



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

September 27, 2019

The Honorable Ron DeSantis, Governor
The Honorable Bill Galvano, President of the Senate
The Honorable Jose Oliva, Speaker of the House of Representatives
The Capitol
400 S. Monroe Street
Tallahassee, Florida 32399

Re: Report on Assessment of Greater Miami Expressway Agency

Dear Governor DeSantis, President Galvano, and Speaker Oliva:

Chapter 2019-169, Laws of Florida, transferred governance and control from the Miami-Dade Expressway Authority (MDX) to the Greater Miami Expressway Agency (GMX), effective July 1, 2019. Chapter 2019-169, Laws of Florida, requires the Auditor General to submit, before October 1, 2019, a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives assessing the financial situation of the GMX, including its assets, liabilities, revenues, operating expenses, and bonding capacity; the financial feasibility of the toll rebate program established in Section 348.0307, Florida Statutes; and the financial feasibility of a toll rate reduction. On August 29, 2019, the Leon County Circuit Court granted a summary judgment indicating that Sections 13 through 17 of Chapter 2019-169, Laws of Florida, were unconstitutional; however, the Florida House of Representatives subsequently filed a motion requesting a rehearing and a final order has not yet been issued. Consequently, we are providing this report pursuant to Chapter 2019-169, Laws of Florida.

The purpose of this report is to provide the results of our assessment of the financial situation of the MDX;¹ the financial feasibility of the toll rebate program; and the financial feasibility of a toll rate reduction, not to make recommendations regarding the financial situation, the toll rebate program, or a potential toll rate reduction. Our assessment procedures were not designed to provide audit- or attest-level assurance but to provide a level of assurance greater than that provided by management assertions. The results of our assessment are summarized in the following paragraphs.

¹ The MDX was dissolved by Section 17 of Chapter 2019-169, Laws of Florida, effective July 1, 2019, and Section 13 of that law created the GMX. The law transferred governance and control of the MDX to the GMX along with the assets, facilities, tangible and intangible property and any rights in such property. We assessed the financial situation of the MDX as of June 30, 2019, immediately prior to the effective date of the law.

Financial Situation Overall, our assessment of the financial situation of the MDX as of June 30, 2019, is positive. However, funding of the planned Kendall Parkway Extension project² will deplete available cash and investments and could negatively affect the bond capacity ratio in the future. Details regarding our assessment are included in ***EXHIBIT A*** to this report.

Toll Rebate Program Unless a greater than 12-percent increase in toll revenue, as a result of increased toll traffic, is achieved, our assessment does not support both implementation of the toll rebate program established in Section 348.0307, Florida Statutes, and the full scope of the Kendall Parkway Extension project. Debt will need to be incurred to fund the Kendall Parkway Extension project, and the amount of debt needed will increase as consideration is given to the toll rebate program. Depending upon the amount of debt issued for the Kendall Parkway Extension project, and the effect that debt will have on the projected debt service portion of the bond capacity ratios, GMX will need to consider whether toll rebates should be pursued. Details regarding our assessment are included in ***EXHIBIT B*** to this report.

Toll Rate Reduction Our assessment does not support a toll rate reduction and the full scope of the Kendall Parkway Extension project. Depending on the amount of debt issued to fund the Kendall Parkway Extension project, and the effect that debt will have on the projected debt service portion of the bond capacity ratios, the GMX will need to consider whether a toll rate reduction should be pursued. Details regarding our assessment are included in ***EXHIBIT C*** to this report.

Pursuant to Section 16 of Chapter 2019-169, Laws of Florida, and Section 11.45(2), Florida Statutes, I have directed that this report be prepared to present the results of our assessment. If you have any questions regarding this report or require additional information, please contact Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881, or Allen G. Weiner, CPA, Audit Supervisor, by e-mail at allenweiner@aud.state.fl.us or by telephone at (850) 412-2783.

