



MIAMI-DADE EXPRESSWAY AUTHORITY

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**FINANCE, POLICY & PLANNING COMMITTEE MEETING
AGENDA**

**TUESDAY, SEPTEMBER 18, 2018
10:30 AM**

I. CALL TO ORDER

II. DECLARATIONS OF VOTING CONFLICTS

III. PUBLIC COMMENT

IV. ACTION ITEM

A) Approval of Summary Minutes:

- **Joint Finance, Policy and Planning & Operations, External Communications and Inter-Governmental Committee Meeting of May 22, 2018**

B) Approval of Treasurer's Report

C) Approval of Staff Recommendation

- **2017/2018 Legislation**

V. DISCUSSION ITEMS

A) Customer Rewards Program

VI. INFORMATIONAL ITEMS

A) Fitch Rating's Report

B) External Auditor's Planning Communication to the Governing Board

VII. ANNOUNCEMENTS:

- **Board Meeting, 9/25/18, 4:00 PM, William M. Lehman MDX Building – Board Room**

VIII. ADJOURNMENT

FINANCE, POLICY AND PLANNING COMMITTEE MEMBERS:

LOUIS V. MARTINEZ, ESQ., CHAIR • LUZ WEINBERG, VICE CHAIR

AUDREY M. EDMONSON • JIM WOLFE, P.E.

CARLOS A. GIMENEZ, MDX CHAIR

EX-OFFICIO MEMBER

LEONARD BOORD, MDX VICE CHAIR

**MIAMI-DADE EXPRESSWAY AUTHORITY
CONFLICT OF INTEREST REPORT
FINANCE, POLICY & PLANNING COMMITTEE MEETING
SEPTEMBER 18, 2018**

Below is a list of Primes and their Subcontractors/Subconsultants that are either: (i) currently participating under a Contract with MDX, (ii) pending approval to Contract with MDX, or (iii) pending approval to lease property from MDX and are the subject of an Action Item on today's Agenda. Board members shall consider each entity identified, inclusive of their principals, directors, officers, members/managers, partners... (as applicable) for any actual or potential conflicts of interest that require disclosure.

ACTION ITEM	PROCUREMENT/CONTRACT/LEASE	CONTRACTOR/CONSULTANT/LEASEE	SUBCONTRACTOR/SUBCONSULTANT
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THERE ARE NO ACTION ITEMS REQUIRING CONFLICT OF INTEREST DISCLOSURE FOR THIS MEETING

MIAMI-DADE EXPRESSWAY AUTHORITY (MDX)

**JOINT FINANCE, POLICY AND PLANNING AND
OPERATIONS, EXTERNAL COMMUNICATIONS AND INTER-GOVERNMENTAL
COMMITTEE MEETING**

**TUESDAY, MAY 22, 2018
10:30 AM**

**WILLIAM M. LEHMAN MDX BUILDING
3790 NW 21ST STREET
MIAMI, FLORIDA 33142**

SUMMARY MINUTES

Present Committee Members:

Maritza Gutierrez, OECI Chair
Leonard Boord, Treasurer, FPP Chair - Via Phone
James Wolfe, P.E., OECI Vice Chair
Louis V. Martinez, Esq., FPP Vice Chair
Carlos A. Gimenez
Arthur J. Meyer
Shelly Smith Fano, MDX Board Chair

Absent Members:

Audrey M. Edmonson, MDX Vice Chair
Cliff Walters

Staff:

Javier Rodriguez, P.E., Executive Director
Carlos Zaldivar, General Counsel
Marie T. Schafer, CPA, Director of Finance/CFO
Juan Toledo, P.E., Director of Engineering
Helen M. Cordero, Manager of Procurement and Contract Administration
Francine Steelman, Associate General Counsel
Claudio Diaferia, P.E., Assistant Director of Engineering
Maria Luisa Navia Lobo Board Secretary

Consultants:

Albert Sosa, HNTB (GEC-A)
Reynaldo Cortez, EAC, (GEC-B)
Randy Topel, Hilltop Securities/First Southwest Co.
David Aron, CDM Smith

CALL TO ORDER

Ms. Gutierrez called the meeting to order. Ms. Navia Lobo called the roll and announced a quorum was present.

DECLARATIONS OF VOTING CONFLICTS

No conflicts were declared

PUBLIC COMMENT

None

ACTION ITEMS

A) Approval of Summary Minutes

- Joint Finance, Policy & Planning and Operations, External Communications & Inter-Governmental Committee Meeting of February 23, 2018
- Joint Finance, Policy & Planning and Operations, External Communications & Inter-Governmental Committee Meeting of April 13, 2018

Ms. Smith Fano moved to approve the Summary Minutes. Mr. Meyer seconded the motion. The Motion was unanimously approved.

A) Approval of Treasurer's Report

Ms. Schafer reported on the 10-month period ending on April 2018, revenues outperformed the budget by \$1.4 million due to toll by plate ("TBP") revenue receipts. Overall year to date toll revenue is \$4 million above the forecast; fee revenue is also associated with TBP and continues to outperform the budget as well year to date is 4.7 million. Investment income year to date reflects a positive result of \$1.3 million. Revenues have outperformed the forecast.

Ms. Smith Fano moved to approve the Treasurers Report. Mr. Meyer seconded the motion. The motion was unanimously approved.

B) Endorsement of Fiscal Year 2019 Annual Budget and Funding Requirements and Reallocation of Funds to the General Fund

Ms. Schafer explained The FY 2019 budget was thoroughly discussed at the Budget Workshop that preceded this meeting. Board members were individually briefed prior to the Workshop.

The proposed budget outlines \$55.7 million of annual operations, maintenance and administration (including \$2.9 million for Park & Ride Operations); \$101.5 million for debt service payments (principal and interest); and \$105 million for Pay as you go.

Ms. Schafer referred to a discussion at the Workshop regarding an adjustment of \$10 million that will not be utilized from the General Reserve

The Authority transferred \$85 million from the General Fund into the R&R Fund to fund the FY 2018 work program capital expenditures. Due to several delays on Project 83611 expenditures and revised cash drawdowns, the cash requirement projections were updated. Furthermore, \$60 million is needed for a final judgment related to the litigation claim that is currently being appealed. The funds of \$60 million will be transferred back to the General Fund

Mr. Meyer moved the item for discussion. Mr. Wolfe seconded the motion.

Mr. Boord informed Members that for the past few years the ETCC litigation has been an open [financial liability] item. The Auditors were asked if the Authority is in compliance with the way the balance sheet reflects that liability. The auditors have indicated that the Authority is compliant.

The FY 2019 budget was unanimously approved.

The FY2019 Budget presentation is filed with the Board Secretary.

