AGENDA ITEM 8A

**Memorandum**

**To:** Honorable Carlos Gimenez
Mayor, Miami-Dade County
Honorable Rebecca Sosa
Chairwoman, Board of County Commissioners
Honorable Dennis Moss
Chair, Transportation and Aviation Committee
Honorable Members
Board of County Commissioners

**From:** The Citizens' Independent Transportation Trust

**Date:** January 24, 2013

**Re:** Resolution Recommending Consideration of Revenue Enhancement Opportunities to Address the Projected Operating Funding Gap for Miami-Dade Transit (MDT) in FY2014 and beyond

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The purpose of this memorandum is to highlight the FY 2014 financial funding gap facing Miami-Dade Transit and to recommend for consideration a series of possible ideas to bridge the gap. It should be highlighted that these potential revenue opportunities are proffered in order to stimulate discussion and public discourse. There are pros and cons associated with each funding source and the dialogue should fully include the agencies and governmental entities involved. The solution to bridging the funding gap may or may not include these sources and new sources may emerge. It is important to begin the dialogue. A number of the ideas, assuming there is consensus to proceed, would require legislative action and have substantial lead times.

The MDT Pro Forma financial forecast looks at the long-term expenses and revenues projected to be available to MDT. The forecast confirms that, as debt service expenses for surtax-backed bonds increase, the amount of surtax funds available for MDT operations and maintenance reduces significantly. The most recent draft Pro Forma was updated by the County July 2012 and reviewed by the Trust September 2012. The projected gap in MDT's operations budget is estimated at $40 million beginning FY2014.

The Citizens' Independent Transportation Trust, in cooperation with the County, began to tackle the long term financial challenges identified in the annual Pro Forma review in FY2009. The services of financial consultants and experts, including Infrastructure Management Group and the Center for Urban Transportation Research at the University of South Florida, were utilized to develop a series of reports and studies concerning MDT expenses and revenues. A list of these Reports and their Executive Summaries are attached. The full reports are available also from the Office of the Citizens' Independent Transportation Trust and online at www.miamidade.gov/citt/strategic-financial-studies.asp.

It is important that MDT do everything possible to become maximally efficient prior to seeking new funding. Several studies analyzed MDT operations and expenses in order to assist the agency in achieving this objective. The County has made significant progress on multiple fronts through efforts such as the Service Efficiency and Realignment Initiative (SERI) implemented by MDT in December 2009. An additional major Transit Service Evaluation Study - Phase 2 – is now underway and recommendations are expected in the near term.

The FY 2014 funding gap is, however, too large to be closed solely by increasing efficiency. The two remaining alternatives, broadly speaking, are reducing service or enhancing revenue.

The Trust does not believe that there should be any further reductions in service unless they are tied to more efficient system and route design such as the Phase 2 Study noted above. There are tremendous unmet transit needs in our community and the future should look to more transit, not less.

A series of studies funded by the Trust evaluated best practices nationally and internationally for both capital expansion and operating support funding sources. In total over 30 funding sources were considered. A 2010 Phase I report examined the sources of funds utilized to support transit operations locally, nationally and internationally, without filtering by factors such as feasibility or efficiency. The Phase I effort concluded with a short list of funding sources for further consideration. The effort continued in 2011 with Phase II that went into more detail and examined the required steps, responsibilities, cost, and challenges, as well as the likely range of revenue for MDT.

The result of this process is three sets of recommendations which are presented here. The first set includes the six most promising potential enhanced revenue opportunities that the Trust recommends the County consider for bridging the financial gap. The second set includes three revenue enhancement ideas that are recommended for potential consideration after additional collaboration with County staff. The third set includes four revenue sources that are not recommended for further consideration. The alternative to a new revenue source(s) would be an increase in general fund ad valorem based support.

Tradeoffs, context and key issues for each of the 13 alternatives are highlighted below, and discussed further in the attached summaries and Reports. For the nine recommended ideas, a table is also provided on revenue potential and three key implementation aspects (legislation needed, equity concerns, applicability to operating budget).