Sincerely,



Sherrill F. Norman, CPA

Exhibits:

EXHIBIT A – FINANCIAL SITUATION ASSESSMENT

EXHIBIT B – FINANCIAL FEASIBILITY OF THE TOLL REBATE PROGRAM

EXHIBIT C – FINANCIAL FEASIBILITY OF A TOLL RATE REDUCTION

EXHIBIT D – BACKGROUND

² The Kendall Parkway Extension project was specifically mentioned in Section 15 of Chapter 2019-169, Laws of Florida, as a priority of the MDX. The Kendall Parkway Extension is a 14-mile multimodal corridor that will extend State Road 836 from NW 137th Avenue to SW 136th Street and provide an additional transportation option to residents in the western portion of Miami-Dade County. The final design of some project components is anticipated to begin in the 2019-20 fiscal year with completion of construction over 7 years. The total project cost is estimated to be \$1 billion.

EXHIBIT A - FINANCIAL SITUATION ASSESSMENT

In performing our financial situation assessment, we analyzed the overall financial net position of MDX as of June 30, 2019; financial forecasts; trends in toll revenue; work program; and current bond covenant requirements. MDX bond covenants require that net revenues be sufficient each fiscal year to provide an amount at least equal to 120 percent of principal and interest due for each fiscal year.³

To analyze the overall financial net position of MDX, we obtained from MDX the unaudited financial statements for the fiscal year ended June 30, 2019, confirmed nearly 100 percent of cash and investment balances with the applicable financial institution; reviewed 29 percent of the additions to capital assets and 44 percent of depreciation expense; and compared the audited June 30, 2018, capital asset amount⁴ plus capital asset additions less depreciation expense to the reported June 30, 2019, unaudited capital asset amount for reasonableness. In addition, we verified 94 percent of the bonds payable amount to the official statements for the bond issues and recalculated the bond principal and interest outstanding at June 30, 2019. As shown in Table 1, MDX assets, liabilities, and deferred inflows and outflows of resources show a positive net position of \$908.1 million.

Table 1
Assets, Liabilities, and Deferred Outflows
or Inflows of Resources
As of June 30, 2019
(In Millions)

| | Amount |
|--|-------------------------|
| Assets | |
| Cash and investments | \$ 450.3 |
| Accounts receivable, net | 10.7 |
| Prepaid operating and maintenance | 5.7 |
| Capital assets | 2,048.4 |
| Other non-current assets | 2.0 |
| Total Assets | <u>\$2,517.1</u> |
| Liabilities | |
| Accounts and contracts payable | 26.4 |
| Accrued expenses and other liabilities | 8.6 |
| Claims and judgments payable | 66.5 |
| Accrued interest payable | 33.5 |
| Bonds Payable | 1,492.9 |
| Net pension liability | 5.9 |
| Derivative instrument fair value | 17.7 |
| Total Liabilities | <u>\$1,651.5</u> |
| Deferred outflows of resources | 45.3 |
| Deferred inflows of resources | 2.8 |
| Net Position | <u>\$ 908.1</u> |

Source: MDX unaudited financial records as of July 2019.

³ Net revenues must also be sufficient to cover 100 percent of a reserve deficiency and the deposits required to be transferred to the Renewal and Replacement Fund.

⁴ MDX 2018 Comprehensive Annual Financial Report.

For revenues and operating expenses reported for the fiscal year ended June 30, 2019, we reconciled approximately 96 percent of the toll revenues recorded by MDX to independent supporting records; reviewed 46 percent of MDX operating, maintenance, and administrative expense transactions; and compared current year operating, maintenance, and administrative expense amounts to amounts reported by MDX in the previous 3 fiscal years for reasonableness. In addition, we analyzed 44 percent of depreciation expense and compared the depreciation expense amount to the previous three fiscal years reported for reasonableness. As shown in Table 2, MDX revenues exceeded operating expenses by \$145.5 million. Also, our analysis identified a 14 percent decrease in recorded toll revenue as compared to the amount reported in the prior fiscal year, which may be attributed to issues with toll transaction billing. Further, our analysis disclosed that operating expenses excluding depreciation decreased 26 percent from the amounts recorded for the prior fiscal year, which primarily related to a change in vendor for the Toll-By-Plate⁵ program.