- C) MDX Procurement/Contract Number ITB-18-03; MDX Work Program No. 83629.060 Construction Services for the Reconstruction of NW 82nd Avenue from NW 7th Street to NW 12th Street
- Approval to reject all bids and cancel MDX Procurement/Contract No. ITB-18-03
 - Approval to re-advertise an Invitation to Bid

Ms. Cordero introduced the item and explained that on March 22, 2018, MDX released an Invitation to Bid (ITB) for the Reconstruction of NW 82nd Avenue from NW 7th Street to NW 12th Street (the “82nd Avenue Project”). At the request of Miami-Dade County, MDX agreed to fund, design, and construct this project to help improve traffic operations in the area adjacent to SR 836.

Eight (8) Bid Packages were received in response to the ITB from the following firms:

- American Pipeline Construction LLC
- Condotte America, Inc.
- General Asphalt Co., Inc.
- Hahn Construction Engineering Contractors, Inc.
- Halley Engineering Contractors, Inc.
- JVA Engineering Contractor, Inc.
- Lead Engineering Contractors, LLC
- Roadway Construction, LLC

Subsequent to the receipt of the Bid Packages, Miami-Dade County requested that MDX also construct their project on NW 7th Street between NW 76th Avenue and NW 79th Avenue, which is currently in the final phase of design and is fully funded for construction by Miami-Dade County.

In order to combine the projects, Staff is requesting approval to reject all bids received for the 82nd Avenue Project and cancel the Procurement Process. Staff is also requesting approval to re-advertise the 82nd Avenue Project with the added scope of the NW 7th Street Project.

Mr. Toledo gave a brief summary of the project and explained the 7th Street Project is near the limits of the 82nd Avenue Project as well as the on-going SR 836 Improvements at NW 87th Avenue. In order to minimize the impacts of construction activities to the area, combining the work of the 82nd Avenue Project and the 7th Street Project is the overall best approach. He informed Members that MDX received a letter of support from Commissioner Sosa, the letter was distributed at the meeting.

Ms. Cordero informed Members that the bids received have not been opened and will remain

protected from the Public Records Law until a contract is awarded as a result of the re-advertisement.

MDX and Miami-Dade County will enter into an Interlocal Agreement that will lay out specific parameters for the construction of the projects as well as the funding for the work related to the 7th Street Project. The agreement will be presented to the Committee and Board for approval.

The Engineer's Estimate for the expanded Project is \$4,780,000, and its estimated duration is 275 Calendar Days.

Ms. Smith Fano moved to reject all bids and re-advertise the ITB. Mr. Martinez seconded the motion. The motion was unanimously approved.

Ms. Gutierrez requested signage be put up at the construction site showing this is a joint efforts of MDX and MDC.

- E) MDX Procurement/Contract Number ITB-17-04; System-wide Maintenance of Traffic (MOT) Services (\$500,000)
- Endorsement of Supplemental Agreement No. 2.

Mr. Toledo introduced the item and explained the On July 24, 2017 MDX and Safety Systems Barricades, Corp. (SSB) entered into a Contract to provide all labor, materials, equipment, maintenance of traffic schemes, and incidentals necessary for a Push Button Contract to provide System-Wide Maintenance of Traffic Services on an as needed basis at various locations on the MDX System.

On February 1, 2018, MDX entered into an Agreement with TransCore, LP for the replacement of the tolling equipment on SR 874, SR 878 and SR 924. This contract is a cooperative purchase agreement that did not include any MOT services. MDX requested pricing from TransCore for MOT services and received a quote for \$2,331,407. Using the MOT Contract with SSB, results in a significant reduction (\$1.8 million savings) from the quote received from TransCore for the same services. In order to have SSB provide the MOT services needed for this Project, the MOT Contract would need to be supplemented to increase the annual value for year two by an additional \$500,000.00 and the overall contract and overall capacity by the same amount.

Ms. Smith Fano moved to endorse Supplemental No. 2. Mr. Martinez seconded the motion. The motion was unanimously endorsed.

- F) MDX Procurement/Contract Number RFQ-18-02; MDX Work Program No. 30056.051; Construction Engineering and Inspection (CEI) Services for the Civil Infrastructure Modifications for Toll Zones on SR 874, SR 878 and SR924 (\$599,734.87)
- Endorsement of negotiated Contract Amount

Mr. Toledo introduced the item and explained Construction Engineering and Inspection (CE&I) Services for construction services of the civil infrastructure modifications for toll zones on SR 874, SR 878, and SR 924. In February 2018, this Committee and the MDX Board approved the recommendation of the Technical Evaluation Committee to award the contract to the highest ranked Proposer, A2 Group, Inc., and directed staff to negotiate the contract amount with the selected firm within the engineer's estimate of \$545,300.

After finalizing the implementation schedule with TransCore, the toll system integrator, the

Construction schedule was amended to add 211 calendar days. This increase in Contract duration results in an increase in the value of the Contract. Staff has since negotiated this Contract with A2 Group, Inc. in accordance with the FDOT Negotiation Handbook and has reached an agreed Contract amount of \$599,734.87. The increase in the Contract amount is the result of the additional time required to properly complete the work and the addition of a field office to the CEI contract. As a result, Staff is recommending that this Committee endorse the negotiated Contract amount of \$599,734.87.

Mr. Martinez moved to endorse the negotiated contract with A2Group. Mr. Meyer seconded the motion. The motion was unanimously endorsed.

G) MDX Procurement/Contract Number MDX-14-03-B; MDX Project/Service Title; Toll Image Processing System Maintenance Services (Not-to-Exceed \$3,121,581)

- Endorsement of Supplemental Agreement No. 1

Mr. Andriuk introduced the item and informed Members that as part of the transition from ETCC, on September 20, 2013, through an Emergency Procurement, MDX entered into a contract with Q-Free America, Inc. to provide the software system and required labor to process all video images from the toll lanes. In April of 2016, MDX removed the manual review labor from the scope of the Contract and extended the term of the Contract for an additional two (2) years through August 31, 2018. Subsequently, the Contract was assigned to Q-Free's wholly owned subsidiary, Open Roads Consulting Inc.

The Contract is expiring and has reached its limit of extensions. Although MDX will be transitioning to the State Centralized Customer Service Systems (CCSS), image review remains the responsibility of MDX as the images must be reviewed and identified before they are sent to the CCSS for account processing.

Under the Contract, MDX paid for Q-Free to develop an Enhanced Image Processing (EIP) System, providing automation using QFree's Intrada™ software for Optical Character Recognition System (OCR) and Automated License Plate Reader (ALPR), Vehicle Signature Recognition (VSR) with bundling capabilities, manual image review software, reporting, and software and hardware maintenance. The requirements included the ability to handle MDX's image transaction counts (+450k/day), automation rates $\geq 65\%$, and an accuracy rate of 99.95%.

Mr. Martinez moved to endorse Supplemental Agreement No. 1. Ms. Smith Fano Seconded the motion. The motion was unanimously endorsed.

H) MDX Procurement/Contract Number ITB-18-07; MDX Work Program No. Various; MDX Project/Service Title; Replacement of Uninterruptible Power Supply (UPS) Units Throughout the MDX System (\$423,195 Estimate)

- Approval to Advertise

Mr. Toledo introduced the item and explained the UPS units are used to provide backup power to the toll collection system infrastructure. The UPS units at existing toll zones at SR 874, SR 878 and SR 924 are nearing the end of their service life. The UPS units at existing toll zones at SR 112 and SR 836; as well as those in the toll equipment shelters still have serviceable life, but have warranties that are scheduled to expire over the next several months.

