



## News Clip

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Subject: **Miami-Dade transit agency eyes service cuts as feds hold back money**

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### **Miami-Dade transit agency eyes service cuts as feds hold back money**

A protracted suspension of federal grant money to Miami-Dade Transit has county officials mulling emergency service cuts. Also, the U.S. Department of Transportation is conducting a criminal investigation at the Dade agency.

*By Martha Brannigan, Alfonso Chardy & Matthew Haggman*

Miami-Dade County transit officials are preparing an emergency plan to cut services to Metrorail, Metrobus and Metromover as a suspension of federal grant money drags into its sixth month.

The emergency plan — the first acknowledgement by county officials of potential service cuts — comes as county officials confirmed for the first time that the U.S. Department of Transportation is conducting a criminal investigation at Miami-Dade Transit.

The Federal Transit Administration cut off the flow of \$185 million in grant money in November amid regulators' concerns about "serious financial mismanagement" at Miami-Dade Transit.

The focus of the criminal investigation by the federal DOT's Office of Inspector General — which has been running parallel to FTA's various regulatory audits — wasn't immediately clear.

"They don't tell us what they're looking at," said Ysela Llord, an assistant county manager who assumed direct responsibility for Miami-Dade Transit following the resignation in April of the agency's embattled director, Harpal Kapoor.

Officials at the DOT's Inspector General's Office declined to comment Tuesday about the criminal investigation.

With the transit agency's finances under a cloud, Miami-Dade officials have also been forced to postpone a \$550 million bond offering planned for this summer to pay for various projects, such

as the Metrorail airport link. “We’ve been keeping the [credit] ratings agencies informed about the situation,” Llorca said.

To keep construction projects dependent on the bond issue on track, county officials plan to seek a bridge loan from a commercial lender for \$100 million, of which \$84 million would go to continue work on Metrorail’s elevated link between Miami International Airport and the Earlington Heights Station.

But even as the transit ordeal enters its darkest hour, negotiations between Miami-Dade County Commission chairman Joe Martinez and the Federal Transit Administration may prompt federal regulators to re-open the spigot on grant funding — under strict controls — to avert cuts in public transit service that could make federal regulators look bad.

After Martinez raised the specter of mass transit service cuts in a conversation with FTA Administrator Peter M. Rogoff and Atlanta Regional Administrator Yvette Taylor on April 29, the acting regional administrator, Linda Gehrke, wrote to Martinez, emphasizing that federal regulators don’t want Miami-Dade residents to suffer due to the “serious financial mismanagement” by county officials.

“Serious financial mismanagement at Miami-Dade Transit required the Federal Transit Administration to suspend all Federal payments,” wrote Gehrke, who is filling in while Taylor is on leave, in a May 2 letter. She added that “transit passengers of Miami-Dade County shouldn’t be punished due to the management problems at MDT.”

Tuesday, federal officials reiterated that position. “The Federal Transit Administration believes strongly that the transit passengers of Miami Dade County should not be forced to suffer because of the mismanagement by Miami Dade Transit and county officials,” FTA associate administrator Brian Barber told The Miami Herald. “If FTA believes that significant service cuts are imminent due to the absence of federal funding, we may consider a very limited and scrutinized funding drawdown. However, the documentation that FTA will require from Miami Dade will be significant and the oversight of the use of the taxpayer dollars will be stringent.”

Llorca and Martinez say it’s not clear whether the potential service cuts would be limited or substantial. Llorca said if the county has to resort to cuts, it would look for ways to make them the least disruptive, for example, targeting duplicate routes and reducing frequency on some Metrorail and bus routes.

“Only as a last resort would we eliminate routes,” she said.

Llorca and Martinez said they are hopeful of a breakthrough with regulators in coming days.

In an interview Tuesday, Martinez said, “We’ve had very good conversations and I believe we’ll be able to solve this situation.”

One scenario discussed, he said, would be to restore some funding with the requirement that Martinez and County Manager Alina Hudak personally sign for each release of federal money.

That’s a far cry from the norm at FTA, which allows transit agencies in good standing to make easy electronic drawdowns to obtain federal reimbursement for expenses.

Problems at Miami-Dade Transit heated up in November when the FTA, which doles out federal transportation funds, suspended reimbursement in federal grants to the county-run transit agency amid concerns about shoddy financial management and weak internal controls. Regulators criticized the county agency for, among other things, failing to document how federal grant money was being spent and improper accounting for its bus fare boxes.

Since the freeze, Miami-Dade has tapped about \$102 million from its general fund that normally would have been covered by the federal grants, hoping that the county could resolve regulators' concerns and get the federal money flowing.

Instead, things got worse. On April 8, federal regulators abruptly suspended several audits, amid exasperated explanations that the auditors couldn't determine "the veracity of MDT's information." The FTA told the county to address eight key areas of shoddy financial management and weak financial controls before the review could go forward. Assistant county manager Llord said the county is ready to address all of FTA's concerns.

A vacuum of leadership at the county may have exacerbated the problems at the transit agency. Carlos Alvarez was recalled as county mayor March 15 and his top gun, George Burgess, resigned as county manager the next morning. Just before leaving office, Alvarez appointed Alina Hudak, a long-time aide, as county manager to succeed Burgess. Then in April, Kapoor, resigned as head of the transit agency. A special election to pick a new mayor is set for May 24.

The talk of service cuts mark a change in tenor among county officials, who until recently have sought to minimize the seriousness of the federal reviews. In a letter to FTA's acting regional administrator Gehrke on May 3, County Commission Chairman Martinez said the county's "ability to drawdown on federal funds will be key to the [County Commission's] consideration of any curtailment of service in the near term."