Table 2
Revenues and Operating Expenses
For the Fiscal Year Ended June 30, 2019
(In Millions)

| | Amount |
|--|-----------------------|
| Revenues | |
| Toll and fee revenues, net | \$215.2 |
| Other revenues | .7 |
| Investment income | 11.2 |
| Total Revenues | <u>\$227.1</u> |
| Operating Expenses | |
| Operations | \$26.4 |
| Maintenance | 7.9 |
| Administration | 8.8 |
| Depreciation and amortization | 38.5 |
| Total Operating Expense | <u>\$ 81.6</u> |
| Total Revenues less Operating Expense | <u>\$145.5</u> |

Source: MDX unaudited financial records as of July 2019.

We calculated the bond capacity ratio to determine whether the ratio met or exceeded the 120 percent threshold required by MDX bond covenants.⁶ In addition, we compared the calculated bond capacity ratio to the bond capacity ratio reported by MDX for the previous 3 years and found the bond capacity ratio to be reasonable. As shown in Table 3, the MDX bond capacity ratio of 186 percent as of June 30, 2019, significantly exceeds the bond covenant requirement of 120 percent.

⁵ Toll-By-Plate uses video scanning to capture an image of a vehicle's license plate as the vehicle passes toll gantries mounted with cameras. If the registered owner has a SunPass[®] account, funds are deducted from the SunPass[®] account, otherwise an invoice for the toll is sent to the address of the vehicle owner for payment.

⁶ Section 5.02(b) of the amended and restated trust indenture.

Table 3
Bond Capacity Ratio
As of June 30, 2019
(In Millions)

| | Amount |
|--|---------------------------|
| Total Revenues | \$227.1 |
| Total Operating Expense Excluding Depreciation and Amortization Expense | 43.0 |
| Net Revenues Available to Pay Debt Service | <u>\$184.1</u> |
| Principal Paid | 27.6 |
| Interest Paid | <u>71.3</u> |
| Total Debt Service Paid | <u>\$ 98.9</u> |
| Bond Capacity Ratio | <u>186 percent</u> |

Source: MDX unaudited financial records as of July 2019.

Overall, our assessment of MDX's financial situation as of June 30, 2019, is positive. However, the funding of the Kendall Parkway Extension project will deplete available cash and investments,⁷ and could negatively affect the bond capacity ratio in the future.

Availability of Resources for Toll Rebates and Toll Rate Reductions

As part of our financial situation assessment, we obtained financial information from various sources and, based on this information, projected revenue and expense trends at GMX for the next 5 years to determine the availability of resources for a toll rebate or toll rate reduction. Such information was obtained, in part, from MDX audited financial statements, MDX accounting records, MDX 5-year work plan dated June 2019, and inquiries of MDX management. As shown in Table 4, the GMX net revenue trend for the 2019-20 through 2023-24 fiscal years is projected to be constant the first 4 years, averaging \$89.7 million per year, and increases to \$104.8 million in the 5th year as tolls from the Kendall Parkway Extension begin to be realized.