Since inception, MDX has utilized the APC brand UPS units and all configurations and electrical connectivity have been done for proper communication between the UPS units and the rest of the toll collection system. A change of brands will require downtime and load interruption of the toll

lanes, as well as additional labor cost.

Staff is requesting authorization to release an Invitation to Bid to authorized resellers and service providers of the APC brand UPS units for the replacement of the units that have reached end-of-life and for a five-year extension of the service warranty for the units that still have serviceable life.

Ms. Smith Fano moved to approve the advertisement ITB 18-07. Mr. Meyer seconded the motion. The motion was unanimously approved.

Ms. Schafer requested to go back to the Budget item, (Agenda item IV. C). She explained that included in the budget is \$3 million for non-work program expenditures. After the Board's approval of the toll image software pursuant to Agenda item IV. G and approving Option 1, Staff recommends reducing the FY 2019 Budget by a total amount of \$3 Million from the Non-Project Capital.

Motion on the Amendment – Mayor Gimenez moved to approve the Budget Amendment. Mr. Martinez seconded the motion. The motion was unanimously approved.

Motion on the FY 2019 New Total Budget amount (less \$3 Million from Non-Project Capital) Endorsed by Mr. Martinez and seconded by Secretary Wolfe. Mayor Gimenez opposed the motion. The motion was endorsed.

- I) MDX Procurement/Contract Number MDX-18-05, MDX Project/Service Title: Security Guard Services for the Dolphin Park & Ride Facility (\$1,000,000.00)
 - Endorsement of Cooperative Purchasing Agreement

Mr. Toledo introduced the item and explained the Dolphin Park and Ride Facility is scheduled to open for operations in summer of 2018. In order to ensure the security of the facility and patrons, Staff recommends that security guard services on a 7 day/24 hours basis be provided. Miami-Dade County has a competitively procured contract with U.S. Security Associates for security guard services at all of their transit facilities, including other park and ride facilities.

Staff recommends piggybacking onto this contract for a term of two years with a not-to-exceed contract amount of \$1,000,000 to account for two security guards, one marked vehicle, and a golf cart to patrol the facility – all to be tasked on an as-needed basis by MDX.

Mr. Toledo entertained questions from Members.

Ms. Smith Fano moved to endorse the Cooperative Purchase Agreement. Mr. Meyer seconded the motion. The motion was unanimously endorsed.

- J) Transfer of Portions of MDX Parcels 83605-117, 83605-118, 83605-119 and 83605-120
 - Endorsement of ROW Transfer to Beacon Lakes CDD

Mr. Toledo informed Members that the County has engaged Beacon Lakes Community Development District (“Beacon Lakes”), a local special purpose government entity, to construct the extension of NW 121st Avenue and NW 14th Street on the County's behalf to provide a connection north to NW 25th Street. This proposed roadway will extend across an existing MDX SR 836 drainage pond. MDX has reviewed the proposed extension by Beacon Lakes and has identified portions of four (4) MDX parcels necessary for the successful completion of this roadway extension. Portions of the four parcels can be contributed to the roadway extension

project by MDX without negatively affecting SR 836. The South Florida Water Management District (“SFWMD”) has issued a permit to Beacon Lakes requiring mitigation of any drainage volume loss. SFWMD issued Permit Number 13-01964-P to Beacon Lakes that requires the purchase of drainage credits from adjacent lakes within the same drainage basin to offset the reduction in the Lake’s drainage capacity. MDX staff has worked with Beacon Lakes to ensure that drainage mitigation is a condition of the SFWMD permit.

The purpose of this transfer is to facilitate the extension of NW 121st Avenue to the north by Beacon Lakes, who will then transfer the roadway to Miami-Dade County upon completion. Ms. Smith Fano moved to endorse transfer of Right of Way to Beacon Lakes Community Development District for the extension of SW 121st Avenue. Mayor Gimenez seconded the motion. The motion was unanimously endorsed.

DISCUSSION ITEMS

A) Kendall Parkway Finance and Toll Rates Discussion

Mr. Sosa presented the Kendall Parkway project; corridor alignment, project benefits, project specifics, tolling points, toll rate assumptions, and project costs and funding source. The next step as far as toll rates; there will be public hearing in the fall 2018.

Members thoroughly discussed the item.

The Presentation is filed with the Board Secretary

INFORMATIONAL ITEMS

- A) MDX Work Program Monthly Status Report – April 2018
- B) HNTB SBE/LB Utilization Report
- C) EAC SBE/LB Utilization Report
- D) MDX Contingency Release History Report
- E) Procurement Report

The Informational Items were not addressed

ANNOUNCEMENTS

- Board Meeting 5/29/18, 4:00 PM, William M. Lehman MDX Building – Board Room

ADJOURNMENT

The meeting was adjourned by Ms. Gutierrez

Minutes prepared by Maria Luisa Navia Lobo, Board Secretary.



MIAMI-DADE EXPRESSWAY AUTHORITY
(UNAUDITED)
ACTUAL VS BUDGET REPORT
August 31, 2018

	August 2018 Actual	August 2018 Budget	Variances	%	August YTD Actual	August YTD Budget	Variances	%
Revenues								
Toll Revenues								
Toll Revenues, Net	17,151,213	18,578,000	(1,426,787)	(7.68)	35,226,815	37,505,000	(2,278,185)	(6.07)
Fee & Other Revenues								
Fee Revenues	834,639	997,345	(162,706)	(16.31)	1,822,715	1,994,690	(171,976)	(8.62)
Interest/Dividend Income	868,485	510,000	358,485	70.29	1,654,630	1,020,000	634,630	62.22
Other Revenues	57,235	54,315	2,921	5.38	114,487	108,629	5,858	5.39
Total Fee & Other Revenues	1,760,360	1,561,660	198,700	12.72	3,591,832	3,123,319	468,513	15.00
Total Revenues:	18,911,573	20,139,660	(1,228,087)	(6.10)	38,818,647	40,628,319	(1,809,673)	(4.45)
Operating and G & A Expenses:								
Operations								
Toll Operations								
Toll-by-Plate Billings & Customer Service Support	213,870	213,882	12	0.01	707,975	709,265	1,289	0.18
Toll IT Systems Support & Operations	44,302	51,349	7,046	13.72	95,140	102,698	7,557	7.36
In-Lane Software/Hardware Maint & Support	402,516	405,197	2,680	0.66	634,189	640,393	6,204	0.97
Image Review Software and Support	121,577	121,828	251	0.21	264,272	265,157	884	0.33
Toll-by-Plate Postage & Printing	5,000	5,083	83	1.64	27,139	27,667	527	1.91
Utilities	24,262	24,919	657	2.63	48,252	49,837	1,586	3.18
Traffic & Revenue Studies	15,000	15,000	-	-	30,000	30,000	-	-
Other Toll Operations Expenses	16,172	16,373	201	1.23	32,365	32,745	380	1.16
FDOT, Toll Operations (SunPass Processing Charges)	1,450,599	1,450,599	-	-	2,901,199	2,901,199	-	-
FDOT, Toll Operations (SunPass Transponder Subsidy)	144,526	144,526	-	-	289,053	289,053	-	-
Total Toll Operations:	2,437,826	2,448,756	10,930	0.45	5,029,584	5,048,013	18,428	0.37
Roadway Operations								
Traffic Management Center Expenses	81,928	82,209	82,209	100.00	163,698	164,418	719	0.44
Service Patrols & RISC	212,000	214,167	214,167	100.00	425,989	428,333	2,344	0.55
Roadway Lighting	35,097	35,697	35,697	100.00	70,546	71,394	847	1.19
NPDES Permits	-	-	-	N/A	-	-	-	N/A
Intelligent Transportation Systems Expenses	43,518	49,303	49,303	100.00	91,354	98,605	7,251	7.35
Roadway Operations Support Services	80,123	78,928	78,928	100.00	157,880	157,907	27	0.02
FDOT (Insurance)	77,220	77,220	-	-	154,441	154,441	-	-
Total Roadway Operations:	529,886	537,524	7,638	1.42	1,063,908	1,075,098	11,189	1.04



