

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

April 26, 2011

The Board of Directors Business Management Committee met on April 26, 2011 at 10:42 a.m. in the Board Room on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Harold Buckley, Sr.
Frederick L. Daniels, Jr., Chair
Jim Durrett
Barbara Babbitt Kaufman
Jannine Miller*
Adam Orkin

MARTA officials in attendance were: General Manager/CEO Beverly A. Scott; Deputy General Manager/COO Dwight A. Ferrell; Chief Business Support Services Theodore Basta, Jr.; AGMs Davis Allen, Deborah Dawson, Wanda Dunham, Ben Graham, Mary Ann Jackson, Jonnie Keith, Cheryl King, Ryland McClendon, Elizabeth O'Neill and Gary Pritchett; Sr. Directors Johnny Dunning, Jr. and Kevin Hurley; Directors Tara Balakrishnan, Cynthia Beasley, Rich Boullain (Acting), Lowell "Rip" Detamore, Reginald Diamond, Garry Free, Charlotte Harris, Lyle Harris and Donna Jennings; Managers Cara Hodgson, Roosevelt Stripling, Robert H. Thomas, Marvin Toliver and Denise Walker; Executive Manager to the Board Rebbie Ellisor-Taylor; Sr. Executive Administrator Tyra J. Wiltz; Finance Administrative Analyst Tracy Kincaid; Others in attendance Alphonse Eugene, Pat Minucci, Sherma Sobers and Beverly Williams.

Also in attendance Charles Pursley, Jr. of Pursley of Pursley, Lowery & Meeks; Jarod Stentiford and Matt Pollack of MATC; Jim Brown of URS Corp.

Approval of the March 28, 2011 Business Management Committee Meeting Minutes

On motion by Mr. Durrett seconded by Mrs. Kaufman, the minutes were unanimously approved by a vote of 5 to 0, with 5 members present.

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

Resolution Authorizing Award of a Contract for Armed Security Guard Coverage for Revenue Operations, Contract Proposal Number B22040

Ms. Walker presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or her delegate to enter into a contract with Dynamic Security, Inc. for armed security guard coverage for Revenue Operations.

On motion by Mr. Durrett seconded by Mrs. Kaufman, the resolution was unanimously approved by a vote of 5 to 0, with 5 members present.

Resolution Authorizing Award of a Contract for the Authority-Wide Copier Solution, Contract Proposal Number B22643

Ms. Harris presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or her delegate to enter into a General Services Administration (GSA) schedule contract with Canon Business Solutions, Inc. This contract replaces the existing contract B5351 – Multi-Functional Peripherals (MFP) Photocopier Lease/Maintenance Services – and will serve the same purpose and functions providing departmental copy, fax, scan and printing services.

On motion by Mr. Durrett seconded by Mr. Buckley, the resolution was unanimously approved by a vote of 5 to 0, with 5 members present.

DEO Report - Resolution Authorizing Award of a Contract for Armed Security Guard Coverage for Revenue Operations, Contract Proposal Number B22040

Mr. Diamond presented a DEO Report on the Resolution Authorizing Award of a Contract for Armed Security Guard Coverage for Revenue Operations, Contract Proposal Number B22040.

DEO Report - Resolution Authorizing Award of a Contract for the Authority-Wide Copier Solution, Contract Proposal Number B22643

Mr. Diamond presented a DEO Report on the Resolution Authorizing Award of a Contract for the Authority-Wide Copier Solution, Contract Proposal Number B22643.

Briefing – Proposed FY 2012 Operating and Capital Budgets

Mr. Basta briefed the Committee on MARTA's FY 2012 Operating and Capital Budget Proposal advancing to public hearings.

Recommended Fare Change Scenario

- Improves overall financial sustainability
- Helps reduce dependency on reserves for annual operating budget
- Improves Fare Box Recovery from 26.3% (official FY 2009 NTD) to FY 2016 estimate of 33.9%
- Fare change proposals beyond FY 2012 are reviewed and independently adopted and/or revised by the Board annually
- Freezes new increases for Seniors and disabled in FY 2012 and staggers cost increase through 2016

