

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

**March 26, 2012**

The Board of Directors Business Management Committee met on March 26, 2012 at 11:18 a.m. in the Board Room on the 6<sup>th</sup> Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

**Board Members Present**

Juanita Jones Abernathy  
Harold Buckley, Sr.  
Wendy Butler  
Frederick L. Daniels, Jr.  
Jim Durrett  
Roderick E. Edmond, Chair  
Barbara Babbit Kaufman  
Jannine Miller\*

MARTA officials in attendance were: General Manager/CEO Beverly Scott; Deputy General Manager/COO Dwight Ferrell; Chief Business Support Services Theodore Basta, Jr.; AGMs Davis Allen, Sharon Crenshaw (Acting), Deborah Dawson, Wanda Dunham, Georgetta Gregory, Charlotte Harris (Acting), Robin Howard, Cheryl King, Rich Krisak, Ryland McClendon, Elizabeth O'Neill and Gary Pritchett; Sr. Director Kevin Hurley; Directors Cynthia Moss Beasley, Anton Bryant, Reginald Diamond, Joe Erves, Garry Free, Lyle Harris, Walter Jones, Pat Minnucci, Knox O'Callaghan, Fred Remen, Carol Smith and Elvin Tobin; Managers Donna DeJesus, Gregory Snyderman, Robert H. Thomas and Denise Whitfield; Executive Manager to the Board Rebbie Ellisor-Taylor; Sr. Executive Administrator Tyra J. Wiltz; Executive Administrator Renee Willis; Finance Administrative Analyst Tracy Kincaid. Others in attendance Doug Chambers, Ricky Chambers, Yvonne DeBellotte, Josh Piermarini, Srinath Remala and Charisse Richardson.

Also in attendance Charles Pursley, Jr. of Pursley of Pursley, Lowery & Meeks; Dorian DeBarr of Maulding & Jenkins; Ashton Carter of Bank of America; Tom Lauth of McKenna, Long & Aldridge; Michael McDaniel and Scott Trommer of PFM; Desiree Morgan of Wells Fargo; Matt Pollack of MATC; Woodrow Vaughan of King & Spalding; Felker Ward of PIA; Alice Wiggins of PB.

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

**Approval of the February 27, 2012 Business Management Committee Meeting Minutes**

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

**Resolution Authorizing the Execution of a Federal Transit Administration New Freedom Program Subgrant Agreement with Rockdale County**

Mr. O'Callaghan presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or her delegate to execute, on behalf of MARTA, a Federal Transit Administration (FTA) New Freedom Program subgrant agreement with Rockdale County, which would pass-through \$19,950 in FTA New Freedom funding to the County. Rockdale County's Department of Recreation and Senior Services would utilize this funding to provide a Voucher Transportation Program to support non-emergency medical, employment-related and basic shopping needs transportation services for adults and seniors with disabilities who are County residents.

Dr. Edmond said MARTA should receive an administrative fee when the right situation comes along for agreements such as these.

Mr. Allen agreed.

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

**Resolution Authorizing the Solicitation of Proposals for Automatic Teller Machines in MARTA Rail Stations, RFP P24674**

Ms. Whitfield presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or her delegate, to solicit proposals for Automatic Teller Machines (ATMs) for MARTA's rail stations, by means other than competitive bidding. The selection of a preferred proponent shall be subject to the approval of the Board of Directors in accordance with Section 14(m) of the MARTA Act.

Mr. Buckley asked if safety concerns have been addressed satisfactorily with MARTA Police.

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Chief Dunham said based on what has been learned from peer agencies, criminal activity did not escalate.

Mr. Daniels asked about lease revenue from the banks.

Mr. Pursley said lease revenue is guaranteed. MARTA will receive a lease payment plus a percentage.

Dr. Edmond asked if MARTA could review an existing contract that Chicago Transit Authority may have with an existing bank. It would help for the Authority to understand what the standard language is.

Ms. Whitfield said MARTA does have a copy of one of their ATM agreements and would provide it to the Board.

Dr. Edmond said if indemnification is standard that is fine. If not, it is an issue that the Board can take up individually.