MIAMI-DADE EXPRESSWAY AUTHORITY
(UNAUDITED)
ACTUAL VS BUDGET REPORT
August 31, 2018

	August 2018 Actual	August 2018 Budget	Variances	%	August YTD Actual	August YTD Budget	Variances	%
Operations-Public Outreach								
SunPass Direct Program	-	-	-	N/A	-	-	-	N/A
Print/Collateral/Products	-	-	-	N/A	-	-	-	N/A
MDX Website Content	-	-	-	N/A	-	-	-	N/A
Media Campaign Placement	15,403	17,833	2,430	13.63	19,535	22,667	3,131	13.82
Media Production	-	-	-	N/A	-	-	-	N/A
Public Relations	8,602	18,333	9,731	53.08	17,837	27,667	9,830	35.53
Customer Rewards Program Support	-	-	-	N/A	-	-	-	N/A
Market Research	-	833	833	100.00	-	833	833	100.00
Customer Promotional Program	-	1,667	1,667	100.00	1,719	3,333	1,614	48.43
Community Outreach Support	15,331	18,750	3,419	18.24	27,274	30,700	3,426	11.16
Community Outreach Sponsorships/Memberships	10,000	10,000	-	-	10,000	10,000	-	-
Total Operations-Public Communications:	49,336	67,417	18,081	26.82	76,365	95,200	18,835	19.78
Total Operations:	3,017,048	3,053,697	36,648	1.20	6,169,858	6,218,310	48,452	0.78
Maintenance								
Roadway & Facility Maintenance Services	472,228	493,508	21,279	4.31	930,048	957,016	26,968	2.82
Periodic Maintenance & Enhanced Safety Improvements	28,700	31,458	2,758	8.77	28,700	31,458	2,758	8.77
Intelligent Transportation Systems Maintenance	-	-	-	N/A	-	-	-	N/A
Structural Inspections	-	-	-	N/A	-	-	-	N/A
Maintenance Support Services	70,162	74,167	4,005	5.40	138,131	142,333	4,202	2.95
Total Maintenance:	571,090	599,133	28,043	4.68	1,096,879	1,130,808	33,929	3.00



MIAMI-DADE EXPRESSWAY AUTHORITY
(UNAUDITED)
ACTUAL VS BUDGET REPORT
August 31, 2018

	August 2018 Actual	August 2018 Budget	Variances	%	August YTD Actual	August YTD Budget	Variances	%
Administration								
Salaries, Taxes & Benefits	509,549	520,473	10,924	2.10	953,115	964,121	11,006	1.14
Office Administration								
Headquarters Expenses & Utilities	7,666	7,825	159	2.03	20,331	20,651	320	1.55
Headquarters Maintenance	8,500	9,324	824	8.83	17,386	18,647	1,261	6.76
Headquarters Supplies, Postage & Document Storage	4,156	4,296	140	3.25	8,262	8,592	329	3.83
Headquarters Vehicle Operation & Maintenance	2,817	3,144	327	10.39	4,100	4,788	687	14.36
Advertisement of Procurement & Public Notices	1,850	2,308	458	19.86	3,850	4,617	767	16.61
Insurance Costs	8,846	9,115	270	2.96	17,691	18,231	540	2.96
Industry Continuing Ed./Travel/Conference Reg Fees	7,830	7,904	73	0.93	12,325	12,408	82	0.66
Memberships & Training	445	607	162	26.64	4,255	4,513	258	5.72
Headquarters Information Technology	33,287	34,545	1,258	3.64	45,155	49,091	3,935	8.02
Small & Local Business Outreach	-	-	-	N/A	-	-	-	N/A
Treasury & Bond Administration	7,154	7,788	633	8.13	14,808	15,575	767	4.92
Total Office Administration:	82,552	86,855	4,304	4.96	148,165	157,111	8,946	5.69
Professional Services								
Annual Audit & Support Services	8,760	9,100	340	3.74	20,605	21,200	595	2.81
Financial & Investment Advisor Services	8,730	8,917	186	2.09	26,770	27,333	564	2.06
Legal Services	134,916	135,917	1,001	0.74	224,199	231,833	7,634	3.29
State & Local Advocacy Consultants	-	-	-	N/A	-	-	-	N/A
Employee Benefits Consulting	-	-	-	N/A	-	-	-	N/A
Industry & Community Memberships	750	767	17	2.17	750	767	17	2.17
General Engineering Consultant	27,269	29,375	2,106	7.17	53,468	58,750	5,282	8.99
Total Professional Services:	180,425	184,075	3,650	1.98	325,792	339,883	14,091	4.15
Total Administration:	772,526	791,403	18,877	2.39	1,427,072	1,461,115	34,043	2.33
Total Operating and G & A Expenses:	4,360,664	4,444,233	83,568	1.88	8,693,808	8,810,233	116,424	1.32
Non-Operating Expense:								
Interest Expense	5,884,319	5,888,794	4,475	0.08	11,768,652	11,777,589	8,937	0.08
Total Non-Operating Expense:	5,884,319	5,888,794	4,475	0.08	11,768,652	11,777,589	8,937	0.08
Total Expenses:	10,244,984	10,333,027	88,043	0.85	20,462,460	20,587,822	125,361	0.61
Net Revenues:	8,666,589	9,806,633	(1,140,043)	(11.63)	18,356,187	20,040,498	(1,684,311)	(8.40)

MIAMI-DADE COUNTY EXPRESSWAY AUTHORITY
FINANCE, POLICY & PLANNING COMMITTEE MEETING
SEPTEMBER 18, 2018

AGENDA ITEM REPORT

Consent Regular Public Hearing

MDX PROJECT/SERVICE TITLE: CIVIL ACTION REQUESTING DECLARATORY JUDGMENT

REQUESTED ACTION:

MOTION TO ENDORSE:

- Pursue a civil action requesting declaratory judgment concerning the 2017 & 2018 legislation.

