leading to excess liquidity (i.e. “unproductive cash”)



PTP Revenue Fund Assumptions: Debt Service (2/6)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Analysis – Transit Debt: Current PTP Capital Fund

The Current PTP Capital Fund covers PTP eligible debt-financed expenditures in the short term. These are focused on SMART Plan Corridor investments.

Total estimated expenditures from the Current PTP Capital Fund is $2.6B, of which $1.4B (54%) is to cover capital costs associated with the SMART Plan corridors of Beach, East-West, North, and Northeast.

The projected financing from the PTP Bond Program, when complemented with state and federal funding sources, covers the anticipated capital costs for these corridors. **See Annex 1** for more on the funding/financing breakdown for these corridors.

Expense Type	Years	Estimated Amount ($)	Uses
Transit - Current PTP Capital Fund	FY24-30	2.6B	54% for Strategic Miami Area Rapid Transit (SMART) Plan Corridors.

PTP Revenue Fund Assumptions: Debt Service (3/6)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Analysis – Transit Debt: Future PTP Capital Fund

The Future PTP Capital Fund covers PTP-eligible expenses over the mid- to long-term. The fund estimates a total of $1.45B in expenses, incl. $33.3B to rehabilitate Metrorail cars, an underestimation of the costs to rehabilitate the 128 active Metrorail cars.* With a 31-year useful life*, all cars will need mid-life rehabilitation during the PF period, estimated at $1.5M/car**, totaling $192 million for the active fleet, representing a projected shortfall of $158.7 million. Based on the age of the current fleet, the bulk of this expense is expected around FY33-FY35.

Recommendation: Revisit size and timing of estimates for Metrorail car rehabilitation to ensure they adequately plan for the costs.

Expense Type	Years	Estimated Amount ($)	Uses
Transit – Future PTP Capital Fund	FY31-63	1.45B	Capital improvements and upgrades, Metrorail rehab, etc.

Sources:
*Miami Dade County DTPW Asset Management Plan, 2022
**CITT estimates

PTP Revenue Fund Assumptions: Debt Service (4/6)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Overview - PWD PTP Capital Fund Expenditures:
A portion of the PTP debt pays for Public Works Department (PWD) eligible expenditures.

Of note, the PWD capital fund only has estimated eligible expenditures listed from FY24-FY26 totaling $20.9M after which point the fund retains a balance of $22.5M for the remainder of the PF period.

Expenditure Type	Years	Amount ($)	Uses
PWD Capital	FY24-26	$20.9M	Right-of-way acquisition, signalization, road widening, safety improvements, etc.

PTP Revenue Fund Assumptions: Debt Service (5/6)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Overview – Bus Replacement Financing:
The PF includes an overview of *current* bus replacement debt financing based on pre-agreed terms and schedule—values are hardcoded into PF. The projected amount for this current debt is $244.5 million (FY24-34).

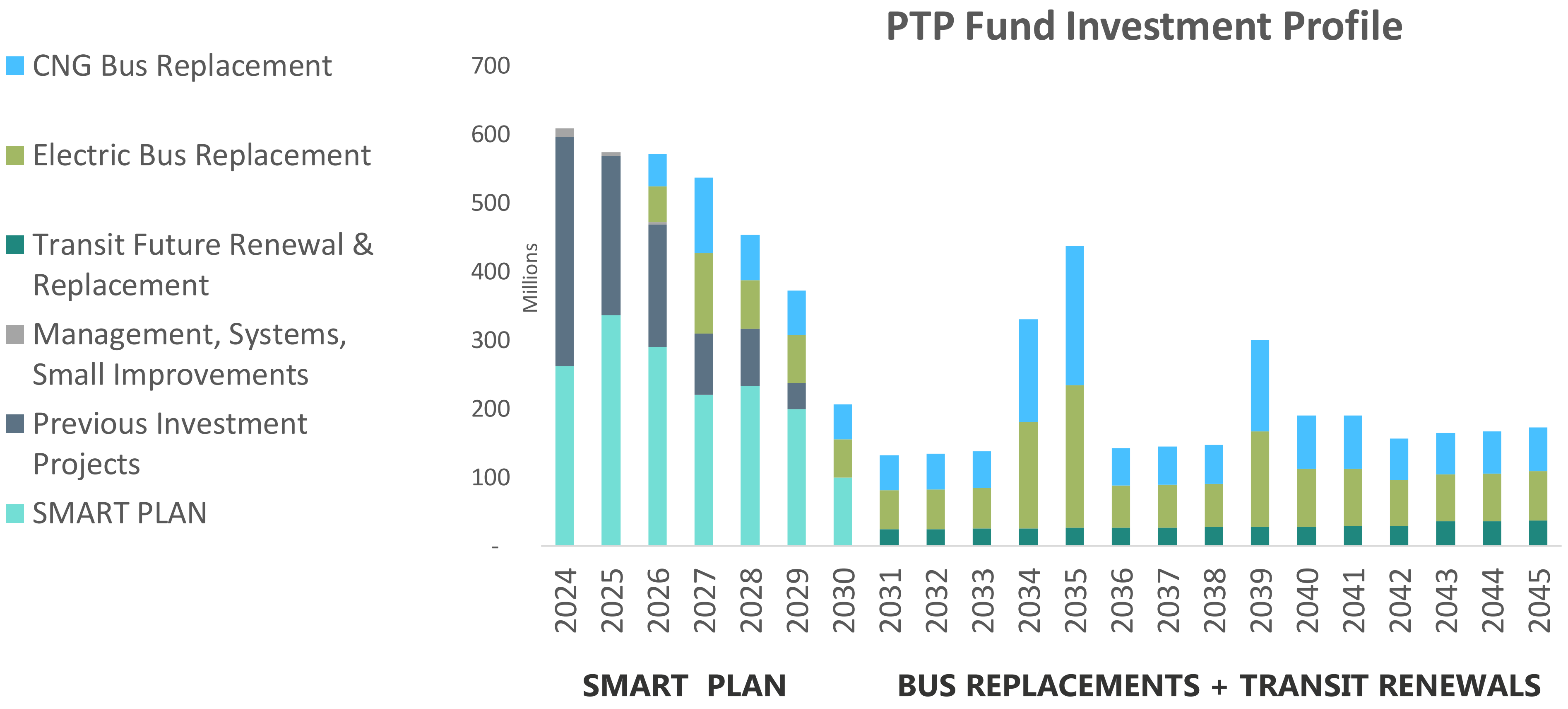
From FY25-FY63, the PF assumes *lease financing* to purchase new buses in accordance with bus financing needs as per 'Bus Vehicle Replacement Program' schedule and assumes 12-year debt @ 3.5% interest. This estimated financing is in line with the FTA standard useful life for buses, which is 12 years.* Generally, the manufacturers' agreements include warranties for the buses' useful life, covering any battery issues.

Expenditure Type	Years	Amount ($)	Uses
Current Bus Replacement	FY24-34	$244.5M	Bus replacement capital costs
Future Bus Replacement	FY35-63	$3.6B	Bus replacement capital costs

*Source: https://www.transit.dot.gov/funding/procurement/third-party-procurement/asset-life

PTP Revenue Fund Assumptions: Debt Service (6/6)

Debt investments center on SMART Plan corridors until FY30, after which assumed investments shift towards bus replacements and transit renewals.