Table 4
GMX Projected Net Revenues
For the 2019-20 through 2023-24 Fiscal Years
(in Millions)

| Program | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| Toll Revenue | \$238.5 | \$244.0 | \$249.0 | \$251.9 | \$258.6 | \$1,242.0 |
| Toll Revenue - Kendall | 0.0 | 0.0 | 0.0 | 0.0 | 20.6 | 20.6 |
| Recovery Revenue | 3.9 | 4.0 | 4.1 | 4.1 | 4.2 | 20.3 |
| Other Revenue | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 4.0 |
| Interest Revenue | 6.4 | 4.3 | 4.3 | 4.3 | 4.3 | 23.6 |
| Operations Expense | (32.7) | (33.7) | (34.7) | (35.7) | (36.8) | (173.6) |
| Operation Park and Ride | (2.5) | (2.5) | (2.6) | (2.7) | (2.8) | (13.1) |
| Maintenance Expense | (8.2) | (8.6) | (9.0) | (9.4) | (9.8) | (45.0) |
| Operations and Maintenance | 0.0 | 0.0 | (0.3) | (0.3) | (6.8) | (7.4) |
| Administration Expense | (9.1) | (9.3) | (9.6) | (9.9) | (10.2) | (48.1) |
| Debt Service | (106.6) | (109.7) | (111.7) | (114.3) | (117.3) | (559.6) |
| Total Net Revenues | <u>\$ 90.5</u> | <u>\$ 89.3</u> | <u>\$ 90.3</u> | <u>\$ 88.8</u> | <u>\$ 104.8</u> | <u>\$ 463.7</u> |

Source: Auditor General analysis based, in part, on draft reports dated May 6, 2019, and June 29, 2018, prepared by the traffic and revenue consultant for MDX, and inquiries of MDX management.

⁷ Available cash and investments are those cash and investments not restricted for reserve requirements, debt service requirements, claims payable, and other current liabilities.

Included in the calculation of net revenues are expenses for operations and maintenance of the expressway system. However, net revenues do not include capitalized system additions and improvements which are quite significant. As shown in Table 5, expressway system additions and improvements for the 2019-20 through 2023-24 fiscal years are projected to exceed \$1.3 billion, with the highest amount, \$356.7 million, occurring in the 2021-22 fiscal year as a result of the Kendall Parkway Extension construction.

Table 5
Projected Expressway System Additions and Improvements
For the 2019-20 through 2023-24 Fiscal Years
(in Millions)

| Program | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| Transportation Improvement | \$187.4 | \$237.5 | \$339.0 | \$299.4 | \$183.6 | \$1,246.9 |
| Renewal and Replacement | 7.7 | 6.7 | 4.2 | 2.8 | 4.4 | 25.8 |
| Capital Improvement | 5.8 | 17.8 | 13.5 | 2.1 | 7.0 | 46.2 |
| Total Additions and Improvements | <u>\$200.9</u> | <u>\$262.0</u> | <u>\$356.7</u> | <u>\$304.3</u> | <u>\$195.0</u> | <u>\$1,318.9</u> |

Source: MDX fiscal years 2020-24 work program, approved June 25, 2019.

When determining whether sufficient resources are available for a toll rebate or toll rate reduction, consideration must be given to both projected net revenues and projected expressway system additions and improvements. As shown in Table 6, debt will need to be incurred to fund the additions and improvements. The amount of debt needed will increase as consideration is given to a toll rebate or toll rate reduction.

Table 6
Availability of Resources for a Toll Rebate or a Toll Rate Reduction
For the 2019-20 through 2023-24 Fiscal Years
(in Millions)

| Program | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|------------------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| Projected Net Revenues | \$ 193.5 ^a | \$ 89.3 | \$ 90.3 | \$ 88.8 | \$ 104.8 | \$ 566.7 |
| Additions and Improvements | (200.9) | (262.0) | (356.7) | (304.3) | (195.0) | (1,318.9) |
| Amount to be Borrowed | <u>\$ (7.4)</u> | <u>\$(172.7)</u> | <u>\$(266.4)</u> | <u>\$(215.5)</u> | <u>\$ (90.2)</u> | <u>\$(752.2)</u> |

^a Projected net revenues for the 2019-20 fiscal year include \$103 million in available cash at June 30, 2019.