SUMMARY EXPLANATION AND BACKGROUND:

Staff is seeking the authority to file a declaratory judgment action in Circuit Court that sections of the 2017 & 2018 statutory amendments to Chapter 348 Florida Statutes are invalid as an impairment of the rights bargained for and granted under the Transfer Agreement or, alternatively, interpreting the statutory provisions in such a manner as to preserve the full autonomy of MDX over its system and resolve any conflicts with the MDX Bond Indenture in favor of the Bond Indenture. It should be noted that a declaratory judgment is limited to asking the Court for an interpretation of the specific statutes as there will be no money damages involved in this claim.

The Transfer Agreement is a contract that was entered into between the State of Florida Department of Transportation and MDX. The Agreement conveyed the System to MDX in exchange for approximately \$90 million dollars funded by bonds issued by MDX and payable by the toll payers of Miami-Dade County. As part of the agreement, the State transferred to MDX the following right:

full jurisdiction and control over the operation, maintenance and finances of the System in perpetuity, including without limitation, all right to regulate, establish, collect and receive tolls thereon.

The full authority to regulate tolls is the most fundamental right held by MDX as it is this power on which all other authority relies. The operation, maintenance, and expansion, as well as the payment of debt service on MDX bonds, all depend upon the power and authority of MDX to regulate its toll schedule. If the power to regulate tolls on the MDX system is subject to legislative fiat, then the ability of MDX to operate, maintain and expand the system is also subject to legislative review and oversight, as is the payment of debt service on MDX bonds. MDX has pledged in every Official Statements of debt issuance the rights under the Transfer Agreement to Bondholders that MDX has full operational and financial control of the System. Additionally, because of this usurpation and conflicting language between the amended statute and the MDX Bond Indenture, our bond counsel has informed that absent appropriate judicial guidance, the bond counsel opinion will necessarily include language addressing this conflict with the statute.

At the June 26, 2018, Staff presented a plan to resolve the legal team's analysis concerning the contractual impairment of the Transfer Agreement and future funding concerns raised by the amendments to Chapter 348 passed in 2017 and 2018 and MDX's ability to continue to issue debt under its existing bond indenture on the same terms as it has been able to do so in the past. Staff

MDX PROJECT/SERVICE TITLE: CIVIL ACTION REQUESTING DECLARATORY JUDGMENT

presented two options to be discussed at a future committee meeting which included seeking a declaratory judgment or seek legislative assistance with the recommendation that MDX pursue both courses of action.

On July 27, 2018, the Fitch Rating Agency issued a press release that affirmed the “A” rating for MDX but changed the outlook to Negative. Fitch stated that the change in rating reflected the *“unprecedented intervention taken by the Florida Legislature usurping local autonomy to lower toll rates and divert surplus revenue to other county obligations. The negative outlook also reflects uncertainty surrounding the long term impact the State’s intervention may have on the Authority’s ability to allocate funds for the capital expenditures in the future years and issue additional debt. In addition, the negative outlook further encompasses uncertainty of future legislative actions that could impact MDX’ independent rate making flexibility.”*

While the legislature could retract the changes made in 2017 and 2018, nothing would prevent future legislatures from taking additional action to reinstate the amendments as noted by Fitch. An action for a declaratory judgment regarding the continued viability of the Transfer Agreement, the legality of the amended statute and conflict with the MDX Bond Indenture is the only course of action that will resolve the issue and establish a precedent that can be used to deter future legislative action.

SMALL AND LOCAL BUSINESS PARTICIPATION:

The firm handling the matter is De Leon & De Leon, P.A., is certified as both a Small Business and a Local Business.

MANNER IN WHICH REQUESTED ACTION ADVANCES MDX STRATEGIC GOALS:

MDX needs a judicial interpretation of the 2017 & 2018 Amended Statutes as they contractually interfere with the MDX Transfer Agreement and conflict with MDX Trust Indenture.

FISCAL IMPACT:

Funds for legal services have been budget for in the approved Operating Budget.

EXHIBITS ATTACHED:

N/A

MDX PROJECT/SERVICE TITLE: CIVIL ACTION REQUESTING DECLARATORY JUDGMENT

Authorized by: _____
Executive Director Date

Motion to Approve by: _____

Motion to Approve seconded by: _____

Details of Amended Motion:

Committee Action:

Approved: _____ Yes _____ No

Vote: _____ Unanimous

Roll Call:

Finance, Policy & Planning Chair, Louis Martinez _____ Yes _____ No

Policy & Planning Vice Chair, Luz Weinberg _____ Yes _____ No

Member, Commissioner Audrey Edmondson _____ Yes _____ No

Member, Jim Wolfe, P.E. _____ Yes _____ No

Board Chair, Mayor Carlos Gimenez _____ Yes _____ No

Board Vice Chair, Leonard Boord _____ Yes _____ No

MIAMI-DADE EXPRESSWAY AUTHORITY

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

AUDIT PLANNING 2018

Year Ended June 30, 2018



August 3, 2018

To the Members of
Miami-Dade Expressway Authority
Miami, Florida

Our professional standards require that we inform you of certain matters related to our audit of Miami-Dade Expressway Authority's (the Authority) financial statements for the fiscal year ended June 30, 2018. This report is intended to convey those matters to you.

Our audit is designed to express an opinion on the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information comprising the basic financial statements of the Authority. We have performed an initial assessment of risk areas we consider significant to the risk of material misstatement of the Authority's financial statements. Based on our assessment, we intend to execute our audit plan using procedures to mitigate those risks.

Communication is an essential part of the audit process. After reviewing our plan, if you have any questions, concerns, or would like us to consider other matters, please contact me at (800) 683-5401.

In addition, we are pleased to provide you with a copy of our most recent Peer Review Report attached to this letter. The public accounting industry has placed significant emphasis on strengthening the peer review process. This emphasis is focused on improving public accounting and auditing standards to protect the public and ensure the reliability of audited financial information. With these more stringent requirements, we are excited to inform you that our 2017 peer review report had **no findings**. In accordance with *Peer Review Standards*, the selection of our governmental clients was also included in this review.

We are dedicated to delivering the quality service you expect and deserve. We appreciate the opportunity to serve the Authority.

Respectfully submitted,

A handwritten signature in blue ink that reads "Wm. Blend". The signature is written in a cursive style and is underlined with a blue line.