PTP Revenue Fund Assumptions: Transfers to CERF (1/2)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (CERF)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

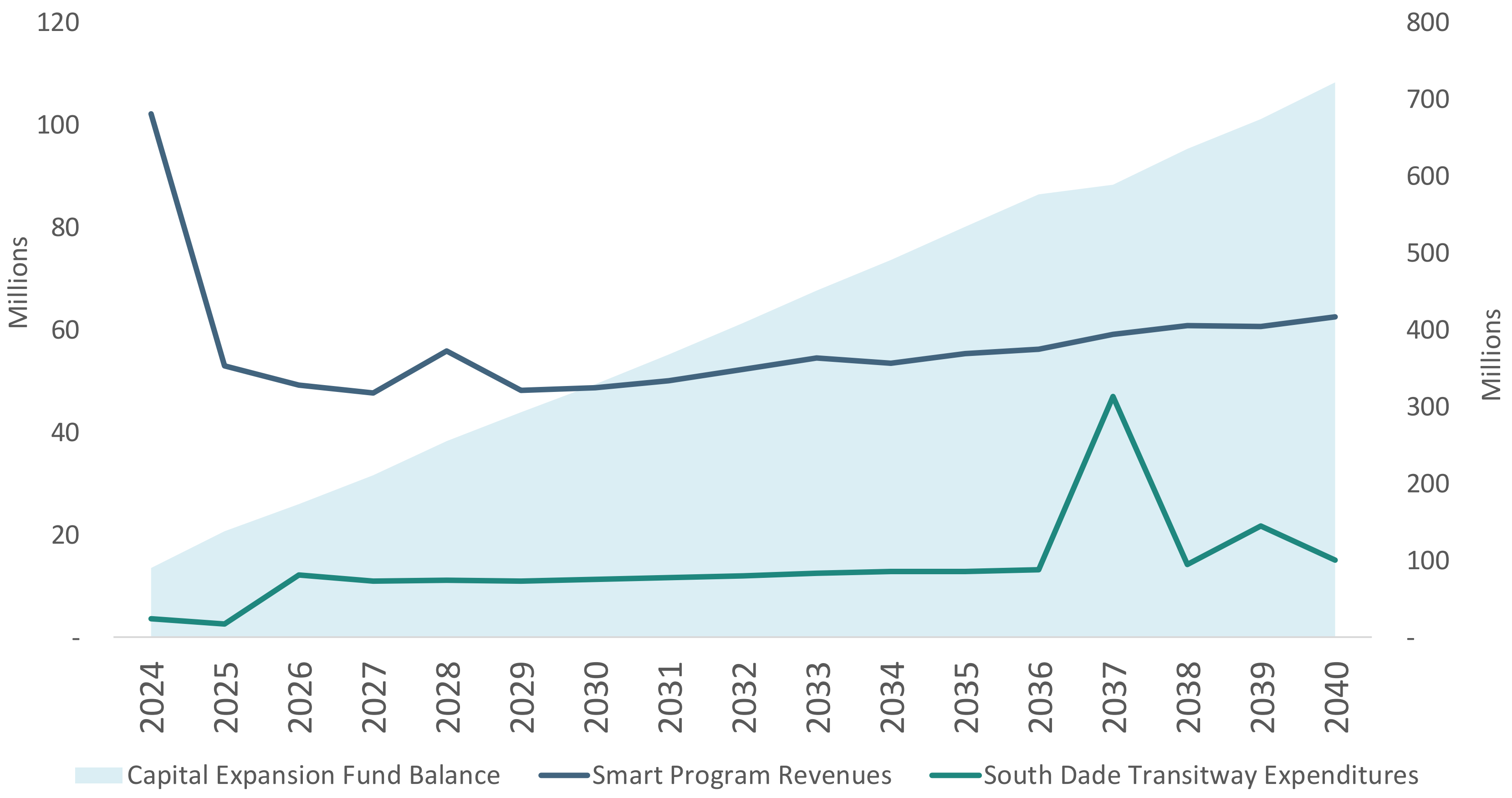
FY24 Estimate	Total over PF Period	How Calculated
$18.3M	$1.073B	10% of surtax receipts remaining after allocating 20% to *existing* cities and servicing debt

Commentary / Analysis:
Transfer amount highly dependent on debt service; in years of high debt service, transfers to CERF much lower. PF FY24-FY26 shows expenditures from the CERF of $15.5M for SMART Plan, Sunshine Station, South Dade Transitway Corridor, and Aventura Station, though after FY26, no more expenditures. Over the PF period a balance of $1.06B accumulates in the Fund, which is not carried over to the PF summary sheet so perhaps the expectation is that CERF balance will be spent but is not yet programmed.

👉**Recommendation: Clarify use of CERF funds as large unused cash balance expected to accumulate over PF period.**

PTP Revenue Fund Assumptions: Transfers to CERF (2/2)

The Capital Expansion Reserve Fund (CERF) receives an average income of 50M+ per year with very little estimated expenses over the PF period and thus accumulates cash.



PTP Revenue Fund Assumptions: Administration

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

FY24 Estimate	Total over PF Period	Assumed Growth Rates
$3.7M	$281.5M	FY24 -25: 4.05% FY25-26: 3.75% FY26-27: 3.5% FY27-30: 3% FY30-33: 2.3% FY33-63: 3%

Commentary / Analysis:

- Expenses for Surtax sales receipts administration below 1% for the entire PF period

PTP Revenue Fund Assumptions: PWD PAYG

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

FY24 Estimate	Total over PF Period	Assumed Growth Rates
$500K	$3M	No projected growth over the Pro Forma period.

Commentary / Analysis:
Allocation to Public Works Department (PWD) Pay-As-You-Go (PAYG) from FY24-FY29 at $500,000/year.

This figure does not grow in line with inflation or any other relevant growth factor.

👉 **Recommendation: Adjust annual allocation to PWD PAYG for inflation.**

PTP Revenue Fund Assumptions: Transit O&M (1/2)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

*Discussion with OMB, September 5, 2023

Commentary / Analysis:
The PF assumes an annual transfer from PTP Revenue Fund to Transit Operating Fund. The FY24 base amount, which is hardcoded, is based on reporting that suggests the County's General Fund supported roughly $100M in PTP-eligible expenses in FY22-23.* The PF takes this amount as a base amount for PTP transfers to the TOF. These transfers grow at a rate of 2%; however, as between FY28 and FY53, the PTP Revenue fund has insufficient cash to support these transfers the amount is reduced by a "Balancing Transfer," an excel maneuver to balance the fund. To make up for this lost revenue to the TOF, PF assumes extraordinary infusions from the Countywide General Fund in FY28 and FY30.

FY24 Estimate	Total over PF Period	Assumed Growth Rates
$113.5M	$3.96B	Grows at 2%; figure decreased by 'Balancing Transfer' FY28-FY53

PTP Revenue Fund Assumptions: Transit O&M (2/2)

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Commentary / Analysis:

Based on the information in the PF, it is unclear whether the PTP transfer to the TOF is for PTP-eligible expenses, as required by Miami Dade County's H.B. 355.

Sensitivity #3 which models the level of transfer needed from the PTP Revenue Fund to the TOF to cover presumed eligible PTP expenses suggests that early projected transfers are higher than eligible expenses.

Recommendation: DTPW / OMB and CITT should jointly review PTP-eligible expense to determine the annual transfer from the PTP Revenue Fund to the TOF.

See Sensitivity #3 for what annual PTP Transfers to the TOF would look like if the transfers were solely for O&M related to PTP capital investments.

PTP Revenue Fund Assumptions: SMART Plan

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

Transfer to	FY24 Estimate	Total over PF Period	Assumed Growth Rates
SMART Plan from swapped TPO Flexed SU grant	$30M	$1.2B	No growth
Charter County Surtax (*Only see transfers FY24-28)	$32.6M	$ 38.8M	Based on pre-determined investment needs related SMART Plan. FY24 is the highest transfer.
SMART Plan from Available PTP Revenue Funds	$3M* starts in FY25	$117M	No growth

PTP Revenue Fund Assumptions: SMART Plan

PTP Surtax Sales Receipts + Interest

1. Municipalities (23% of surtax receipts)
2. Debt Service
3. Capital Expansion Reserve Fund (10% sales tax after funding 1&2)
4. Administration (up to 5%)
5. PWD Pay-As-You-Go (1%)
6. Transit O&M Support
7. SMART Plan