Mr. Daniels asked Chief Dunham about discussions held with CTA's Chief of Police.

Chief Dunham said Chicago Transit Authority and several agencies researched operate 24/7 whereas MARTA closes at 2:00 a.m. MARTA will have to make sure that all gates and stations are closed and secured. CTA's Police Chief said location is the key – a heavily used station is a good fit.

Mr. Daniels said cameras built into the ATMs would be helpful in serving as a deterrent.

Chief Dunham added that ATM vandalism in MARTA's service area is very low.

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

**Briefing - Debt Program Near Term Transaction**

Mr. Hurley briefed the Committee on the Debt Program Near Term Transaction.

MARTA's Finance Team:

- MARTA Finance

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- Davis Allen, AGM of Finance/CFO
- Kevin Hurley, Sr. Director
- Miguel Figueroa, Sr. Financial Analyst
- Public Financial Management: Financial Advisor
  - Scott Trommer, Managing Director
  - Michael McDonald, Senior Managing Consultant
- Pinnacle Investment Advisors
  - Felker Ward, Managing Member
- McKenna Long & Aldridge: Special Counsel
  - Thomas Lauth, Partner
- King & Spalding: Bond Counsel
  - Woodrow Vaughan, Partner

### MARTA Series 2012 Fixed Rate Bonds for Commercial Paper (CP) Program Pay-Off and Series 2003A Refunding Savings:

- Series 2007C and 2007D Commercial Paper Program
  - Total Commercial Paper outstanding: \$324,000,000
    - Rates are reset periodically (not longer than 270 day maturity)
    - Provides flexible and efficient capital funding
    - Liquidity for redemptions provided by Letter of Credit (LOC) from JP Morgan and Wells Fargo
    - Remarketed by Barclay's, JP Morgan and Samuel Ramirez
    - Traditionally fixed out when program reaches size
    - Series 2003A Refunding
- Series 2003A
  - Issued to refund Series 1993A Bonds
  - Only a portion (42.7%) of outstanding bonds can be advance refunded
  - Total Par Refundable: \$20 MM

- Call Date: 7/1/2013
- Refunding
  - Current rates (3/9/2012) provide PV savings of **\$2.2 million or 11%**
  - Authority policy of 3% savings or more
  - Can be done efficiently with Series 2012A Bonds
    - Reduced costs of issuance
    - Reduced time
    - Immediate debt service savings
- Annual Savings for Series 2003A Refunding
  - Savings shown in today's dollars and inclusive of all issuance costs
  - Savings level is continually monitored by PFM
  - All bids rejected if savings under 3% (Currently at 11% or \$2.2 million)

Next Steps for Fixed Rate Issues:

- Sale document preparation and distribution for both 2012A Series (CP Pay Down) and the Series 2012B (2003A Refunding)
- Ratings Agency presentations
- Competitive sale for both transactions held on Board meeting date
  - All Investment Banks invited to bid
  - Confirm 2003A refunding savings level and accept or reject bids for that tranche
  - Confirm lowest bid on Commercial Paper Pay Down
- Board approval with final rates and debt service
- Defease selected Series 2003A bonds
- Execute Pay Down of Current Commercial Paper Program
- Closing
- Process takes 6-8 weeks from initial approval

MARTA Series 2000A and 2000B Variable Rate Bonds Letter of Credit Replacement or Alternative

- Mechanics
  - Bond rates reset weekly based on market demand
  - Investor repayment on demand secured by Letters of Credit from JP Morgan and US Bank for .74% annually
  - Average interest rate past two years: .25%
  - All in rate: .99%
- Letter of Credit Explanation
  - LOC renewed in August 2010 for 2 year term
  - Must be renewed or have alternate financing vehicle in place by late June 2012
  - Prudent debt management for Authority to maintain a portion of debt in variable rate mode

#### LOC Renewal Pros & Cons

- Pros
  - Minimal effort to renewal process
  - Market participants have expressed interest in renewing/bidding
  - Average interest rate past two years: .25%
  - All in rate: .99%
- Cons
  - Bonds trade on bank rating
    - Moody's report on downgrading 9 prominent banks (not JPM at this time)
  - Any downgrade will increase interest rate on 2000AB bonds
  - Early indications of pricing show LOC costing \$400,000+ more annually than alternative