It should be noted that many of these potential revenue opportunities also have applicability to future capital expansion projects.

**Group 1 – The Most Promising Potential Revenue Enhancement Opportunities**

These six items are seen as the most promising opportunities. Evaluation factors included, for example, the rational nexus between the funding source and transit, national & international experience, equity, and impact on improved mobility and implementation challenges.

1. Tolling Revenue Sharing - This opportunity has direct nexus and significant revenue potential. The preferred way to implement would be as an incremental surcharge for transit, not an allocation or “carve-out” from current budgets which would be a concern for existing agency operations and bond commitments. It would replicate and expand the 95-Express (95X) model’s substantial dedicated transit support to MDX. It would also be incorporated into future managed lanes coming to Palmetto and HEFT. This opportunity fits especially well for supporting transit, in light of significant revenue opportunities and

the strong nexus of a multimodal approach to reduced congestion. Each 1% incremental surcharge on current MDX and HEFT collections would generate $1.5 million annually

2. Parking Surcharge - This opportunity also has direct nexus and significant revenue potential. It would involve a parking surcharge on public and private commercial parking facilities. It would not include a surcharge on residential parking facilities. This funding source could mitigate parking demand and vehicle traffic, reduce congestion and traffic accidents, and implement best practice urban planning to improve access and walkability. State legislative action would be required – only municipalities with population over 200,000 can levy a surcharge on municipal facility parking fees. A 5% surcharge, for example, would generate $1 million annually if applied only to public facilities and an additional $8 million annually if applied to private commercial facilities.

3. Advertising - MDT's progress in improving advertising revenues in recent years is extremely encouraging. The revenue from advertising increased from $3.5 to $5.0 million in the FY 2013 budget. Recent approval of a new bus passenger shelter contract has significant financial benefit to the County. These aggressive efforts should continue. It should be noted that there are other substantial advertising opportunities. However, some of them would require a major shift in public opinion and new legislation. Examples would be the placement of advertising on Metrorail piers or placement of billboards on the Metrorail guideway. If deemed appropriate, additional research and a public dialogue should be initiated on these opportunities.

4. Naming Rights - This revenue enhancement opportunity takes advertising a step beyond the typical wall and vehicle ads. The legislative challenge is primarily the need to incorporate ability to use existing historical or personal names in the ordinance's current naming rules (i.e., to assign the name of a corporation). Overall, a naming rights program is projected to generate between $0.2 million to $0.7 million per year among several Metrorail and Metromover facilities.

5. Special Taxing Districts - Recognizing the value that transit adds to property is the basic underpinning of transit-oriented development (TOD). Such districts, including Benefit Assessment Districts, Tax Increment Financing Districts, Special Assessment Districts, etc., are typically used to support new capital development but could also be used for operating expenses. The opportunity also could be focused on property tax increase above a base year's value, based on a nexus to the direct benefit of a localized area. The revenue potential depends on the specific application. A 10¢ surcharge on 23.1 million square feet of commercial office space in Miami Central Business District, Coral Gables and Miami Beach would generate $2.3 million annually.

6. Right of Way Leasing - This opportunity is a qualified recommendation to pursue a greatly expanded and formalized leasing program in light of the sign moratorium and aesthetic concerns. It includes allowing MDT to lease available space alongside or above transit service areas for non-conflicting purposes. This process should feature completing a consultant-based analysis/study of leasing, concession and joint development potential uses at underutilized locations such as beneath guideways, excess parking garage capacity, and passenger stations and major facilities. However, this type of revenue enhancement opportunity typically has a long lead time to implement and thus is unlikely to help address the operating budget gap projected in FY2014.

**Group 2 – Other Potential Revenue Enhancement Opportunities**

The three items in this group all have similar compelling factors as the first group (prevalence, nexus, potential revenue range, etc.) tending in their favor; however they were seen to have historical local precedent, timing or other policy challenges.

