

MINUTES
MEETING OF THE BOARD OF DIRECTORS
BUSINESS MANAGEMENT COMMITTEE
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

February 25, 2013

The Board of Directors Business Management Committee met on February 25, 2013 at 11:19 a.m. in the Board Room on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Robert Ashe III
Harold Buckley, Sr.
Wendy Butler
Frederick L. Daniels, Jr.
Jim Durrett
Roderick E. Edmond, *Chair*
Jannine Miller*
Adam Orkin

MARTA officials in attendance were: General Manager/CEO Keith T. Parker, AICP; Interim Deputy General Manager/COO Rich Krisak; Interim Chief, Business Support Services; AGMs Rhonda Briggins (Acting), Deborah Dawson, Wanda Dunham, Ben Graham, Rod Hembree (Acting), Robin Howard, Cheryl King, Miriam Lancaster (Acting) and Paula Nash (Acting); Sr. Directors Kevin Hurley and Donald Williams; Directors John Crocker, Maurice Ficklin, Hubert Gee, Donna Jennings and Ferdinand Risco; Manager Emmett Crockett; Manager, Executive Office Administration Tyrene L. Huff; Executive Manager/Assistant Secretary to the Board Rebbie Ellisor-Taylor; Finance Administrative Analyst Tracy Kincaid; Others in attendance Dave Brown, Srinath Remala and Dansby Wade.

Also in attendance Charles Pursley, Jr. of Pursley Friese Torgrimson; Mayor Eric Clarkson, City of Chamblee; Charles Whatley of DeKalb County; Stephen Macauley of Macauley Schmit; Felker Ward of Pinnacle Financial Management; Michael McDonald of Public Financial Management; Tom Andrews and Don Brooks of St. Joseph's Hospital.

*Jannine Miller is Executive Director of Georgia Regional Transportation Authority (GRTA) and is therefore a non-voting member of the MARTA Board of Directors.

Approval of the January 28, 2013 Business Management Committee Meeting Minutes

On motion by Mr. Buckley seconded by Mr. Daniels, the minutes were unanimously approved by a vote of 7 to 0, with 8* members present.

Resolution Authorizing the Renewal of Excess Workers Compensation Insurance

Mrs. Jennings presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to effect placement of the Authority's excess workers' compensation insurance policy for a period of one year effective March 8, 2013 to March 8, 2014 based on proposals received by the Authority's broker of record, MARSH USA, for a total cost of \$270,510.

On motion by Mr. Durrett seconded by Mr. Daniels, the resolution was unanimously approved by a vote of 7 to 0, with 8* members present.

Resolution Authorizing the Solicitation of Merchant Card Processing Services and Full Line Banking Services, Request for Proposals (RFP) Numbers P29171 and P29170

Mr. Hurley presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to solicit proposals for banking and merchant card services. Current contracts will expire March 2014. It is essential to start the process early, particularly for the Merchant Card Services as this contract may require new computer interfaces to be established to process credit and debit card transactions. Separate RFPs will be issued and two separate contracts will be brought to the Board for subsequent approval.

On motion by Mr. Durrett seconded by Mr. Buckley, the resolution was unanimously approved by a vote of 7 to 0, with 8* members present.

Resolution Authorizing Approval of Bus Service Modifications for the April 20, 2013 Mark-Up

Mr. Crockett presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to implement service modifications to Bus Routes 6, 15, 21, 51, 67, 86, 95, 110, 172 and 186.

On motion by Mr. Ashe seconded by Mrs. Butler, the resolution was unanimously approved by a vote of 7 to 0, with 8* members present.

Resolution Authorizing a Letter of Agreement with the Development Authority of DeKalb County for a Development at Chamblee Station

Mr. Crocker presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to execute a Letter Agreement with the Development Authority of DeKalb County authorizing a six month period, with the possibility of an additional ninety day extension, wherein the Development Authority of DeKalb County will have the exclusive right to negotiate with MARTA the terms of a Joint Development at the Chamblee station.

Dr. Edmond said he would like to see the property.

Mr. Orkin said he would like to see an inventory of MARTA's assets, which ones are good for lease, sales, etc.

Dr. Crocker said staff would provide that.

Mr. Durrett asked when will MARTA have its external consultants.

Dr. Crocker said June 30. Interviews have been scheduled with the short-listed firms this week.

Mr. Ashe said maybe it makes more sense to wait until MARTA can receive an expert evaluation.

Dr. Crocker commented that if approved, the next step would be an appraisal.

Mrs. Butler said staff has worked very diligently. This will allow six months to evaluate then the Board would receive a specific proposal. If the terms are not agreeable to MARTA, then the Authority will not move forward. In this case, the City of Chamblee was approached with possible plans to develop a senior clinic and a Children's Healthcare of Atlanta clinic.

Mr. Orkin said if approved, MARTA would be allowing Chamblee exclusivity to evaluate without an RFP.

Mrs. Lancaster said MARTA is saying that it will not issue an RFP for 180 days.

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Mr. Orkin asked if that is in line with policy.

Mrs. Lancaster said yes, it falls under an Intergovernmental Agreement. Legally speaking, the relationship is between MARTA and the Development Authority of DeKalb County.