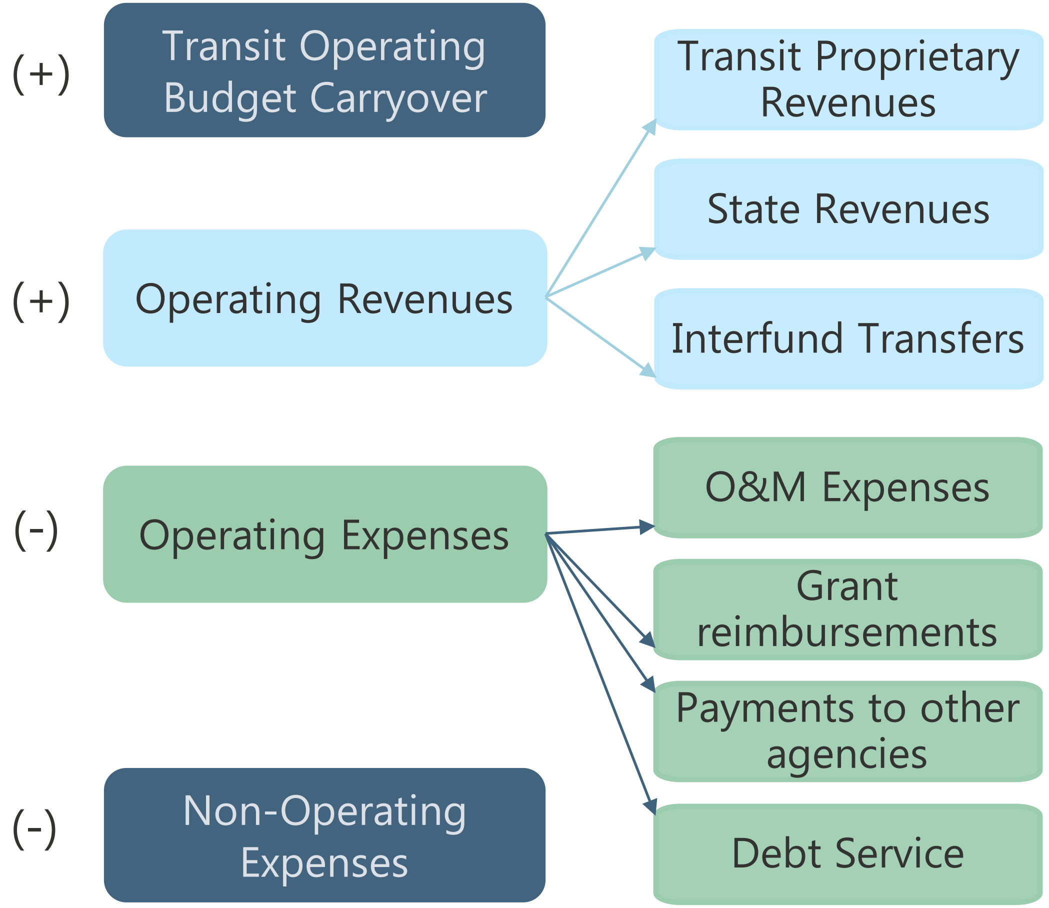
Commentary / Analysis:

- It is unclear the basis for the annual $30 million swapped TPO Flexed SU grant and why this figure does not grow throughout the Pro Forma period.
- It is unclear why the transfer to the SMART plan from “available PTP Revenue Funds” stays static at $3M/year over the Pro Forma period, given the PTP Revenue Fund is projected to retain a cash balance in many years.

5

Transit Operating Fund: Assumptions in the Pro Forma, Observations, and Commentary

Transit Operating Fund: Overview



The Transit Operating Fund (TOF), as presented in the Pro Forma, maintains a positive operating budget carryover each year (FY24-63). However, this positive balance is only possible due to significant interfund transfers, a key revenue source in addition to proprietary revenues (e.g., fares) and State transfers.

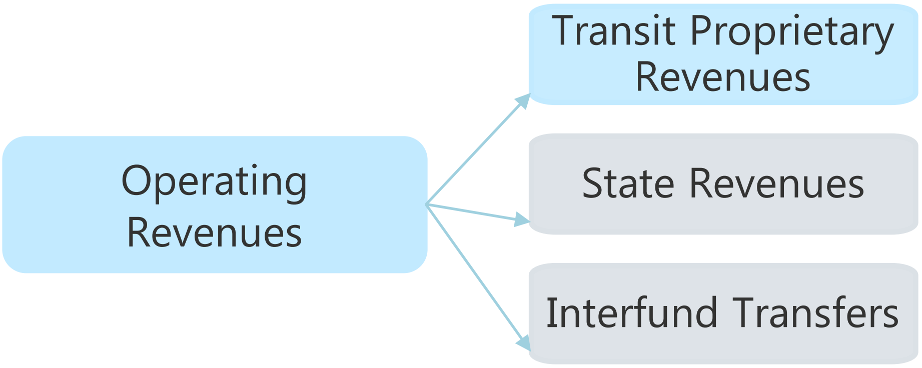
These revenue sources are reduced by the expenses required to operate and maintain the transit system (O&M Expenses), payments to other agencies and non-PTP related debt service. Grant reimbursements are shown as a negative expense and serve to reduce total expenses.

The TOF faces negligible non-operating expenses, which total $132M over the Pro Forma Period.

Details of the TOFs key revenues and expenses and the respective assumptions are covered in the following slides.

Transit Operating Fund: Operating Revenues (1/7)

Transit Proprietary Revenue Assumptions



Source	Total ($M)	Assumed Growth
Transit Fares	$4,500	In line w/ passenger growth: 0.5% FY25-30 and 0.25% FY31-63
Fare Increases	$33.9	Planned increases of 5.65M in FY30 and every 7 years after
Other	$540	$13.5M/year no growth
JD SMART	$132.4	Hardcoded for each year

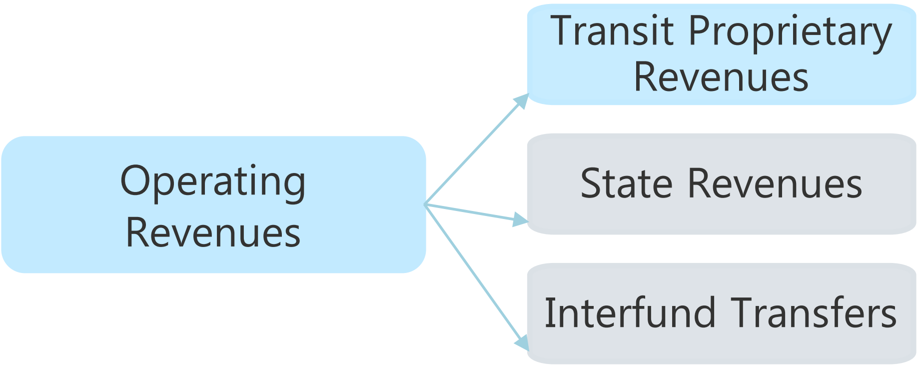
Overview/Analysis (1/2):
Transit proprietary revenue sources make up 13% of the TOF's total revenue sources and include:

1. Transit fares
2. Planned fare increases
3. Other fees and charges
4. Joint-Development (JD) revenue reserved for SMART Plan, and Misc.

Transit fares (1) are the largest proprietary revenue source. They grow in line with assumed passenger growth and through *Planned Fare Increases (2)* in FY25, FY30 and then every 7 years thereafter (see graphic on slide 61). Transit Fares are assumed to achieve large increases through large ridership rebounds at the start of the PF period – between FY23 and FY24 (18%) and then again between FY24 and FY25 (11%).

Transit Operating Fund: Operating Revenues (2/7)

Transit Proprietary Revenue Assumptions



Source	Total ($M)	Assumed Growth
Transit Fares	$4,500	In line w/ passenger growth: 0.5% FY25-30 and 0.25% FY31-63
Fare Increases	$33.9	Planned increases of 5.65M in FY30 and every 7 years after
Other	$540	$13.5M/year no growth
JD SMART	$132.4	Hardcoded for each year

Overview/Analysis (1/2):