#### Alternative to LOC Renewal

- Index Notes or Direct Purchase Notes
  - Bonds trade at set spread to index (estimated: SIFMA + 30 basis points)
    - Removes bank downgrade risk

- Potentially cheaper than bank LOC
- Interest rate is reset weekly
  - Maintains variable rate exposure and risk
  - Short end of interest rate curve
- Fixed maturity date (2-5 years) – No investor option put risk
  - Reduced call/redemption flexibility for Authority
- Does not require LOC

#### Proposed Next Steps

- Issue RFP for LOC and Index Based Note products simultaneously
- Compare pricing and risk of each proposal and select the winning bid and method
- Provide Board with analysis of alternatives
- Board approves selection and pricing
- Closing timeframe approx. 6 weeks from Board approval
- State of GA recently executed same process
  - Went forward with Index Based Note Option

Mr. Durrett asked staff to explain the term “fixed”.

Mr. Hurley said “fixed” refers to a known percentage – CP has a variable rate, the Finance Team goes out and “fixes” that rate.

Mr. Daniels asked what is the difference between a competitive sell and a negotiable sell.

Mr. Hurley said in a competitive sell vendors place their bids through an electronic bidding system which weighs the best prices for MARTA. A negotiated transaction requires permission from the Board. A vendor is selected based on certain criteria then the transaction, pricing and fees are negotiated with that individual vendor.

Dr. Edmond asked what is the benefit of a competitive sell.

Mr. Hurley said MARTA has had very successful bids – 9 or more entities coming in to bid on the Authority’s instruments. The pricing has been compared to other entities that have issued on that day to see if the bids are competitive with other issuers whether they have been negotiated or not. MARTA’s bids have always been very competitive and at times better than most with the same credit rating.

Mr. Daniels said he would like to see the cost perspective on a negotiated piece.

Mr. Hurley said the MARTA Act requires competitive bids; to do negotiated, MARTA would need jurisdictional approval.

### **Briefing - FY13 Operating Budget Update**

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Mr. Basta and Mr. Allen briefed the Committee on the FY13 Operating Budget Update.

#### Original Working Assumptions

- Financials based on February 2011 *GSUEFC* Sales Tax Projections, With entire increase flexed to Operating (at 85% To Operations, 15% To Reserves)
- Steady State Service Levels
- Permanent Elimination of 50/50 Sales Tax Restrictions (post 6/2/13)
- Continuation of “\$0” Annual Salary Increases for All Represented and Non-Represented Employees (represents an *8 year period* through the end of FY 2016)
- No fare increase until FY 2014 (\$2.75 Base & 40 Pass Multiple)
- Capital Program at \$185M in FY 2012
- Reserves at +/--\$85M at the end of FY 2016
- Mid-Fiscal Year 2013 Budget Reassessment based on initial KPMG Phase II Reviews/Recommendations

#### Changes to Working Assumptions

- Revised *GSUEFC* Sales Tax Forecast Received In December 2011
  - Loss of \$130+M (7%) over FY 2012-16 Time Frame
- Permanent Removal of 50/50 Sales Tax Restriction in doubt

- Alternative Extension of 3 Years Under Discussion
- Non-Discretionary Annual Costs of \$13.8M Added to FY 2013 Base
- Flexing of \$25M Capital (5309 Funds) to Operating (Preventive Maintenance)
- With three (3) year extension of 50/50 relief and no other action, Reserves projected at \$23.3M by the end of FY 2015
- Need for Mid-Fiscal Year 2013 Budget Reassessment imperative