Mr. Daniels said MARTA needs to be sure they will receive the highest and best use for the property.

Dr. Crocker said the appraiser will help with that.

Ms. Miller asked about the request from Jim Ellis Volkswagen to lease the lot.

Dr. Crocker said a request was received for a temporary lease of the lot for storage of vehicles for Jim Ellis Volkswagen but MARTA cannot meet their schedule.

On motion by Mr. Durrett seconded by Mrs. Butler, the resolution was approved by a vote of 6 to 0, with 8* members present.

Mr. Orkin abstained.

Briefing – GSU Sales Tax Forecast Assumptions

Mr. Hurley briefed the Committee on the economic factors impacting the December 19, 2012 Sales Tax Forecast.

Major Domestic and Global Influences

- At the time of the forecast, domestic confusion and uncertainty triggered by "fiscal cliff" were at full force
- China experiencing a slowdown in growth
- Europe still in a recession
- As the global economy slowed US export growth anemic (2012 4Q-1.1% vs. 2011-11.1%)
 - Must look for domestic growth
- CEO confidence is lower as revenue growth declined 2.9% even with retail sales increasing – due in part to substantial global presence of the Dow Index Companies

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- It is assumed that the Federal Reserve will keep the Federal Funds Rate exceptionally low for an extended period

Local Impacts

- No substantial jump in oil prices
- Georgia's exports are decreasing due to a downturn in the worldwide economy
- Delta Airlines, a major contributor to the Atlanta and Georgia economy, receives half its revenue from international operations
- Cautious spending by both consumers and corporations with retail sales growth decelerating
 - Partially offset by consumers benefiting from refinancing at lower rates
- Job growth is expected to moderate with 41,000 added in 2013 and 54,000 in 2014
- Growth will normalize in the 4-5% range in 2015 and 2016

Economic Indicators and Measurements

- US GDP Growth is expected to be:
 - 2012 – 2.2%
 - 2013 – 1.5%
 - 2014 – 2.6%
- Personal consumer spending growth will average the following
 - 2012 – 1.9%
 - 2013 – 1.7%
 - 2014 – 2.2%
- Inflation rates are estimated as follows:
 - CPI
 - 2012 – 2.0%
 - 2013 – 1.9%
 - 2014 – 2.2%
 - Core CPI
 - 2012 – 1.9%

- 2013 – 1.9%
- 2014 – 2.3%

Dr. Edmond thanked staff for proving a good report.

Briefing – 2003A Bond Refunding

Mr. Hurley briefed the Committee on an upcoming opportunity to execute a Refunding of the remaining Series 2003A Bonds.

- Treasury Staff, in conjunction with Public Financial Management, Bond Counsel and Special Counsel, will conduct a competitive bid and prepare associated documentation to facilitate the transaction
- Board Approval for solicitation is not necessary as this will be done via competitive bid
- Final approval of pricing and associated bond documents will require Board approval and will be presented at the full Board Meeting on April 8, 2013
- Anticipated closing will be mid-/late April 2013
- MARTA executed a partial refunding of the Series 2003A Bonds last year and the remaining bonds in the series are eligible for refunding on April 2, 2013
- Rates continue to be low with current projections on the refunding presenting a \$3.6m or 13.6% in PV debt service savings to the Authority
 - These numbers are based on current conditions
- MARTA's debt policy uses a 3% minimum threshold to consider a refunding opportunity

Series 2003A Refunding

- Spring 2012
 - 43% of the 2003A Bonds advance refunded by Series 2012B
 - Delivered present value debt service savings of 12% or \$2,500,000
- Spring 2013
 - Remaining bonds (57% of 2003A) can be current refunded as early as 4/2/2013

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- Rates remain near historical lows
- Generate an additional present value debt service savings of 13% or \$3,600,000
- Refunding accomplished through competitive bid

Recommendation

- Move forward with current refunding of Series 2003A Bonds
- Total par amount of deal: \$26,000,000 - \$30,000,000
- Conduct Competitive Bid
- Present Refunding Approval Resolution and Pricing to Full Board in April
- Set closing date in mid-April

Briefing – December Year-to-Date FY 2013 Budget Variance Analysis and Financial Key Performance Indicators (KPIs)

Mr. Allen briefed the Committee on the December Year-to-Date FY 2013 Budget Variance Analysis and Financial KPIs.

Overview – December 2012

During the month of December, total net revenues were \$0.6M or 1.8% greater than budget (favorable) due to the following:

- A favorable variance of \$1.4M or 11.2%, in Sales Tax this month, which was attributed to sales tax receipts over-performing relative to plan as forecasted by the Georgia State Economic Forecasting Center
- A unfavorable variance of \$0.8 or 7.3% in Passenger Revenue, due to ridership being lower than projected

Total net expenses for the month were \$4.1M or 11.5%, less than budget (favorable) primarily due to the following:

- A favorable variance of \$1.3M, or 6.7%, in Salaries & Wages due to vacancies
- A favorable variance of \$2.2M, or 19.6%, in Benefits due primarily to vacancies and Healthcare being less than planned

Year-to-Date Operating Revenues

On a December year-to-date-basis, actual Revenues were favorable by \$3M or 1.5%. Of this amount, Sales Tax receipts were favorable by \$3M or 3.7% and Passenger Revenue was favorable by \$0.1M or 0.1%.