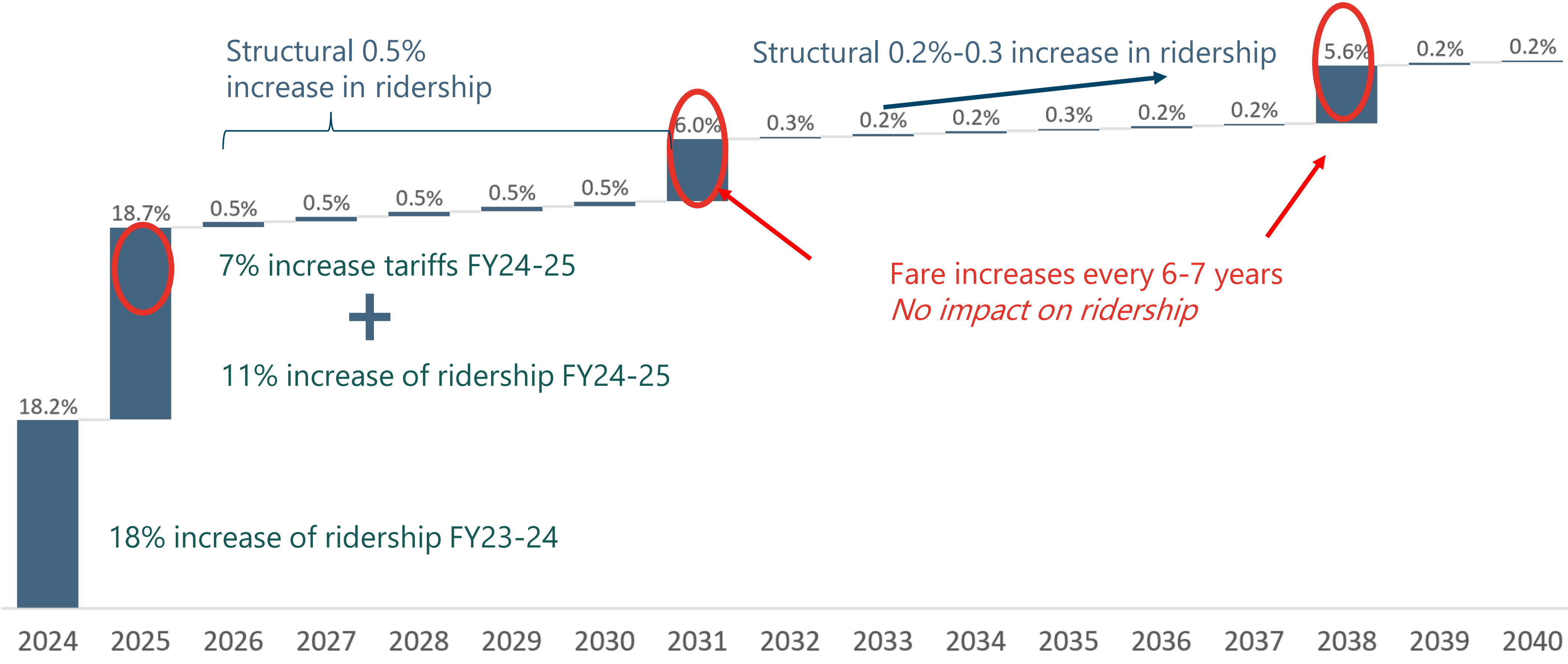
Per Annex 2, it is possible that ridership will see a large rebound in 2023, though unclear whether such a rebound will extend to 2024 as assumed in the PF. Further, PF assumes regularly scheduled ***Fare Increases (2).*** These fare increases are minor and do not significantly increase overall fare revenues

Recommendation: OMB / DTPW should review how less than projected ridership growth impacts fare revenue and consequently the operating budget.

See Sensitivities #4 for how changes in ridership growth and planned fare increases impact fare revenue.

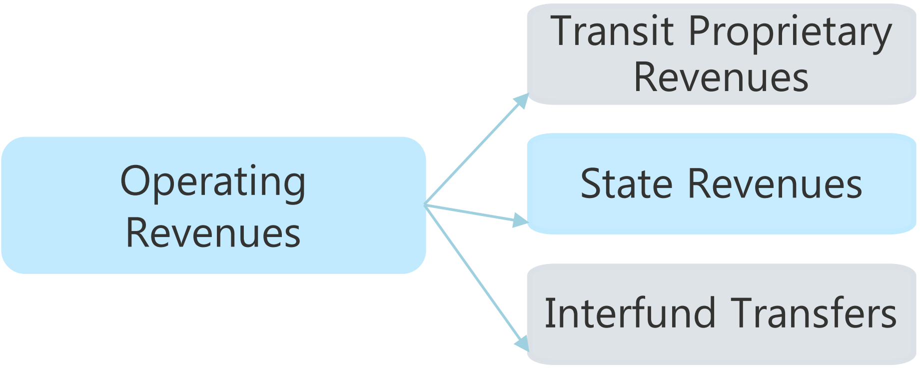
Transit Operating Fund: Operating Revenue (3/7)

Pro Forma potentially assumes a realistic baseline growth in ridership (FY23-25), though political feasibility and ridership impact of periodical fare increases should be assessed.



Transit Operating Fund: Operating Revenues (4/7)

State Revenues Assumptions



Overview:

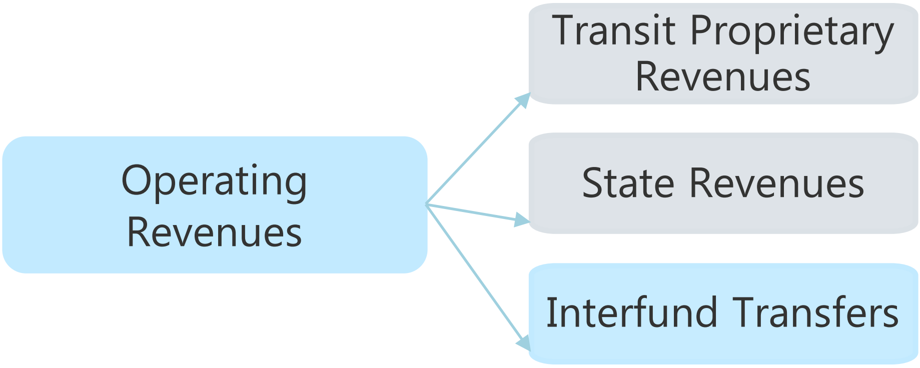
State revenue sources are minimal and represent only 1% of total operating revenues.

These sources include:

- A 'State Operating Assistance Grant' of $666,000 FY24-FY26
- State Transportation Disadvantaged Fund which provides $6.5M/year over the Pro Forma period. There is no growth in this figure.

Transit Operating Fund: Operating Revenues (5/7)

Interfund Transfer Assumptions



Revenue Source	FY24 ($M)	Total ($M)	Growth Assumptions
CGF MOE	238	40,200	3.5% / yr per ordinance
PTP Fund	113.5	3,960	2% per year; but reduced by "Balancing Transfer"
MOE Adjustments	N/A	300	2x – 2028 for 200M and 2030 for 100M
PTP Transfer	N/A	85	One-time in FY25

<u>Overview/Analysis (1/2)</u>

Interfund Transfers account for 86% of total TOF revenues over the PF period and include:

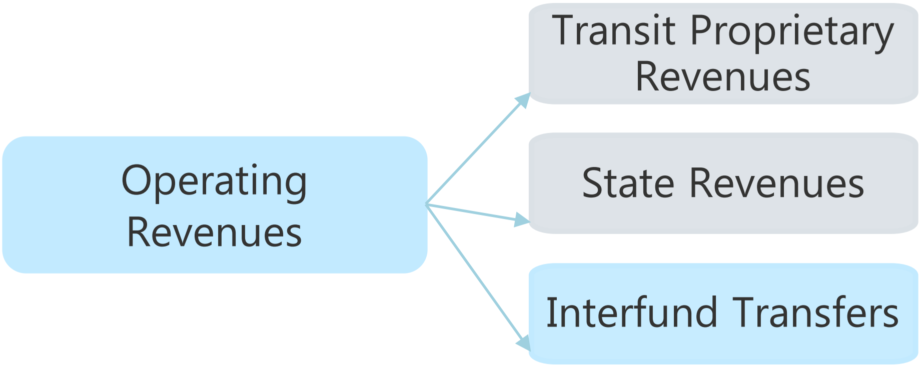
1. Countywide General Fund (CGF) MOE
2. PTP Revenue Fund Support
3. Extraordinary Adjustments to CGF MOE in FY28 + FY30
4. One-time Transfer from Transit Operating PTP Reserve

Ongoing ***CGF MOE (1)*** revenue support is instrumental to Transit operating revenues as are the ***Extraordinary Adjustments (3)*** made in 2028 and 2030. Without these adjustments the TOF would go into deficit.

Further, it is hard to confirm in the PF spreadsheet whether ***PTP Revenue Fund Support (2)*** and the one-time ***$85M transfer from PTP Operating Reserve (4)*** will be used for approved purposes.