Key Revenue Assumptions

- MARTA Act restrictions permanently removed
- Georgia State University Economic Forecasting Center projected sales tax increase allocated at 85% to Operating Budget and 15% Reserves
- Fare change recommendations
 - Increase from \$2.00 & 34 Multiple to \$2.50 & 38 Multiple in FY12
 - Maintain \$2.50 & 38 Multiple in FY13
 - Increase to \$2.75 & 40 Multiple in FY14
 - No new increase in Senior/Disability Fares in FY12
- Possible future reductions (impacts not incorporated)
 - Federal Formula PM Funding at 2008 Level – impacts Operating Budget at \$5M/year starting in FY12
 - MARTA Act – sunset of 50/50 Restriction relief in FY13 impacts Operating Budget at \$18M/year in FY14

Key Expense Assumptions

- Original FY 2011-13 Financial Projection Plan assumed
 - FY12 Net Operating Base Expense Budget of \$397.5M (\$404.4M - \$14.7M + CPI)

Business Management Committee

4/26/11

Page 4

- Steady State Service Levels
- No annual merit or wage increases
- Subsequent Net Operating Expense Budgets escalated at 2% for CPI
- FY12 Net Operating Base Expense Budget of \$397.5M is recommended to increase to \$411.26M (+\$13.76M or 3.46%) due to:
 - Non-Discretionary Adjustments - \$7.11M (1.78%)
 - New Investment - \$6.65M (1.68%)

FY12-14 CIP Increases

- Ten-Year CIP approved in FY11 had approximately \$1.525B programmed
- Proposed ten-year CIP in FY12 has approximately \$1.692B programmed
- FY11-14 period increases from FY11 projects by \$114M
 - Results from critical projects being moved forward in the program
- Increased sales tax projections support the program increase

Capital Program Priorities

1. Maintain Safety Critical Assets in a State of Good Repair
2. Comply with Regulatory Requirements
3. Maintain Non-Safety Assets in a State of Good Repair
4. Expand the Transit System to Increase Revenues
5. Provide Service Enhancements to Increase Ridership and Deliver More Efficient Service

Capital Program Assumptions

1. Complete projects with contract commitments
2. Close out completed projects as planned
3. Complete Safety Critical and Regulatory Projects as planned
4. Implement projects with grant funds as planned
5. Projects to maintain a State of Good Repair are subject to varying levels of deferral

Business Management Committee

4/26/11

Page 5

6. Projects to improve operating efficiency, increase ridership, expand service or increase operating capacity are subject to greater levels of review

Sales Tax to Support Proposed FY12 CIP

- Adopted FY11 CIP was developed utilizing sales tax forecast dated July 2009
- A new, more favorable, forecast was issued in April 2010 and utilized for FY12 CIP development
- A further forecast was received in February 2011, with the increase in revenues over the April 2010 forecast directed towards operations

FY2012 – FY2021 Highlights

- Bus and Mobility
 - Procure fixed route buses in FY13
 - Procure paratransit vehicles in FY13
 - Install the Laredo Bus Facility Solar Canopies
 - Hamilton Bus Facility
 - Brady Mobility Facility
- Rail
 - Continue the LCARE Program for CQ312 and CQ311
 - Continue Escalator Rehab Program
 - Build the Buckhead North Entrance
 - Continue Structural Rehab Projects
 - Track Slab Rehab
 - Replace Running Rail and Switch Ties
- Train Control System
 - Wayside/Field Equipment
 - Car-borne Equipment
 - Rail Services Control System Upgrade
 - Integrated Operations Center
- Electrical Systems
 - Replace Uninterruptible Power Systems
 - Replace Fan Motor Control Centers
 - Replace Auxiliary Power Switchgear

Business Management Committee

4/26/11

Page 6

- Replace Emergency Trip Stations
 - Replace Tunnel Lighting
- Communication Systems
 - Replace the Fire Protection System
 - Upgrade the Voice Communications Systems
 - Replace the Public Address System
 - AVIS Passenger Information System
- Technology
 - Complete the ERP/EAM System
 - Upgrade and Replace Aging Equipment
- Automatic Fare Collection
 - Upgrade and Refurbish Breeze Computer Hardware and Software
 - Develop Detail Scope and Plans for Variable Based Fare Collection
 - Implement a Parking Fee Collection System at Select Sites
 - Improve Breeze Card Loading on Buses
 - Upgrade Breeze for Purchase Card Industry Compliance
- Corridor Studies
 - Continue the I-20 East Corridor AA/DEIS Study
 - Continue the Beltline Tier 1 Environmental Study
 - Continue the Clifton Corridor AA
 - Participate in Regional Service Planning and Coordination
- Rail Station Concessions
 - Continue Retail Concessions
 - Explore Additional Opportunities
- Environmental
 - Continue Underground Storage Tank Remediation
 - Continue Environmental Sustainability Program
 - Implement FTA Environmental Management System
- Security
 - Implement Homeland Security Upgrades
 - Access Control
 - Canine Team
 - Provide for Interoperable Communications
 - Implement CCTV System Expansion