The net overall favorable result in total Revenue was primarily due to the combined effects of the following:

- Sales Tax receipts over-performing (3.7%) relative to plan on a December YTD basis as forecasted by the Georgia State Economic Forecasting Center
- Passenger Revenue was higher than budget (0.1%) even though YTD ridership was lower than projected (3.8%); Revenue associated with selling of breeze cards, which are unrelated to trip making revenue, account for the slight YTD favorable variance
- Station Parking was lower at 9% below budget. Some factors causing this is a decreased requirement for long term lots due to decreased travel, as well as suspected increased fare evasion tactics
- Lease Income was below budget by 3.2% primarily due to the TOD Ground leases not yielding as planned due to timing differences (\$68K) and the Amortized Lease Income (\$100K), due to the unwinding of two defeased lease transactions/tranches in June 2012

Year-to-Date Budget vs. Actual Expense Performance

On a December year-to-date basis, net operating budget expenses were under budget (favorable) by \$24M or 11.1%, primarily due to the combined effects of the following:

- Salaries & Wages were favorable by \$10.4 M or 9.3%
- Overtime Expenses were \$1.1M or 10.2% over budget (unfavorable)
- Benefits were under budget by \$7.1M or 10.6%
- Contractual Services were \$2.2M or 14.8% under budget (favorable)
- CNG Fuel was \$0.4M or 14.8% under budget due to running fewer miles than planned
- Diesel Fuel was \$0.5M or 9.1% under budget also due to running fewer miles than planned

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- Other Materials & Supplies were unfavorable by \$1.7M or 11.8% due primarily to the cost of fare media being expensed (\$1.1M) rather than being booked as a contra revenue as in prior years
- Other Non-Labor charges were \$2.9M or 18.2% under budget
- Capital charges were favorable at \$3.4M or 13.4% under budget

Sales Tax Subsidy

- The Year-to-Date actual Net Operating Surplus of \$9.1M requires a sales tax subsidy of 44.6%, which is favorable to the budget
- The Annual Budgeted Sales Tax Subsidy is 59.9%

Key Performance Indicators

- Budget Variance
 - The budget variance for the month of December was favorable at 11.54% below budget, mostly due to a favorable variance in labor cost
 - The 2013 Fiscal Year-to-Date (months of July through December) budget variance remains favorable at 11.07% below budget, mostly due to favorable variances in labor (vacancies), contractual services and fuel costs
- Combined Ridership
 - Combined Ridership for the month was 9.8M unlinked passenger boardings, falling short of the forecasted 11M by 1.2M or 10.9%
 - The 2013 Fiscal Year-to-Date (months of July through December) Combined Ridership of 65.5M unlinked trips is lower than forecasted 68M by 2.6M or 3.8%
- Cost per Bus Passenger Trip
 - The Cost per Bus Passenger Trip of \$3.62 in December was better than the forecast of \$3.80 by \$0.18 or 4.7%; this favorable variance was mostly due to net under-runs in budgeted expenses
 - The 2013 Fiscal Year-to-Date (months of July through December) Cost per Bus Passenger Trip of \$3.34 is better than the forecasted \$3.67 by \$0.33, or 9%; this favorable variance is due to net under-runs in budgeted expenses

- **Cost per Rail Passenger Trip**
 - The Cost per Rail Passenger Trip of \$2.58 in December was better than the forecast of \$2.68 by \$0.10 or 3.7%; this favorable variance was due to net under-runs in budgeted expenses
 - The 2013 Fiscal Year-to-Date (months of July through December) Cost per Rail Passenger Trip of \$2.37 is better than the forecasted \$2.59 by \$0.22 or 8.5%; this favorable variance is due to net under-runs in budgeted expenses
- **Cost per MARTA Mobility Passenger Trip**
 - The Cost per MARTA Mobility Passenger Trip of \$35.20 in December was higher than the forecast of \$34.48 by \$0.72 or 2.1%; this unfavorable variance was due to Mobility ridership falling short of the forecast by 8.3K trips or 16.2%
 - The 2013 Fiscal Year-to-Date (months of July through December) Cost per Mobility Passenger Trip of \$32.54 is better than the forecasted \$33.36 by \$0.82 or 2.5%; this favorable variance is due to net under-runs in budgeted expenses

Other Matters

Dr. Edmond announced that the following agenda items:

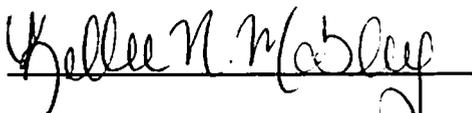
- #9a – December FY 2013 Ridership Analysis
- #9b – December FY 2013 Key Performance Indicators (KPIs)

were included in the Business Management Committee package of materials for information purposes only.

Adjournment

The meeting of the Operations Committee adjourned at 12:14 p.m.

Respectfully submitted,



Kellee N. Mobley
Sr. Executive Administrator to the Board