Transit Operating Fund: Operating Revenues (6/7)

Interfund Transfers Assumptions



Revenue Source	FY24 ($M)	Total ($M)	Growth Assumptions
CGF MOE	238	40,200	3.5% / yr per ordinance
PTP Fund	113.5	3,960	2% per year; but reduced by "Balancing Transfer"
MOE Adjustments	N/A	300	2x – 2028 for 200M and 2030 for 100M
PTP Transfer	N/A	85	One-time in FY25

<u>Overview/Analysis (2/2)</u>

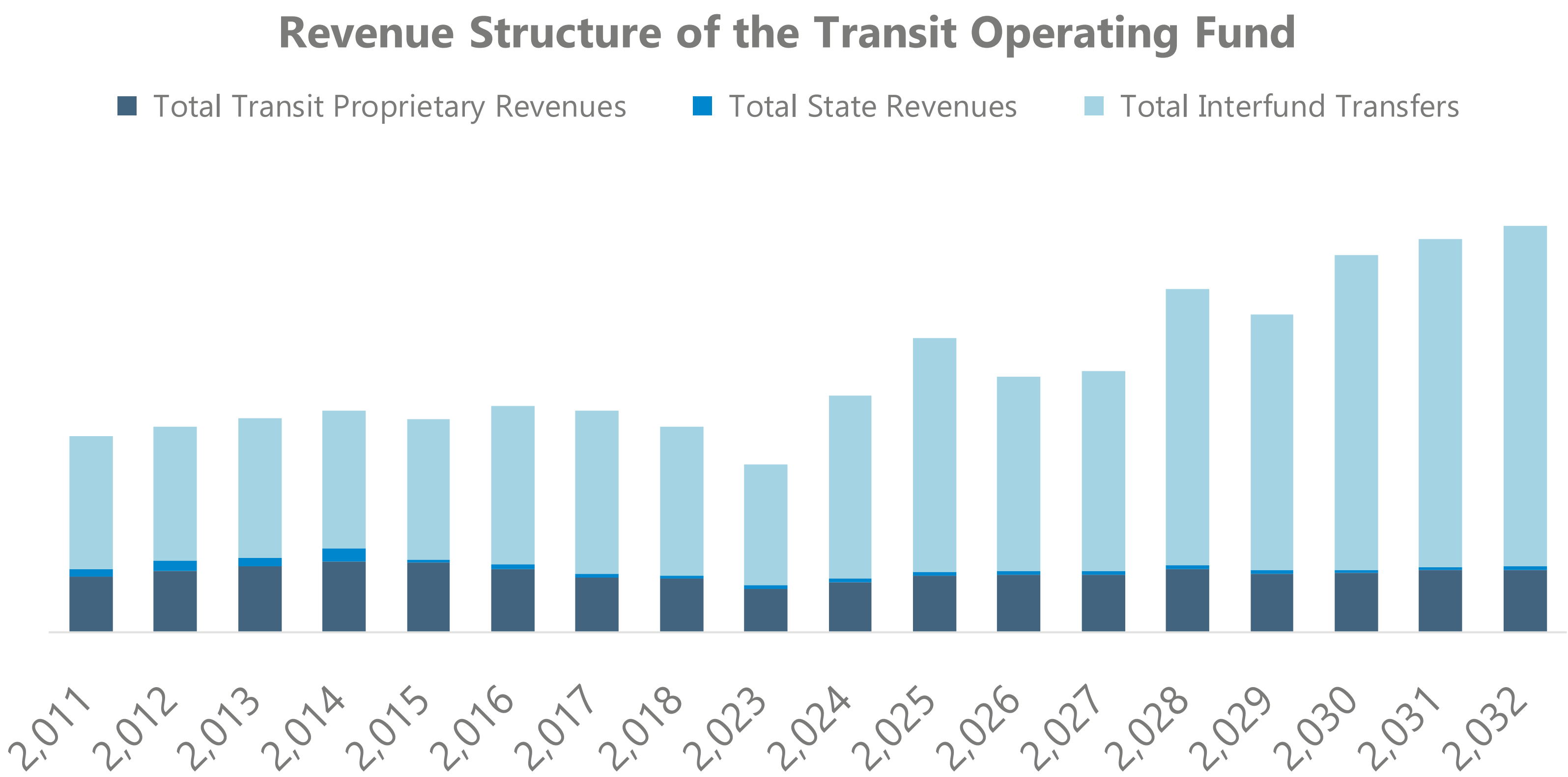
👉 **Recommendation: OMB / DTPW should confirm likelihood CGF MOE Extraordinary Adjustments made in FY28 and FY30.**

👉 **Recommendation: OMB / DTPW should detail the PTP-eligible expenses to be funded by the FY25 $85M transfer from the PTP Operating Reserve to the TOF.**

🔍 **See Sensitivity #5 for analysis of how not receiving CGF MOE Extraordinary Adjustments would impact the TOF.**

Transit Operating Fund: Operating Revenues (7/7)

Interfund transfers and transit proprietary revenues = 99% of TOF Revenue



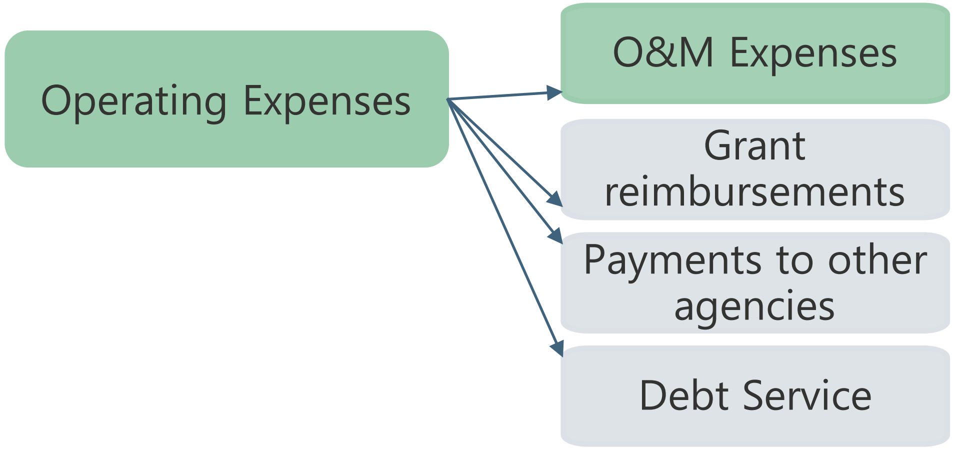
Interfund Transfers 86%

State Revenues 1%

Transit Proprietary Revenues 13%

Transit Operating Fund: Operating Expenses (1/5)

Transit O&M Expenses



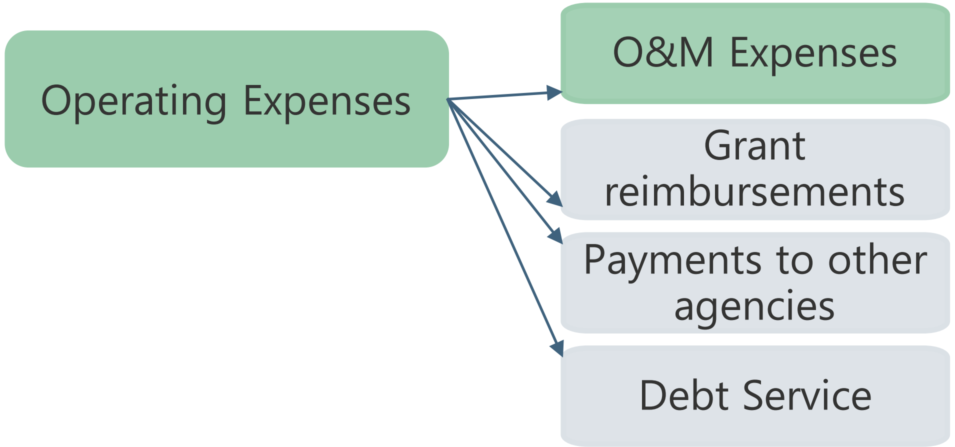
__Overview/Commentary:__

Compensation related O&M expenses are some of the largest and include:

- **Salaries** - proposed at $221M for FY24 and are set to grow at 2.5% until FY23 and then 3.0% thereafter, which seems reasonable. The Pro Forma does not include the 3% cost-of-living adjustment for salaries.
- **Overtime pay** - after seeing a reduction in FY25 grows in line with salaries.
- **Group Health and Dental, Retirement, and Fringe Benefits** –all grow in line with salaries

Transit Operating Fund: Operating Expenses (2/5)

Transit O&M Expenses



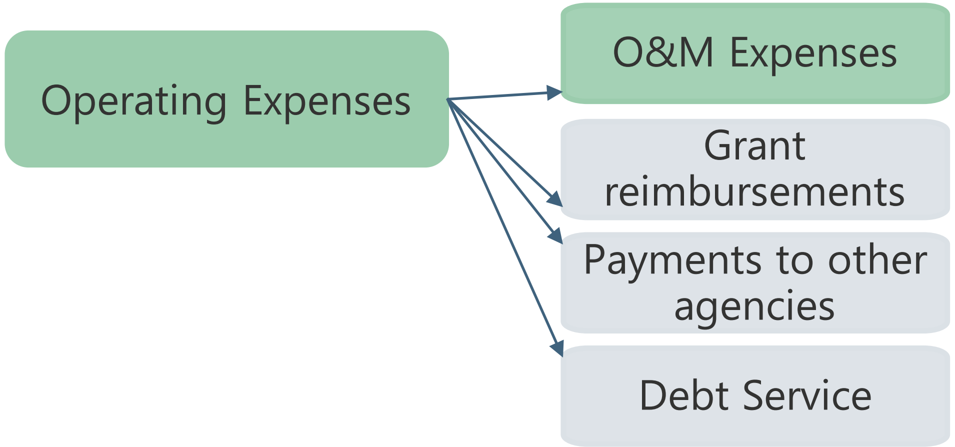
<u>Overview/Commentary:</u>

"Other Corridor Expansion" After compensation related expenses, operating expenses related to new SMART plan infrastructure coming online are the most significant. These expenses start in FY29 and are projected at $6.8B over the Pro Forma Period.