7. Fare alternatives - It should be noted that a $.25 fare increase in 2014 is already included in the Pro-Forma. There is potential opportunity for enhanced fares on special services, such as time of day pricing differential. However, these options require more detailed study. Additionally, a new service such as the MIA station of the Orange Line, after becoming established, could be an opportunity for a fare differential as seen in other large Metros around the world.

8. Impact Fees - It is recommended to explore applying the Broward County impact fee model for transit operations. Implementing this approach will require extensive reconsideration by the County Attorney Office. The enabling legislation for impact fees in Florida is the broadest in the nation, which is one of only two states that allow the use of impact fees for operating costs.

9. Local Option Gas Tax - The reinstatement of the two cent local option gas tax should be considered and it is already included in the MDT Financial Pro-Forma for 2014. This source would generate $13 million annually. It has been unchanged since 1996. This opportunity has direct nexus to transportation policy and significant revenue potential.

**Group 3 – Revenue Enhancement Opportunities Not Recommended for Further Consideration**

These sources were analyzed and considered in detail. They are not recommended for further consideration.

10. Reinstatement of a fare for Golden/Patriot Passport and the Metromover - The Trust does not recommend these alternatives. In the case of the Golden and Patriot Passports it is felt that this was a commitment that should continued to be honored. In the case of the Metromover, the cost/benefit ratio, potential ridership impact, capital cost and the commitment mitigate against reinstatement.

11. Local Business Fees - While local business fees are common across the U.S., using these funds for transit is not. It is not recommended for application here. Low potential revenue is estimated – a rise in average business fee transaction cost of 1% with the same number of ratepayers as 2010 would yield just under $160,000. There is also the risk that a large increase in business licensing fees would be a concern for businesses to locate in the County, especially if becomes higher than surrounding jurisdictions.

12. Utility Fees – There are only a few instances nationally where utility fees are used for transit. There is a weak nexus to supporting transit given the diverse economic drivers, and substantial equity concerns are key issues for this revenue source. Further consideration is not recommended.

13. Taxi surcharge - Only New York State (to benefit New York Metropolitan Transportation Authority) was found to use this approach. The Trust does not recommend it for application here. The taxicab tax has been highly controversial and has significant equity issues and implementation challenges.

This item falls under the 2009 unification amendment described on page 110 of FY2012 5-Year PTP Implementation Plan. PTP funding under the unified transit system represents a portion of overall funding for MDT operations and maintenance. For FY 2012-13, the total PTP funding established during the budget process was $99,204,000.00, which is approximately 20 percent of MDT's total operating budget.

In conclusion, the purpose of this memorandum is to highlight the impending MDT financial gap and to accelerate the discourse concerning a solution. The solution may be a combination of increasing efficiencies and reluctantly implementing one or more new revenue sources. The revenue sources recommended for consideration represent some of the most promising of the many sources available. It is emphasized that new ideas may emerge and that the revenue sources presented here have many challenges to implementation.

The Trust welcomes the opportunity to discuss these recommendations with the County, the Board and the community stakeholders and partners.

cc: Alina Hudak, Deputy Mayor
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Attachments