EXHIBIT B - FINANCIAL FEASIBILITY OF THE TOLL REBATE PROGRAM

As part of the Greater Miami Toll Rebate Program required by State law,⁸ the Greater Miami Expressway Agency (GMX) is to develop and implement a monthly toll rebate beginning January 1, 2020, subject to:

- Compliance with any covenants made with the holders of MDX bonds which are in the trust indentures or resolutions adopted in connection with the issuance of such bonds.
- Consideration of the financial feasibility of such a rebate program as reported in this report.
- Consideration of the impact of such a rebate program on the financial feasibility of prioritized projects that have been allocated funds for project development and an environmental study but are not contained in the 5-year work program on July 1, 2019.

As provided in law, GMX has a goal of rebating 25 percent of tolls paid by each SunPass^{®9} holder who incurs \$12.50 or more in tolls on the expressway system each month and whose SunPass[®] is registered to a motor vehicle registered to an address in Miami-Dade County.

In determining the financial feasibility of the toll rebate program, we not only developed a forecast model¹⁰ for the 25 percent toll rebate provided in law, but also developed forecast models for a 20, 15, 10 and 5 percent toll rebate. An important measure in the forecast models for the various toll rebate percentages is the bond capacity ratio. Since MDX bond covenants require the bond capacity ratio to be at least 120 percent, each forecast model includes the associated bond capacity ratio to demonstrate whether the 120 percent threshold is being met. To calculate the bond capacity ratio for the various forecast models, we:

- Reviewed toll revenue forecasts for SunPass[®] and Toll-By-Plate prepared by the traffic and revenue consultant for the expressway system and the Kendall Parkway Extension.¹¹
- Requested from MDX management and received the projected amounts of other revenue, operations expense, maintenance expense, and administration expense.
- Estimated interest revenue based on remaining cash and investment balances.
- Calculated existing debt service from the official statements on outstanding debt and review of MDX comprehensive annual financial reports.
- Calculated projected cash flow balances to determine the borrowing needs for the Kendall Parkway Extension project.¹²
- Requested and received assistance from the State of Florida Division of Bond Finance with the projected debt service¹³ for the borrowings needed to fund the Kendall Parkway Extension project.

⁸ Section 348.0307, Florida Statutes (2019).

⁹ SunPass[®] is an electronic toll account management system operated by Florida's Turnpike Enterprise. Amounts collected via SunPass[®] for the five MDX expressways are subsequently transferred to the MDX.

¹⁰ The forecast model includes most elements of the bond capacity ratio as a constant except for toll revenue which varies depending on the forecast model. Projected debt service and interest revenue also varies and is dependent on the effect of the change in toll revenue, ending cash balance, and the amount of debt needed to fund the Kendall Parkway Extension.

¹¹ For estimating toll revenue for the expressway system, it is assumed that design and construction of the Kendall Parkway Extension would begin during the fiscal year ending June 30, 2020, and the extension would start producing toll revenue in the fiscal year ending June 30, 2024.

¹² The forecast models do not factor in a contingency for the Kendall Parkway Extension as, typically, MDX project costs exceed planned costs by less than 10 percent. Additionally, the forecast models do not consider amounts required to be deposited to the Renewal and Replacement Fund.

¹³ Debt service was based on the current 5 percent assumed interest rate for debt service appropriations by the Office of Economic and Demographic Research.

Except for Forecast 3, which is based on achieving a 12-percent increase in toll revenue from increased toll traffic, none of the forecasts shown in Table 7 meet the 120 percent threshold for all 5 years and the rebate percentages presented.¹⁴