Further, "Other operating expenses" are another large operating expense line item. They are projected at $96M in FY24 and grow at an average rate of 3% over the Pro Forma period. It is not clear what comprises these expenses.

Transit Operating Fund: Operating Expenses (3/5)

Transit O&M Expenses



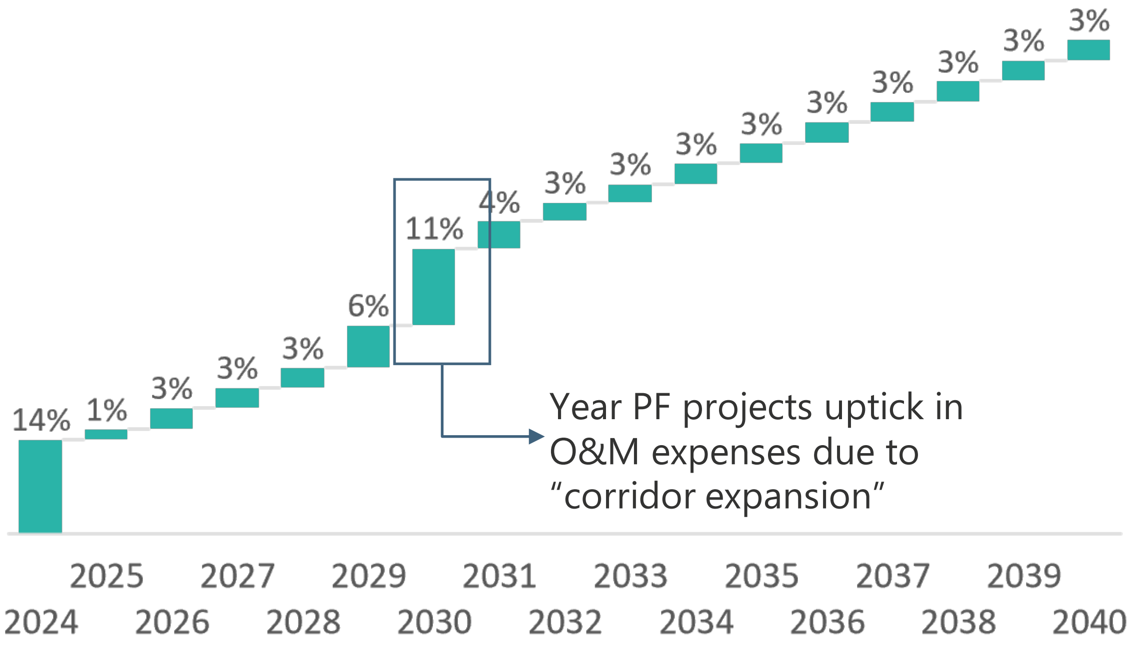
Overview/Commentary:

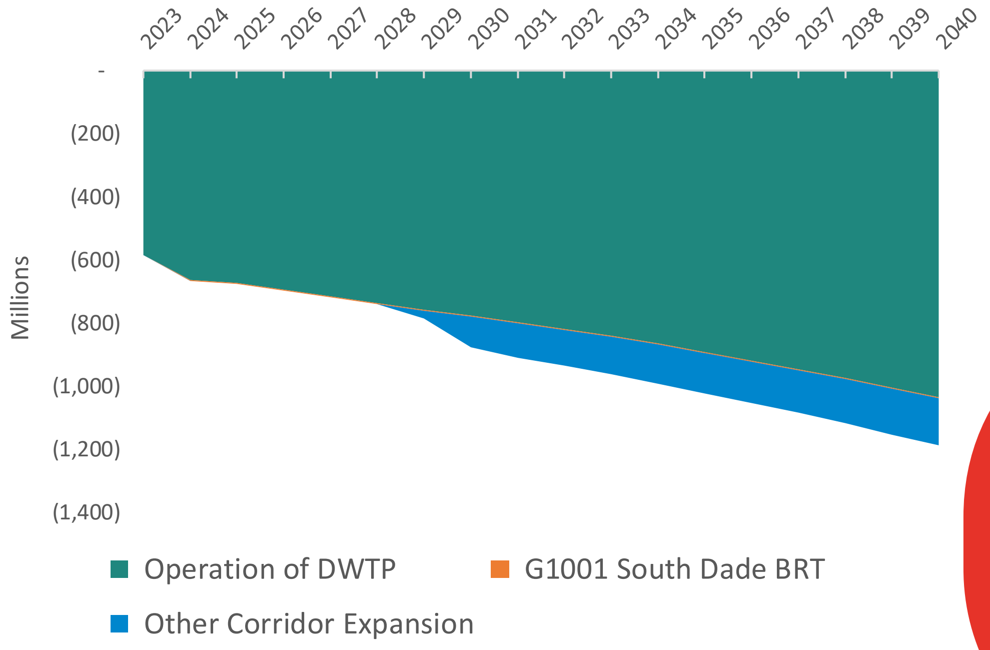
Certain line items expect large increases, and more information is needed to determine appropriateness:

- **Workers Compensation expense** - increases one percent from FY2023 to FY 2024 Budget, and then increases at 10 percent, for 10 years, with no apparent reason.
- **Capital increases** by approximately $6.4 million from FY2023 to FY2024. Moderate increases are included during the PF period. Assuming that these expenses are incurred during planning, design, and construction of capital projects, the value would need to decrease as the SMART Plan is implemented.

Transit Operating Fund: Operating Expenses

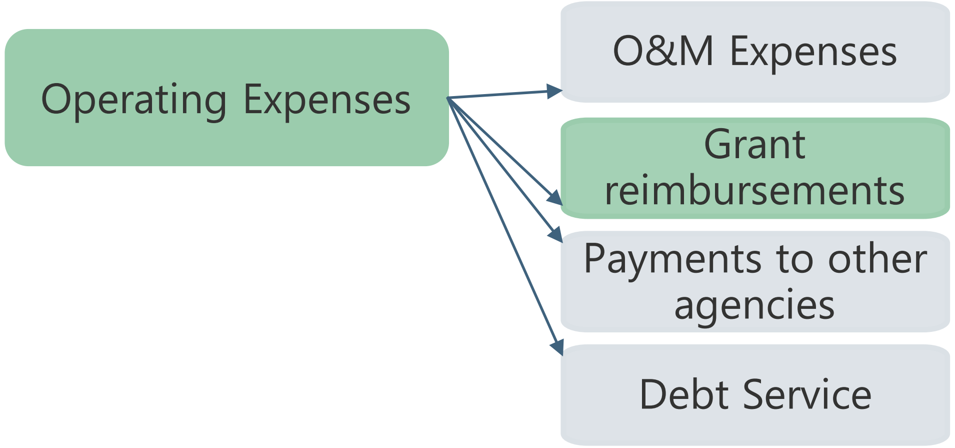
Once new corridors come online with corresponding increases in operating expenses, structure of the O&M expense profile changes to account for expenses related to the "other corridor expansion".





