

Controversial changes to Dade Transit boost fiscal stability

By RISA POLANSKY

Though some criticize them as broken promises, changes to Miami-Dade Transit operations are paying off when it comes to the agency's financial stability.

Fitch Ratings assigned an A+ to \$330 million in transit system sales surtax revenues bonds set for sale this week – and revised its rating outlook from negative to stable on \$455 million in outstanding bonds, also rated A+.

An A is the third-highest level on Fitch's 11-rating scale. The agency tacks on pluses and minuses within that scale.

Here, "the advantage is we used to get negative outlook," Transit Director Harpal Kapoor said. "We got a stable outlook as we're moving forward."

The cash-strapped county department – and the commissioners who oversee it – have worked to stabilize operations and overhaul long-term transit plans since federal transit officials last year put the brakes on funding for a planned northern Metrorail extension, citing concerns the county wouldn't have the money to operate existing systems along with the new line.

Since, the county has pulled back on that project as well as a planned east-west extension. Rather than costly heavy rail, officials are contemplating taking another route, potentially light rail or bus rapid transit.

Commissioners set wheels in motion for such alternatives at a transit summit in November, where they also apologized for what they called "overpromising" a half-sales surtax voters approved in 2002, meant to fund new transit projects such as the Metrorail extensions.

In another move meant to get the transit department back on track, they voted this



Photo by Maxine Usdan

One phase of the planned Metrorail extensions is starting off on track. Construction on the new line connecting the Miami Intermodal Center and the Earlington Heights station is to wrap in early 2012.

year to mingle most surtax revenues with the general transit budget, rerouting up to 90% of surtax proceeds to operations and maintenance.

Though some have cried bait and switch and broken promises – including a few commissioners and surtax oversight board members – it was this changing of gears that changed the rating agency's view.

"The outlook revision to stable from negative reflects MDT's [Miami-Dade Transit's] recently executed cost-containment strategies that should assist in mitigating budget imbalances going forward," the Fitch report says, including delaying the two planned Metrorail extensions, which were "expected to stress operations considerably."

That, along with adjusting

operations and costs and working to improve services "helped us regain a positive outlook," Transit Director Kapoor said. "We have a plan in place to move forward capital expansion and at the same time maintain what we have."

Though the rating agency acknowledges the forward motion, the Fitch report raises some concerns.

"Although Fitch views favor-

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Harpal Kapoor

ably management's ability to scale back planned capital expansion in order to better match revenue streams with operational expenses, the deferment of voter-approved capital projects is a concern, because taxpayers may question the use of the sales surtax funds," it says.

Some have, including Commissioner Carlos Gimenez, who vows to get a surtax repeal on the ballot to allow voters to weigh in on the recent changes.

Noting that year-to-date sales surtax receipts dropped 8.2% through June – "reflecting the weakened economy and sensitivity of the pledged revenue stream" – the Fitch report points out also that "despite the flexibility MDT has demonstrated in managing its capital needs, further leveraging of the surtax without

corresponding growth in key revenue streams could weaken debt service coverage and impede the system's operations, as excess surtax revenues support transit operations."

By local law the county is to increase its general fund outlay to transit by 3.5% every year or forfeit the right to use surtax funds to back services that existed before voters self-imposed the tax.

In his recommended budget, Mayor Carlos Alvarez calls for no added funds for the department in the upcoming fiscal year, but commissioners have indicated they'll nix that proposal and make good on the promised 3.5% increase.

Fare revenues probably won't help the budget this year. Transit officials predict ridership to fall 3% to 4% from last year because of declining gas prices, the Fitch report says.

To make up for lost sales tax revenue and declining ridership, "as we move along we'll be adjusting our services," Mr. Kapoor said.

A new fare collection and automatic passenger count system set to come online Oct. 1 should help pinpoint the most strategic way to make those changes, he said.

The system should indicate, for instance, which bus routes are underused, allowing the department to reduce or eliminate service – thereby cutting costs – without severely inconveniencing riders.

"It gives us more data, information to adjust our service accordingly," Mr. Kapoor said.

Such changes, along with those the Fitch rating acknowledges, show "it's more like business we're running like."