Table 7
Bond Capacity Ratios for the Toll Rebate Program
Using Various Rebate Percentages
For the 2019-20 Through 2023-24 Fiscal Years

| Rebate Percentage | Projection | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|-------------------|-------------------------|---------------|---------------|---------------|---------------|---------------|
| 25 Percent | Forecast 1 ^a | 166.7% | 135.1% | 115.6% | 101.1% | 103.3% |
| | Forecast 2 ^b | 146.7% | 119.0% | 103.0% | 91.9% | 94.6% |
| | Forecast 3 ^c | 192.8% | 161.4% | 140.0% | 123.9% | 127.0% |
| | Forecast 4 ^d | 175.3% | 143.6% | 124.3% | 111.3% | 114.2% |
| 20 Percent | Forecast 1 ^a | 169.8% | 140.5% | 120.3% | 105.2% | 107.2% |
| | Forecast 2 ^b | 149.5% | 124.0% | 107.3% | 95.7% | 98.2% |
| | Forecast 3 ^c | 196.2% | 167.7% | 145.4% | 128.7% | 131.7% |
| | Forecast 4 ^d | 178.8% | 150.0% | 129.9% | 116.4% | 119.1% |
| 15 Percent | Forecast 1 ^a | 172.8% | 145.9% | 124.9% | 109.3% | 111.1% |
| | Forecast 2 ^b | 152.3% | 129.0% | 111.6% | 99.5% | 101.8% |
| | Forecast 3 ^c | 199.6% | 174.0% | 150.9% | 133.6% | 136.3% |
| | Forecast 4 ^d | 182.3% | 156.4% | 135.5% | 121.6% | 124.1% |
| 10 Percent | Forecast 1 ^a | 175.8% | 151.3% | 129.5% | 113.4% | 115.0% |
| | Forecast 2 ^b | 155.1% | 133.9% | 115.9% | 103.3% | 105.3% |
| | Forecast 3 ^c | 203.0% | 180.3% | 156.4% | 138.5% | 141.0% |
| | Forecast 4 ^d | 185.7% | 162.7% | 141.2% | 126.7% | 129.1% |
| 5 Percent | Forecast 1 ^a | 178.8% | 156.7% | 134.2% | 117.5% | 118.9% |
| | Forecast 2 ^b | 157.9% | 138.9% | 120.1% | 107.2% | 108.9% |
| | Forecast 3 ^c | 206.4% | 186.5% | 161.8% | 143.4% | 145.7% |
| | Forecast 4 ^d | 189.2% | 169.1% | 146.8% | 131.9% | 134.1% |

^a Forecast 1 includes projected toll revenue, projected debt service, and interest revenue associated with the specific rebate percentage and holds constant all other amounts comprising the bond capacity ratio. Projected toll revenue was obtained from the *Draft Long-Range Traffic and Revenue Forecast Update* draft report dated May 6, 2019, and prior report dated June 29, 2018, prepared by the traffic and revenue consultant for MDX.

^b Forecast 2 is based on a forecasting technique that uses a weighted moving average of past data as a basis for a forecast. This technique gives more weight to the most recent information and less weight to older information. SunPass[®] toll revenue for the forecast was obtained from the vendor for SunPass[®] toll data.

^c Forecast 3 is Forecast 1 with a 12-percent increase in toll revenue.

^d Forecast 4 is based on Forecast 2 but the collection of tolls is at the higher end of the revenue estimate, rather than the middle.

Depending on the amount of debt that will be issued to fund the Kendall Parkway Extension, and the effect that debt will have on the projected debt service portion of the bond capacity ratios, GMX will need to consider whether a rebate should be pursued, as this analysis does not support the toll rebate program and the full scope of the Kendall Parkway Extension unless a greater than 12-percent increase in toll revenue, as a result of increased toll traffic, is achieved.

¹⁴ None of the forecasts include debt service for additional amounts that would need to be borrowed to fund the toll rebates.