William Blend, CPA, CFE
Engagement Shareholder

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Items to be communicated:

- ✓ Audit Schedule and Current Status
- ✓ Accounting and Reporting Issues Impacting Government Audits
- ✓ Significant Audit and Financial Reporting Issues Identified
- ✓ Identification of Financial Statement Elements
- ✓ Auditor Responsibilities
- ✓ Audit Procedures – General
- ✓ Audit Procedures – Internal Controls
- ✓ Audit Procedures – Compliance
- ✓ Governance and Management Responsibilities
- ✓ Auditor General Requirements
- ✓ Independence Disclosure
- ✓ MSL 2017 Peer Review Report and Acceptance Letter of the AICPA

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Audit Schedule and Current Status

Below is a table of our agreed-upon audit schedule for the 2018 audit:

August 2018	Interim fieldwork
October 2018	Year-end fieldwork
November 2018	Final CAFR presentation to Budget and Finance Committee

Accounting and Reporting Standards Impacting Governmental Audits

New Government Accounting Standards Issued

- *GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for Other Postemployment Benefits (OPEB) plans. This standard will affect accounting and financial reporting by state and local governments for OPEB by requiring the immediate recognition of the entire net OPEB liability and a more comprehensive measurement of OPEB expense. This standard will not impact the Authority's financial statements.
- *GASB 81 - Irrevocable Split-Interest Agreements.* This standard will become effective for fiscal year end June 30, 2018. This standard improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This standard will not impact the Authority's financial statements.
- *GASB 82 - Pension Issues.* This standard will become effective for fiscal year end June 30, 2018. This standard addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this standard addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This standard is not expected to materially impact the Authority's financial statements.

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Accounting and Reporting Standards Impacting Governmental Audits (Continued)

New Government Accounting Standards Issued (Continued)

- **GASB 83 - *Certain Asset Retirement Obligations*.** This standard will become effective for fiscal year end June 30, 2019. This standard addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This standard also establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. This standard is not expected to impact the Authority's financial statements.
- **GASB 84 - *Fiduciary Activities*.** This standard will become effective for fiscal year end June 30, 2020. This standard establishes criteria for identifying fiduciary activities of state and local governments. The focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This standard is not expected to impact the Authority's financial statements.
- **GASB 85 - *Omnibus 2017*.** This standard will become effective for fiscal year end June 30, 2018. This standard addresses practice issues that have been identified during implementation and application of certain GASB Statements. This standard addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. This standard is not expected to materially impact the Authority's financial statements.
- **GASB 86 - *Certain Debt Extinguishments*.** This standard will become effective for fiscal year end June 30, 2018. This standard provides guidance for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This standard also requires that prepaid insurance related to extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. This standard is not expected to materially impact the Authority's financial statements.
- **GASB 87 - *Leases*.** This standard will become effective for fiscal year end June 30, 2021. This standard changes the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This standard establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee government is required to recognize a lease liability and an intangible right-to-use asset and a lessor government is required to recognize a lease receivable and a deferred inflow of resources. Management is aware of this standard and intends to properly evaluate the impact and ensure that any accounting and reporting impact is properly addressed in the year the standard is required to be implemented.

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Accounting and Reporting Standards Impacting Governmental Audits (Continued)

New Government Accounting Standards Issued (Continued)

- *GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This standard will become effective for fiscal year end June 30, 2019. This standard improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This standard defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This standard requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

- *GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period.* This standard will become effective for fiscal year end June 30, 2021. This standard changes accounting requirements for interest cost incurred before the end of a construction period. This standard requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

New Auditing Standards Issued

- *Statement on Auditing Standards (SAS) SAS 132 - The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern.*
- *Statement on Auditing Standards (SAS) SAS 133 - Auditor Involvement with Exempt Offering Documents.*

We do not expect these standards to place any additional accounting or reporting burden on the Authority's management or staff.

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Significant Audit and Financial Reporting Issues Identified

The following is a listing of audit areas we consider significant to ensure that we plan our audit to properly address the risk of material misstatement and noncompliance affecting your financial statements. Please review this list. If you have any questions, or believe the list is incomplete, please contact us to ensure that we have properly identified all significant areas.

- Internal control over financial accounting and reporting
- Information Technology (I.T.) systems
- Financial statement preparation procedures
- Capital assets accounting, including depreciation, project tracking, etc.
- Investment policies and procedures, portfolio management, income allocation, etc.
- Revenue recognition policies and procedures
- Debt, including compliance with applicable covenants
- Payroll processing
- Net Position/Fund Balance classifications
- Budgetary compliance and accountability
- Compliance with contracts, laws, regulations, and grant agreements

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Identification of Financial Statement Elements

We will audit the Authority's basic financial statements for the year ended June 30, 2018. The basic financial statements include Statements of Net Position, Statements of Revenue, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A) and Pension schedules to accompany the basic financial statements. As part of our engagement, we will apply certain limited procedures to the Authority's RSI, but it will not be audited. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it.

Supplementary information other than RSI, such as the Schedule of Calculation of Net Revenue and Financial Ratios and Schedule of Toll Revenues and Expense Summary, also accompanies the Authority's basic financial statements. We will subject this supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements. Such information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

The introductory and statistical sections accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

Auditor Responsibilities

As your auditors, we are responsible for:

- Expressing opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP) and to report on the fairness of the additional information referred to under **Identification of Financial Statement Elements** when considered in relation to the basic financial statements taken as a whole.
- Reporting on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Reporting on internal control related to major state projects and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major state project in accordance with the Single Audit Act Amendments of 1996 and requirements described in the Department of Financial Services, *State Projects Supplement*, respectively.

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Auditor Responsibilities *(Continued)*

- Informing you in our reports on internal control and compliance that the reports are intended for the information and use of the Authority, management, specific legislative or regulatory bodies; and are not intended to be, and should not be, used by anyone other than these specified parties.
- Informing you that we may decline to express opinions or to issue a report as a result of this engagement if we are unable to complete the audit or are unable to form, or have not formed, those opinions.
- Conducting our audit in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; Chapter 10.800, *Rules of the Auditor General*; and other procedures we consider necessary to enable us to express such opinions and to render the required reports.
- Communicating to you the planned audit schedule. Page 3 of this report documents the agreed-upon schedule with management for the June 30, 2018 audit.
- Communicating audit areas we consider significant to ensure that we plan our audit to properly address the risk of material misstatement to your financial statements. A listing of those areas can be found on page 6 of this report.
- Communicating the concept of materiality. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for the fair presentation of your basic financial statements in conformity with GAAP, while other matters are not important. In performing the audit, based on our professional judgment, we assess matters that, either individually or in the aggregate, could be material to the financial statements. Our consideration of materiality is based on our professional judgment.
- Informing you that at the completion of the audit we will be requesting certain representations from management at the conclusion of the audit.
- Informing you regarding some general audit procedures, as well as procedures related to internal controls and compliance. Discussion of those items follows.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Authority or to acts by management or employees acting on behalf of the Authority. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Audit Procedures - General *(Continued)*

that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that comes to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from attorneys representing the Authority as part of the engagement, and they may bill the Authority for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from management about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the Authority and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Governance and Management Responsibilities

Those charged with governance and management, except where indicated, are jointly responsible for:

- The basic financial statements and all accompanying information, as well as all representations contained therein in conformity with GAAP.
- Making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions.
- Acknowledging in the management representation letter that it has reviewed and approved the financial statements and related notes prior to their issuance and has accepted responsibility for them.
- Management has designated the Chief Financial Officer as the responsible party for oversight of its audit.
- Establishing and maintaining internal controls, including monitoring ongoing activities; the selection and application of accounting principles; and the fair presentation in the basic financial statements in conformity with GAAP.
- Making all financial records and related information available to us and for the accuracy and completeness of that information. Adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the basic financial statements.
- The design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Authority involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. This responsibility includes informing us of any allegations of fraud, or suspected fraud, affecting the Authority received in communications from employees, former employees, grantors, regulators, or others.
- Identifying and ensuring that the Authority complies with applicable laws, regulations, contracts, agreements, and grants, and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.
- Establishing and maintaining a process for tracking the status of audit findings and recommendations.
- Identifying for us previous audits, other engagements, or studies related to the objectives discussed in the Audit Objectives section. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, other engagements, or studies. Management is also responsible for providing its views on our current findings, conclusions, and recommendations, as well as planned corrective actions.

Miami-Dade Expressway Authority
Audit Planning 2018
Required Communications Under *Government Auditing Standards*

Auditor General

The following are compliance areas identified by the Auditor General to test on an annual basis if they are applicable and are determined to have a direct and material effect on the financial statements:

- Consideration of technical advice included within the *Local Government Compliance Supplement*, published annually by the Florida Auditor General.
- Determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding and second preceding annual financial audit reports.
- Address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls.
- Address violations of provisions of contracts and grant agreements or abuse that has an effect on the financial statements that is less than material but worthy of management's attention.
- Disclose in the management letter, or in the notes to the financial statements, the name or official title and legal authority for the primary government and each component unit of the reporting entity.
- Include a statement in the management letter as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met.
- Determine whether the annual financial report for the Authority for the fiscal year ended June 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2018.
- Apply financial condition assessment procedures in connection with our audit.

The following is a compliance area identified by the Auditor General where a separate opinion on compliance is reported:

- Review compliance with the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds.

Independence Disclosure

MSL and Moore Stephens Tiller LLC have been defined as a network within an association under the AICPA *Rules of Professional Conduct*. Management has confirmed to us that it is not aware of any prohibited relationship that would impair our independence under the AICPA *Rules of Professional Conduct* between our Firm and Moore Stephens Tiller LLC and its employees. We are also not aware of any such relationships.

Report on the Firm's System of Quality Control

To the Partners of
Moore Stephens Lovelace, PA
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Moore Stephens Lovelace, PA (the firm) applicable to engagements not subject to PCAOB inspection in effect for the year ended June 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

As part of our peer review, we considered reviews by regulatory entities as communicated to the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Moore Stephens Lovelace, PA applicable to engagements not subject to PCAOB inspection in effect for the year ended June 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Moore Stephens Lovelace, PA has received a peer review rating of *pass*.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 8, 2017

FITCH AFFIRMS MIAMI-DADE COUNTY EXPRESSWAY AUTHORITY, (FL)'S REVS AT 'A'; OUTLOOK NEGATIVE

Fitch Ratings-New York-27 July 2018: Fitch Ratings has affirmed the 'A' rating on Miami-Dade County Expressway Authority, (FL)'s (MDX) \$1.434 billion outstanding revenue and refunding bonds. The Rating Outlook on all senior rated bonds is revised to Negative from Stable.

KEY RATING DRIVERS

Summary: The 'A' rating reflects the essentiality of the MDX system to commuters in the Miami area, coupled with a demonstrated logistical proficiency with regards to managing system assets. Further, MDX exhibits effectiveness in executing expansion and maintenance oriented capital planning while continuing an observed history of robust operating and financial performance. The system's recent implementation of the Open Road Tolling (ORT) system has expanded tolling and strengthened the system's financial profile, resulting in higher coverage and escalated deleveraging.

The revision of the outlook to Negative reflects the unprecedented intervention taken by the Florida State Legislature usurping local autonomy in order to lower toll rates and divert surplus revenues to other Miami-Dade County project obligations. The Negative Outlook also reflects uncertainty surrounding the long term impact the state's intervention may have on the authority's ability to allocate funds for capital expenditures in future years and issue additional debt. In addition, the Negative Outlook further encompasses uncertainty of future legislative actions that could impact MDX's independent rate making flexibility.

Stable Commuter Base With Strategic Importance - Revenue Risk (Volume): Stronger
The MDX system has a mature traffic profile with steady annual increases in toll transactions. Revenues are derived from a robust system of assets that provide critical links within the Miami-Dade transportation network. The availability of limited alternative routes ensures the importance of the system to the region. While the system has recently experienced large year-over-year increases in transactions due to the implementation of ORT on all expressways, growth is projected to level off in forthcoming years.

Moderate Price Flexibility - Revenue Risk (Price): Midrange
MDX's adopted toll policy indexes toll increases to the consumer price index (CPI) beginning in fiscal 2019. However, the 2017 state legislation and recently enacted 2018 legislation resulted in MDX Board passing a motion to implement a system wide 6% toll rate reduction. State involvement in MDX's rate setting process signifies a fundamental policy shift that causes uncertainty regarding future independent rate-setting ability. While management stated MDX is exempt from the legislation relating to the operational and financial control given it is superseded by bond document compliance and transfer agreement, it remains to be seen if the legislature will challenge MDX's rate-setting independence again in the future.

Good Physical Condition of Assets - Infrastructure & Renewal Risk: Stronger
MDX has maintained the system and its facilities in satisfactory operational conditions and maintains a robust roadway inspection schedule, above that required by the Florida Department of Transportation. The system's ongoing maintenance could potentially be impacted by the legislation enforcing a rate decrease and requiring 20% of surplus revenues (after payment of debt service) be allocated to other Miami-Dade County projects before its replenishing its own renewal and replacement deposits. In the near term, the measure prompted MDX to suspend \$192 million worth of projects not currently under contract. However, the majority (\$561.6 million) of the authority's

five-year \$678.2 million work program is earmarked for expansion and capacity improvements leaving a manageable amount for system maintenance and repairs.

Some Exposure to Variable-Rate Debt - Debt Structure: Stronger

MDX's debt portfolio is mostly fixed rate with only 5% variable rate debt, the majority of which is hedged. The overall debt service profile is moderately escalating and the debt service reserve is cash funded at maximum annual debt service (MADS).

Financial Profile

Financial metrics for fiscal 2017 were consistent with recent historical results, as supported by strong year-to-date performance through April 2018. Leverage (net debt/CFADS) was 6.4x at fiscal year-end 2017, a decrease from the prior yearend due to an increase of revenues supported by higher transactions from the roll out of ORT. Leverage is estimated to average around 5x through fiscal year-end 2026. Debt service coverage was 2.0x in fiscal 2017 and averages 1.8x through fiscal 2028 based on Fitch's rating case, not including potential additional debt.