| | Item | Projected revenue amounts | How estimated | Implementation issues: New/Changed Legislation | Implementation issues: Equity | Implementation issues: Applying to Operating |
|---|---|---|---|---|---|---|
| 1 | Tolling | | | | | |
| | MDX (current) | $0.1M carve-out $1.2M incremental | Per 1% Increment | ✘ | ✓ | ✘ |
| | Turnpike (current) | $0.3M carve-out | Per 1% Increment | | | |
| | 95 Express (managed lanes) | $0.5M carve-out $1.2M incremental | Per 1% Increment | ✓ | ✓ | ✓ |
| | MDX, Palmetto, US1 Express, HEFT; Causeways (future MLs) | NA | Difficult to predict | | | |
| 2 | Non-Transit Parking Surcharge | $8M-$25M private $1M-$2.5M public | Based on Miami CBD & Coconut Grove, Coral Gables, Miami Beach data; 5%-15% surcharge | ✘ | ✓ | ✓ |
| 3 | Expanded advertising and marketing | TBD | Potential varies by source: include Rail/Mover station ads, more vehicle wraps, parking facilities and station domination advertising | Varies | ✓ | ✓ |
| 4 | Naming Rights | $200K-$712K | Assumes MDT achieves 75% of calculated Miami media market value | ✘ | ✓ | ✓ |
| 5 | Special Tax Districts | $2.3M | 10¢ on 23.1M sq. ft. of office space in Miami CBD, CG, MB | ✘ | ✓ | ✘ |
| 6 | Right-of-Way Leasing such as for billboards and cell towers | Not available | Lack of sufficient data for analysis | Varies | ✓ | ✓ |
| 7 | Fare alternatives: Time of Day, Zone, Other | Not available | Pending re-study | ✘ | ? | ✓ |
| 8 | Land Development Charges-Impact Fees | Not available | Under development | ✓ | ? | ✓ |
| 9 | Local Option Gas Tax | $13M | Additional 2 cents CI-LOGT | ✘ | ✓ | ✓ |

Attached are executive summaries of following CITT reports examining MDT expenses and revenues

1. **Innovative Revenue Techniques (2009)**

This report examines innovative development and funding tools to help achieve MDT and Miami-Dade County's transportation capital planning objectives and strengthen its operating cash flows. It includes discussion of funding sources and financing mechanisms; specific case studies of other transit agencies' experiences using innovative finance or public-private partnerships; and application of a selection filters approach to several MDT capital projects.

2. **Revenue Enhancement Opportunities, Phase 1 (2010)**

This report is to identify and analyze operating revenue enhancement opportunities for Miami-Dade Transit (MDT), to contribute to the discussion on how to close projected funding gap identified in the Transit Pro-Forma - a financial document on the long term expenses and revenues projected to be available to MDT and has been presented publicly on a number of occasions. This initial effort is designed to survey the full range of revenue enhancement opportunities utilized locally, nationally and internationally, without filtering.

3. **Revenue Enhancement Opportunities, Phase 2 (2011)**

This report is the third in a multi-year series of studies designed to help improve the financial outlook of Miami-Dade Transit (MDT). Building upon the Revenue Enhancement Opportunities Phase 1 report of 2010, this Phase 2 develops an implementation plan for the selected potential revenue streams that includes the required steps, responsibilities, cost, and challenges, as well as the likely range of revenue for MDT. This report shows the total potential revenue of the shortlisted revenue programs and how they contribute to fill in MDT's FY 2014 deficit.

4. **MDT Cost & Efficiency Study Vol. 1: Peer Review and Trend Analysis**

CITT contracted with CUTR to perform two primary tasks: to complete an objective assessment of the relative efficiency of MDT and to document actions, activities or policies that have been taken or enacted based on prior work done to assist the agency in creating a more efficient operating environment. This Volume is an operating cost analysis to determine how efficiently MDT was running, through an assessment of MDT's efficiency in relationship to peer transit agencies. Each modal review (bus, rail, mover) contained an overview of general service metrics to establish the context for MDT's transit operation in comparison to the peer group as well as a summary of the results of the performance metrics applied to MDT and the peer groups. Peers were identified from industry and demographic data using a methodology from a 2009 Transit Research Project.

5. **MDT Cost & Efficiency Study Vol. 2: Synthesis of Previous CUTR Reports & Analysis**

CITT contracted with CUTR to perform two primary tasks: to complete an objective assessment of the relative efficiency of MDT and to document actions, activities or policies that have been taken or enacted based on prior work done to assist the agency in creating a more efficient operating environment. This Volume is an operating cost analysis to determine how efficiently MDT was running, through a review of the recommendations made during previous studies and analyses performed for the agency that identified potential improvements. CUTR synthesized and organized findings and recommendations, from 22 previous studies done over 10 years and classified in three categories. This report identifies status (adopted recommendations, alternative actions taken in lieu of recommendations) and quantifies results.