EXHIBIT C - FINANCIAL FEASIBILITY OF A TOLL RATE REDUCTION

In determining the feasibility of a toll rate reduction, we developed forecast models for various toll rate reductions of 1 to 5 percent. When evaluating the results of each forecast model, an important measure is whether the bond capacity ratio resulting from the forecast is at least 120 percent, as required by Miami-Dade Expressway Authority (MDX) bond covenants. In calculating the bond capacity ratio for the various forecast models, we:

- Reviewed toll revenue forecasts for SunPass® and Toll-By-Plate prepared by the traffic and revenue consultant for the expressway system and the Kendall Parkway Extension.¹⁵
- Requested from MDX management and received the projected amounts of other revenue, operations expense, maintenance expense, and administration expense.
- Estimated interest revenue based on remaining cash and investment balances.
- Calculated existing debt service from the official statements on outstanding debt and review of MDX comprehensive annual financial reports.
- Calculated projected cash flow balances to determine the MDX borrowing needs for the Kendall Parkway Extension project.¹⁶
- Requested and received assistance from the State of Florida Division of Bond Finance with the projected debt service¹⁷ for the borrowings needed to fund the Kendall Parkway Extension project.

Table 8 shows the bond capacity ratios resulting from each forecast model. Those forecasts with bond capacity ratios of less than 120 percent are indicative of scenarios where a toll rate reduction may not be financially feasible.¹⁸

¹⁵ For estimating toll revenue for the expressway system, it is assumed that design and construction of the Kendall Parkway Extension would begin during the fiscal year ending June 30, 2020, and the extension would start producing toll revenue in fiscal year ending June 30, 2024.

¹⁶ The forecast models do not factor in a contingency for the Kendall Parkway Extension as, typically, MDX project costs exceed planned costs by less than 10 percent. Additionally, the forecasts do not factor in any amounts that would be required to be deposited to the Renewal and Replacement Fund.

¹⁷ Debt service was based on the current Office of Economic and Demographic Research 5 percent assumed interest rate for debt service appropriations.

¹⁸ None of the forecasts include debt service for additional amounts that would need to be borrowed to fund the toll rate reduction.

Table 8
Bond Capacity Ratios from Toll Rate Reduction Forecasts
Using Various Toll Rate Reduction Percentages
For the 2019-20 Through 2023-24 Fiscal Years

| Toll Rate Reduction Percentage | Projection | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--------------------------------|-------------------------|---------------|---------------|---------------|---------------|---------------|
| 5 Percent | Forecast 1 ^a | 176.3% | 152.2% | 130.3% | 114.1% | 115.1% |
| | Forecast 2 ^b | 155.6% | 134.9% | 116.7% | 104.0% | 105.4% |
| | Forecast 3 ^c | 203.6% | 181.3% | 157.3% | 139.3% | 141.2% |
| | Forecast 4 ^d | 186.8% | 164.3% | 143.2% | 128.7% | 130.5% |
| 4 Percent | Forecast 1 ^a | 177.4% | 154.1% | 132.0% | 115.6% | 116.7% |
| | Forecast 2 ^b | 156.6% | 136.7% | 118.2% | 105.4% | 106.9% |
| | Forecast 3 ^c | 204.8% | 183.6% | 159.3% | 141.1% | 143.1% |
| | Forecast 4 ^d | 188.0% | 166.4% | 145.0% | 130.4% | 132.2% |
| 3 Percent | Forecast 1 ^a | 178.5% | 156.1% | 133.7% | 117.1% | 118.2% |
| | Forecast 2 ^b | 157.7% | 138.5% | 119.8% | 106.8% | 108.3% |
| | Forecast 3 ^c | 206.1% | 185.9% | 161.3% | 142.9% | 144.9% |
| | Forecast 4 ^d | 189.2% | 168.5% | 146.9% | 132.0% | 133.9% |
| 2 Percent | Forecast 1 ^a | 179.6% | 158.1% | 135.4% | 118.6% | 119.7% |
| | Forecast 2 ^b | 158.7% | 140.2% | 121.3% | 108.2% | 109.7% |
| | Forecast 3 ^c | 207.3% | 188.2% | 163.3% | 144.7% | 146.7% |
| | Forecast 4 ^d | 190.3% | 170.6% | 148.7% | 133.7% | 135.6% |
| 1 Percent | Forecast 1 ^a | 180.7% | 160.1% | 137.1% | 120.1% | 121.3% |
| | Forecast 2 ^b | 159.7% | 142.0% | 122.9% | 109.6% | 111.1% |
| | Forecast 3 ^c | 208.6% | 190.5% | 165.3% | 146.4% | 148.6% |
| | Forecast 4 ^d | 191.5% | 172.7% | 150.6% | 135.3% | 137.3% |