Transit Operating Fund: Operating Expenses

Grant reimbursements



Overview/Commentary:

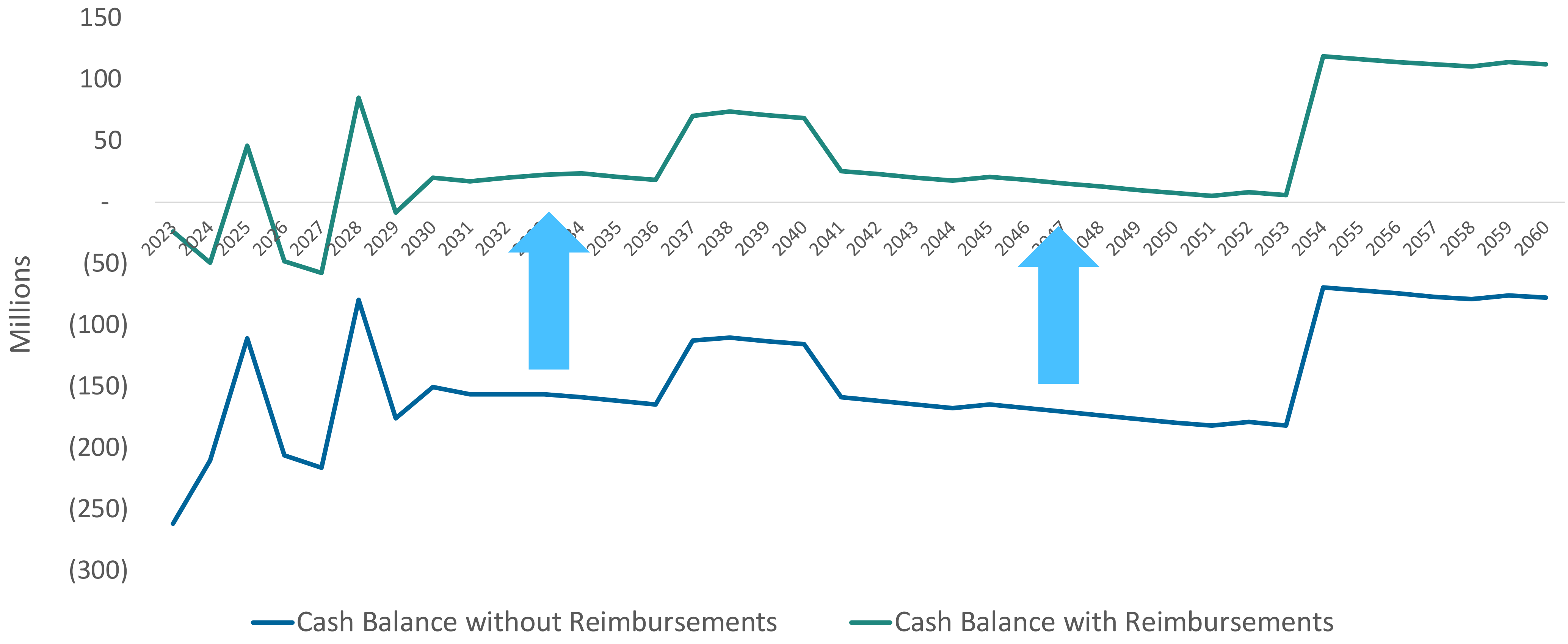
The TOF receives several "grant reimbursements" which serve to decrease transit expenses. Key reimbursements include:

- **Federal Grants** – the largest inflow; values are assumed through FY27 and projected to grow by 2.3% between FY28-33 and by 3% between FY34-63
- **State Grants** – second largest inflow; grow by 1% per year over the Pro Forma period.

Overall, the fund relies on reimbursements to achieve a positive cash flow structure (see figure on following slide).

Transit Operating Fund: Operating Expenses

Grant Reimbursements: TOF cash flow structure highly dependent on reimbursements to achieve non-negative yearly flows



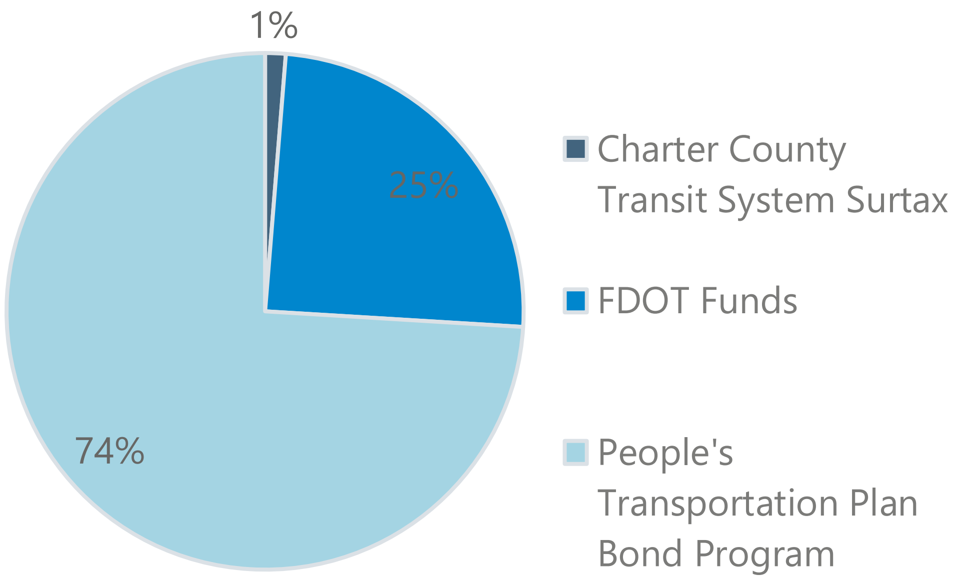
6

Appendices

Appendix 1: SMART Corridor Funding and Financing

Beach Corridor

Source	Total FY24-29 ($M)
Charter County Transit System Surtax	$13
FDOT Funds	$250
People's Transportation Plan Bond Program	$750
Total	$1013

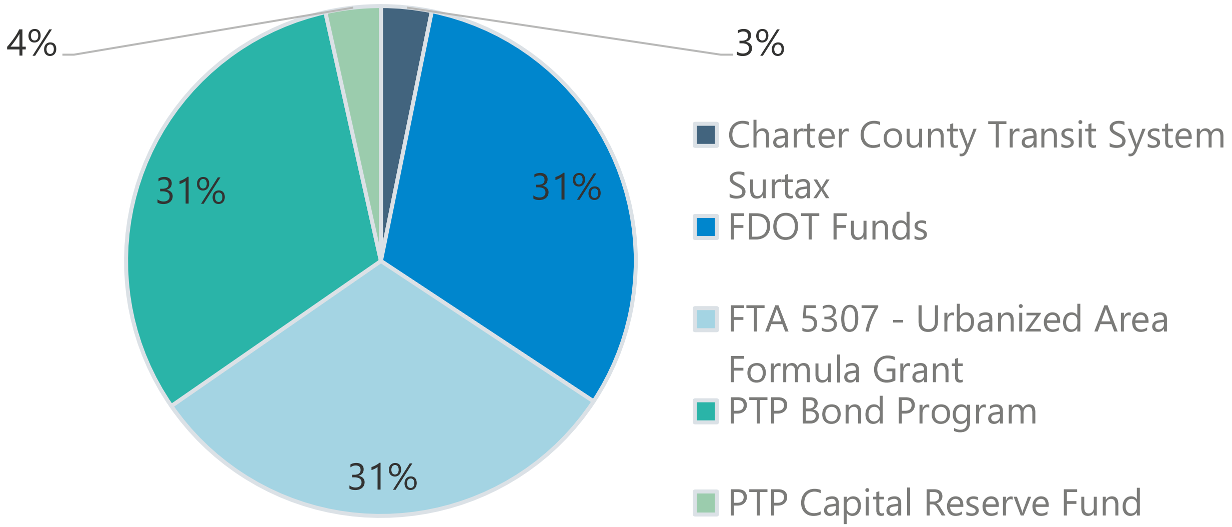


Source: OMB Data, 2023

Appendix 1: SMART Corridor Funding and Financing

East-West Corridor

Source	Total FY24-29 ($M)
Charter County Transit System Surtax	$9.32
FDOT Funds	$90.48
FTA 5307 - Urbanized Area Formula Grant	$90.48
People's Transportation Plan Bond Program	$90.63
Peoples Transportation Plan Capital Reserve Fund	$10.17
Total	$291.01