PEER GROUP

Central Florida Expressway Authority (CFA), rated 'A'/Outlook Stable is a comparable peer to MDX in terms of a large expressway system with a politically sensitive pricing environment, and both have strong volume profiles. Debt service coverage ratios and leverage are comparable over the medium term.

RATING SENSITIVITIES

Future Developments That May, Individually or Collectively, Lead to Negative Rating Action:

--An unclear long-term toll policy and/or the continued implementation of legislation requiring reduced toll rates.

--Transferring meaningful surplus cash for non-project county uses which limit economic rate setting ability and limits investment in system assets on a timely basis.

--Demonstrated lack of legal independent rate setting authority.

--Underperformance of traffic and revenue with an unwillingness or inability to adjust tolls accordingly, resulting in the erosion of the debt service coverage ratio below 1.6x for a sustained period.

--The addition of obligations that increase leverage above 8.0x.

Future Developments That May, Individually or Collectively, Lead to Positive Rating Action:

--Revenue growth outpacing the sponsor's projections in an environment reflecting stable operations and limited additional capital expansion, leading to debt service coverage above 1.8x on a sustained basis.

CREDIT UPDATE

Performance Update

System wide transactions stabilized in 2017, increasing only 5% to approximately 495 million in fiscal 2017, from 472 million in fiscal 2016 as the 100% electronic toll collections on the ORT system completed its second full year of operations. SunPass accounts were approximately 81% of transactions while toll by plates accounted for 17%. Historically, SunPass transactions have accounted for the largest amount of transactions, followed by toll-by-plate, which has exhibited increasing growth since fiscal 2014. Actual transactions for the first 10 months of fiscal 2018 are

approximately 6% lower than forecast due to hurricane Irma that hit Florida in September which resulted in a loss of 18 days of toll collections. Excluding hurricane days, transactions would be 1.1% below expectations. Approximately 71% of system wide transactions remains concentrated along the Dolphin Expressway (SR836) and Don Shula Expressway (SR874) at 47% and 24%, respectively.

Total operating revenues were \$238 million in fiscal 2017, increasing 1% from \$235 million in fiscal 2016. The flattening out stems from the system maturing following the implementation of ORT in 2016. SunPass accounts generated approximately 81% (or \$191.0 million) of total toll revenues and 17.1% (\$40.5 million) from toll-by-plate billing. Actual performance through fiscal 2018 (April) shows total revenues outperforming budget expectations by 2.1% or \$4.1 million. However, we expect toll revenues will improve modestly over fiscal 2017 given 18 days of toll suspension occurred when Florida was hit by Hurricane Irma in September 2017. The slight increase also reflects revenue reporting timing adjustments. Revenue is based on process date which reflects a lag in billing of TBP customers.

Operating expenses decreased by 1.7% to \$53 million in fiscal 2017 as costs associated with the ORT ramp up have levelled off. Expenses from operations were lower by 1.4% primarily due to a decrease in image staffing expenses and the reduction of subsidy for the SunPass transponder. This was primarily offset by an increase in FDOT pass-through charges and ORT software/hardware maintenance. Maintenance and Administrative costs were flat compared to fiscal 2016. Actual performance of expenses through fiscal 2017 is under budget by 12% and 1.7% less than 2016, reflecting expenses returning to more historic levels since the tolling expansion project have been completed. Management expects future expenses to increase at an approximate inflationary rate in the medium term.

Effective July 1, 2017, the amended state legislation required MDX to reduce SunPass toll rates by 5%-10% and to allocate 20% of its annual surplus revenues (after debt service but before contributions to its renewal and replacement fund) to pay for county transit projects. Management believed they were exempt from the financial and operation sections of the bill on the basis that the legislation is contrary to their bond indenture, as well as MDX transfer agreement and submitted a request for clarification to the Office of Florida's Attorney General. The Attorney General declined to opine on the matter. Prior to the 2018 recess this spring, the state legislature passed another law calling for the identical rate reduction by Oct. 1, 2018 or the MDX board would be replaced with new members. Effective July 1, 2018, MDX lowered all tolls by 6% while it weighs its option to pursue the matter any further. Given the expressway's operating and capital needs in a congested and growing area, a strategic, reliable and independent toll policy is an important credit consideration. Fitch will continue to monitor ongoing developments as MDX weighs its options in regards to pursuing an exemption from the legislation and its overall toll-setting ability and policy.

MDX's fiscal 2019 to fiscal 2022 work plan is \$678.2 million of which the vast majority, \$561.6 million, is earmarked for expansion and capacity improvements. The budgeted amount is reflective of a larger \$1.2 billion project costs which includes 50 projects. Approximately 45% of the work plan is completed with the remaining projects expected to be finished through fiscal 2023. The FY 2018 and FY 2019 capital plan is expected to be funded with funds on hand and net revenues. FY 2020 capital program will be evaluated for a debt issuance amount to be determined as project schedules are currently under evaluation.

Fitch Cases

Fitch's base case assumes a 1.8% decline to traffic volume, based on an annualized calculation reflecting 10-months of actual performance for fiscal 2018. Volumes grow by 8% in 2019 reflecting a year without any weather interruptions and by an average of 2% thereafter. Average

toll rates decline by 7.7% in 2019 reflecting the mandated rate reduction. Rates are kept flat in 2020 and then grow by inflation thereafter. Operating expenses adopts budget expectations in fiscal 2018 of 9.5%, and then increases by 3.5% thereafter. Under Fitch's base case, the debt service coverage ratio (DSCR) in fiscal 2018 is 1.87x, then averages 1.9x through fiscal 2028. Leverage (net-debt/CFADS) averages 4.7x during the same period.

Under Fitch's rating case scenario, volumes are reduced by an additional 1% in 2019 and then grow by 1.4% thereafter. Average toll rates are cut by the initial 7.7% in 2019 and then by another 4% in 2020. Rates are held flat in 2021 and then grow by inflation thereafter. Operating expenses are grown by 4% annually. Under Fitch's rating case, the average debt service coverage ratio is 1.73x through fiscal 2028 and leverage averages 5.2x, not including potential additional debt. Inclusive of a potential \$80 million debt issuance in 2020, the average debt service coverage ratio will decrease marginally to 1.63x and leverage will peak after issuance at 6.92x.

Asset Description

MDX was formed in 1994 and is a public instrumentality and agency of the State of Florida. MDX is responsible for operating, maintaining and improving an expressway system that currently includes the Airport Expressway (SR-112), the East-West (Dolphin) Expressway (SR-836), the South Dade (Don Shula) Expressway (SR-874), the Gratigny Parkway (SR-924), and the Snapper Creek Expressway (SR-878).

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Applicable Criteria

Rating Criteria for Infrastructure and Project Finance - Effective from 24 August 2017 to 27 July 2018 (pub. 24 Aug 2017)

<https://www.fitchratings.com/site/re/902689>

Toll Roads, Bridges and Tunnels Rating Criteria (pub. 22 Feb 2018)

<https://www.fitchratings.com/site/re/10021263>

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