^a Forecast 1 includes projected toll revenue, projected debt service, and interest revenue associated with the specific rebate percentage and holds constant all other amounts comprising the bond capacity ratio. Projected toll revenue was obtained from the *Draft Long-Range Traffic and Revenue Forecast Update* draft report dated May 6, 2019, and prior report dated June 29, 2018, prepared by the traffic and revenue consultant for MDX.

^b Forecast 2 is based on a forecasting technique that uses a weighted moving average of past data as a basis for a forecast. This technique gives more weight to the most recent information and less weight to older information. SunPass[®] toll revenue for the forecast was obtained from the vendor for SunPass[®] toll data.

^c Forecast 3 is Forecast 1 with a 12-percent increase in toll revenue.

^d Forecast 4 is based on Forecast 2 but the collection of tolls is at the higher end of the revenue estimate, rather than the middle.

Depending on the amount of debt that will be issued to fund the Kendall Parkway Extension, and the effect that debt will have on the projected debt service portion of the bond capacity ratios, the Greater Miami Expressway Agency will need to consider whether a toll rate reduction should be pursued as this analysis does not support a toll rate reduction and the full scope of the Kendall Parkway Extension.

EXHIBIT D - BACKGROUND

The Miami-Dade Expressway Authority (MDX)¹⁹ was created in December 1994 by Ordinance No. 94-215 enacted by the Miami-Dade County Board of County Commissioners, pursuant to State law,²⁰ for the purposes and having the powers, in part, to:

- Acquire, hold, construct, improve, maintain, operate, own and lease the expressway system located in Miami-Dade County, Florida.
- Fix, alter, charge, establish and collect tolls, rates, fees, rentals, and other charges for services and facilities of the expressway system.

MDX was responsible for overseeing the operations and maintenance²¹ of, and collecting tolls for, five expressways comprising the expressway system. Specifically:

- Airport Expressway.
- Dolphin Expressway.
- Don Shula Expressway.
- Gratigny Expressway.
- Snapper Creek Expressway.

MDX used Open Road Tolling²² and the tolls were electronically collected through transponders (SunPass®) or by Toll-By-Plate.

MDX used a 5-year work program to manage expressway system preservation, expansion, and improvements. The work program, which was updated every year as approved by MDX's Board of Directors,²³ identified and prioritized projects that MDX anticipated funding during the next 5 years. Funding for the identified projects depended on the project phase²⁴ and the availability of funds. Work program changes were made on an annual basis as priorities were re-evaluated, projects were completed, new projects were identified, and the financial capabilities of MDX evolved.

¹⁹ The MDX was dissolved by Section 17 of Chapter 2019-169, Laws of Florida, effective July 1, 2019, and Section 13 of that law created the Greater Miami Expressway Agency (GMX) to replace the MDX.

²⁰ Section 348.0003, Florida Statutes.

²¹ Operation and maintenance expenses include the reasonable and necessary expenses of maintenance, repair and operation of the expressway system, insurance premiums, engineering expenses, legal expenses, and the cost of collecting and accounting for tolls.

²² Open Road Tolling allows for traffic flows to be unimpeded by toll booths.

²³ The MDX Board of Directors consists of nine members, five appointed by the Miami-Dade County Board of County Commissioners, three appointed by the Governor, and one member, the District Secretary of the Florida Department of Transportation - District VI, serves ex officio.

²⁴ Project phases include planning, right-of-way acquisition, and design and build.