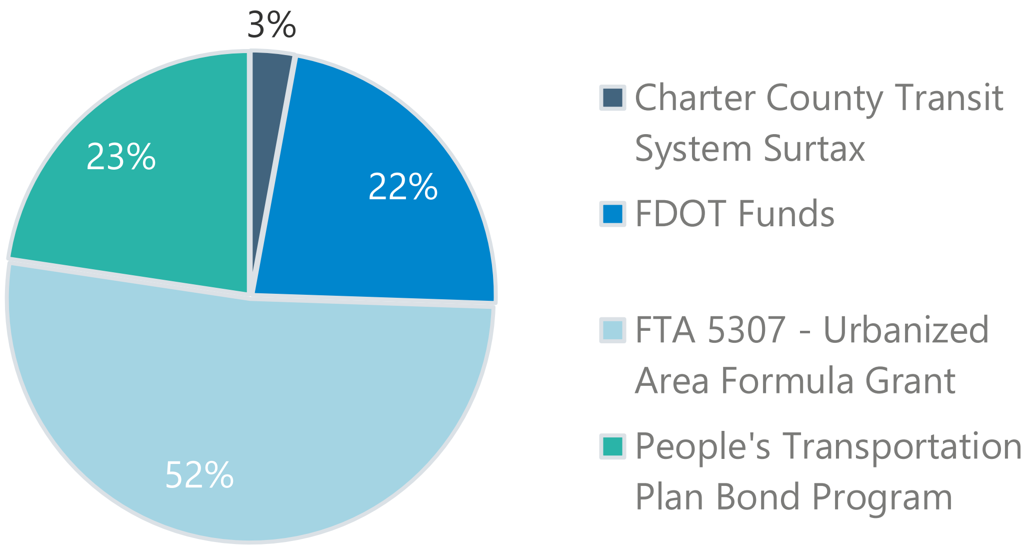


Source: OMB Data, 2023

Appendix 1: SMART Corridor Funding and Financing

North Corridor

Source	Total FY24-29 ($M)
Charter County Transit System Surtax	55.00
FDOT Funds	430.00
FTA 5307 - Urbanized Area Formula Grant	985.00
People's Transportation Plan Bond Program	430.00
Total	1,900.00

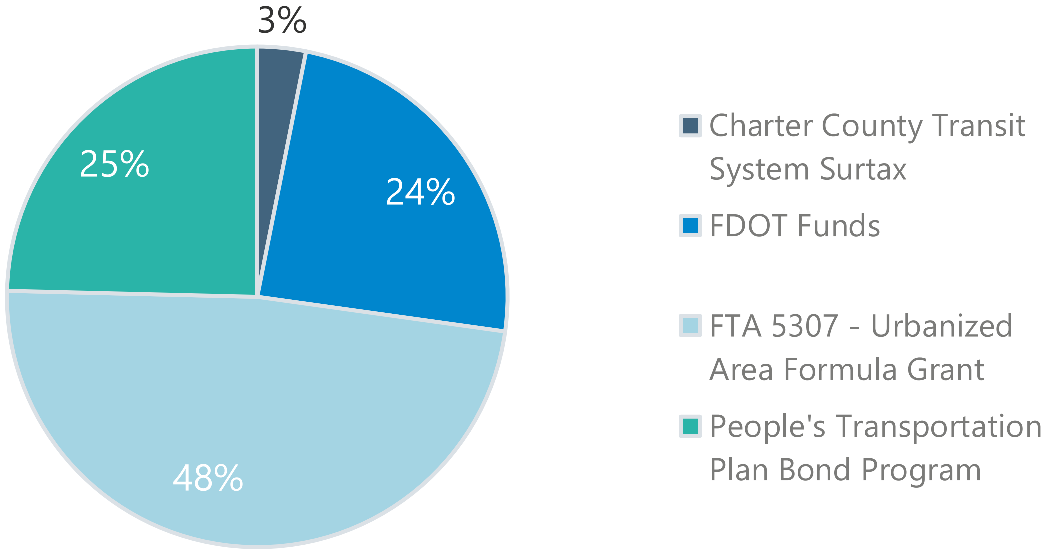


Source: OMB Data, 2023

Appendix 1: SMART Corridor Funding and Financing

Northeast Corridor

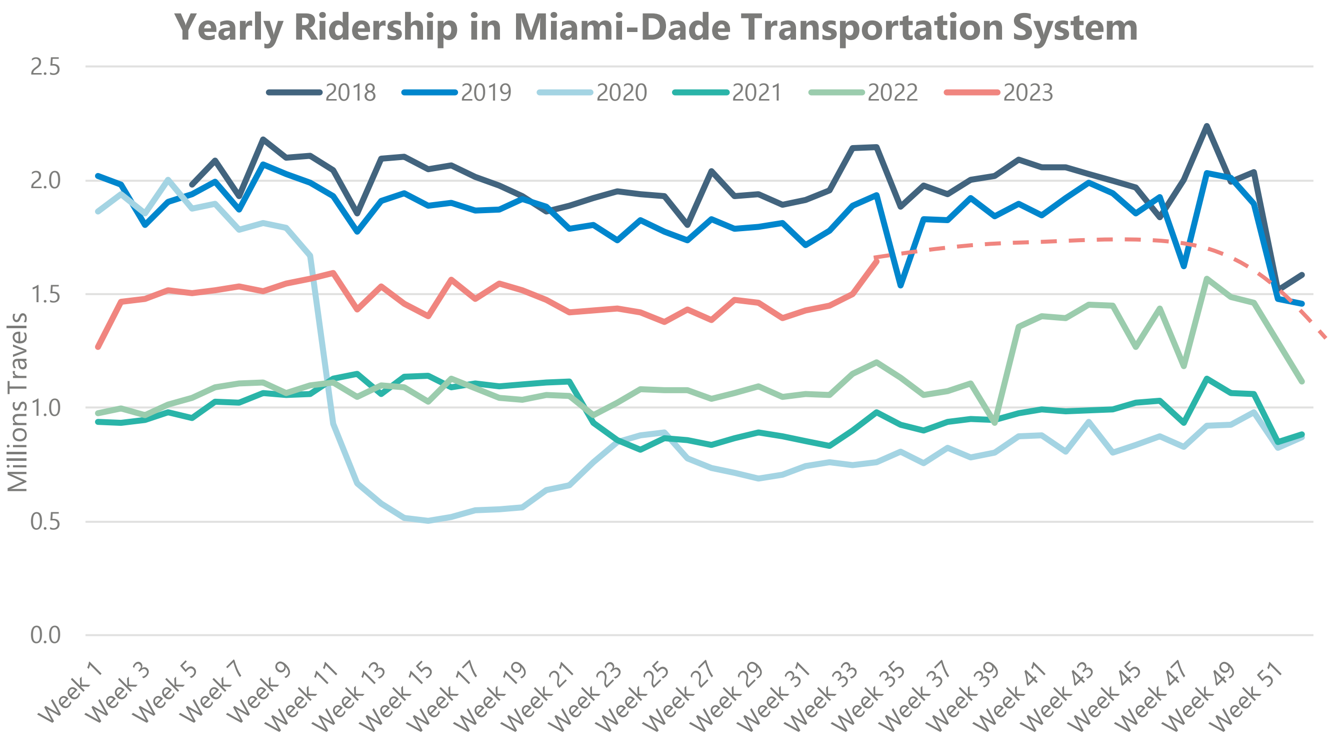
Source	Total FY24-29 ($M)
Charter County Transit System Surtax	21.36
FDOT Funds	164.45
FTA 5307 - Urbanized Area Formula Grant	328.89
People's Transportation Plan Bond Program	168.09
Total	682.79



Source: OMB Data, 2023

Appendix 2: Miami-Dade's transit ridership trends

Transit was declining before COVID-19. A phenomenon correlated with TNC (Uber and Lyft) usage. This means that ridership will not recoup to pre-pandemic levels.



Source: APTA

Recommendation: OMB should check Miami's ridership drivers to make sure they will attain three more years of rebound in 2024-2026.

Miami-Dade lost 47% of its structural ridership between 2019 and 2020 result from the pandemic.

The graph shows how the system is regaining its lost ridership. We projected that by the end of 2023, Miami's transportation system would have 72% of the average ridership reported in 2018 and 2019.

Miami Dade's expectation should be that ridership will not reach pre-covid levels. Rebel has done analysis across other geographies in the US and expert interviews, and there is consensus around the conclusion where the pandemic accelerated previous trends in public transportation use. Transit was declining before COVID-19, a phenomenon correlated with TNC (Uber and Lyft) usage and remote work habits.

Proforma's assumes that ridership will return to its previous levels, so there are reasons to believe that despite the ridership observed recovery the new baseline will be less than the pre-pandemic baseline.

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