#### MARTA's Focus on Long-Term Financial Sustainability

- Maintain, at a Minimum, MARTA ACT mandated Level of Reserves (at +/- \$40M annually) through 2012-2016 Plan Period
- Eliminate dependency on use of Reserves to balance the budget
- Match Expenses to Revenues
  - Resize/Restructure Agency to projected Revenue Streams (-\$40-50M)
  - Prepare For Labor Contract Negotiations (\$0 In FY 2012-16 Plan)
- Identify and act on new Revenue generating opportunities
- In conjunction with KMPG's Organizational Review and other internal management initiatives
  - Implement immediate near-term structural cost reduction measures that impact FY 2013 directly;
  - Develop FY 2013 mid-year expense reduction action plans;
  - After Board review and approval in September/October, prepare to and/or implement mid-year expense reduction action plans
  - Determine next steps in developing FY 2014 budgets

#### Transforming MARTA's Current Business Model

- Identify and Act On New Revenue Generating Opportunities
  - *Near Term Initiatives*
    - Complete final review of Wi-Fi RFP Proposals and present findings at April BMC meeting;

- Evaluate/Select/Award contract for snack machines in stations – estimated at \$100k annually starting in 3<sup>rd</sup> Q 2012
- Issue RVP/Select/Award contract for ATM's in stations – estimated at \$100k annually starting in 4<sup>th</sup> Q 2012
- Issue/RFI/RFP/Select/Award contract for retail outlets in stations
- *Longer Term Initiatives*
  - Review existing Board Policies, with initial prioritization on four having Budget Development and Revenue Generating impacts
    - Service Standards
    - Reserve Levels
    - Fares
    - Advertising
- Near Term Structural Cost Reduction/Containment Measures (FY13)
  - Initiate review and provide recommendations on revisions to MARTA Bus and Rail Service Standards
  - Increase Non-Represented Employee Medical Premium Co-Shares & Pension Contributions to Industry Standards (Active, Retired & Police)
  - Incorporate Management Consolidation/Reduction target at 10% of existing positions' salaries and benefits
  - Reduce miscellaneous Expenses and Services
  - Re-evaluate impacts of medical cost increase projections and determine ability to implement plan design changes
  - Begin preparing for Contract Labor Negotiations (Contract Ends 6/13), especially regarding Structural Pension and Medical Benefit Plan Changes
- Longer Term Initiatives (Plan and Implement in FY13 and Beyond)
  - Develop Mid-Year Budget Reduction/Cost Containment Action Plans for approval and implementation in second half of FY 2013 and beyond
    - KPMG List of 49 Priority Items

- Other Initiatives
  - Key dates – re-evaluate financial position & long-term sustainability
    - Status of TIA Referendum 07/12
    - Sales Tax Reforecast 09/12
    - Develop FY 2014 Budgets 11/12
    - Plan/Implement Additional Resizing/Restructuring Actions as Appropriate In FY 2014 Budgets
- *Current Status – FY 2012-16 Budget Development based On:*
  - 50/50 Relief continuing for three years through FY 2016
  - December 2011 Sales Tax Forecast holding to projection
  - Immediate implementation of short-term Structural Cost Reduction/Containment and Revenue Generating Initiatives
  - *Projected Reserve Levels*
    - \$51.9M at year-end 2015
    - \$33.2m at year-end 2016

Operational outcomes and financial impacts associated with the KPMG Organizational Review (and other management cost reduction/resizing initiatives) are not yet factored into reserve level projections.

Dr. Edmond said he would like to see the healthcare costs for Represented employees as well as the savings with Kaiser Permanente versus having employees choose their own doctor through another plan.

Dr. Scott said MARTA will ultimately need a resize of approximately \$50M over a three year period of time.

Mr. Daniels said it is important to not lose sight of the recommendations that can be implemented in 2013.

**Briefing – January Monthly and January Year-to-Date FY 2012 Budget Variance Analysis and Financial KPIs**

Dr. Edmond asked Board Members to review Agenda Item #6 – January Monthly and January Year-to-Date FY2012 Budget Variance Analysis and Financial KPIs – and direct any questions to Mr. Allen.

**Briefing - January FY 2012 Key Performance Indicators**

Dr. Edmond asked Board Members to review Agenda Item #7 – January FY 2012 Key Performance Indicators – and direct any questions to Mr. Basta.

**Other Matters**

No other matters came before the Committee.

**Adjournment**

The meeting of the Business Management Committee adjourned at 12:34 p.m.