Business Management Committee

4/26/11

Page 7

- Encroachment Detection System
- Facility Security
- Emergency Tunnel Ventilation Fans
- Elevator Rehab

Dr. Scott said continuing to freeze merit increases is unrealistic going forward. Based on this proposal MARTA would have gone eight years with employees not receiving any kind of increase. Once the management audit is complete staff can come forward with all the details.

Mr. Basta added the proposed budget does include lifting of furlough.

Mr. Durrett asked why the Board should consider continuing to freeze increases if it is unrealistic.

Dr. Scott said right now staff doesn't have an answer on what else can be done to build up the reserves.

Mrs. Kaufman said that she was uncomfortable with the fare going from \$2.00 to \$2.50 in one year.

Mr. Durrett said staff is recommending the increase to take place at once as opposed to easing into so the fare increase will not affect the 2012 elections.

Mrs. Kaufman said in an election year the focus will be on other things and in some cases the voter and a rider may not be the same person.

Mrs. Miller asked when the Public Hearings will be held.

Dr. Scott said May 16 and 17.

Mrs. Miller asked will there be enough time for feedback.

Mr. Basta said staff will provide results from the Public Hearings at the May 31st Planning & Development Committee meeting.

Mr. Daniels said that it should be understood that MARTA is a business. Costs are going up everywhere and are not going away. At the same time, the Authority utilizes public money and must be great stewards of those dollars. However, at

Business Management Committee

4/26/11

Page 8

some point, MARTA has to pass along the increases. There has only been one increase in eight years. If an increase is not implemented in FY12, MARTA is only delaying the inevitable.

Mrs. Kaufman agreed that MARTA should pass along the increases but that it should be done incrementally, as described in an earlier scenario staff presented, because it would bring in more passenger revenue.

Mr. Daniels asked if staff planned to advance security enhancements to the Public Hearings.

Dr. Scott said yes. She asked Mr. Ferrell and Chief Dunham to elaborate.

Mr. Ferrell explained that security enhancements would impact the Budget by \$2.5M. \$2M will be dedicated to additional overtime for police officers to increase their presence on trains. Staff is also recommending \$.5M for additional officers to increase bus patrol numbers. This will give the Authority a 100% increase in terms of deployment for bus service. Chief Dunham has assigned plain clothes officers on buses as well as uniform officers patrolling the area. On the Capital side, CCTV on rolling stock was already programmed in the CIP but after consultation with the Board staff is accelerating this project. That acceleration will have an impact on the Budget. The overall program to put CCTV on buses within two years, as well as, trains in subsequent years will cost approximately \$15M which is close to \$8M over what was programmed in the Budget. It also indicates approximately \$1M in Operating expenses to support CCTV on rolling stock. If the Authority receives Homeland Security monies to pay for the actual acquisition of equipment that adds another \$.5 M to the budget to fulfill the Homeland Security requirement for live feeds. MARTA is looking at FY12 for design and procurement and FY13 for installation.

Mrs. Miller asked what is the actual completion date for CCTV.

Mr. Ferrell said FY14 is the projected timeframe for full implementation on bus . This is still conceptual. The next scheduled bus buy is not in sync with the camera system.

Mrs. Miller asked about adding more police on trains and buses.

Mr. Ferrell said police presence has been increased.

Business Management Committee

4/26/11

Page 9

Chief Dunham added that MARTA Police has a host of tactics and strategies.

MARTA Police is working with local jurisdictions on enforcing curfews and will host a strategy session with the Chiefs of Police in the coming week.

Mr. Durrett said it is clear that MARTA Police are becoming more visible.

Mr. Daniels asked about security for parking lots.

Chief Dunham said there is very little crime in parking lots. Patrons can request a police escort to their cars by using the white or blue phones in the stations.

Mr. Daniels said he was not aware of the service was available. It is great that the Authority offers it.

Chief Dunham said perhaps MARTA should do a better job a conveying that the service is available.

Mr. Ferrell added that last year's reduction of station agents weakened the presence of MARTA officials. He added that overtime should be reduced with the implementation of CCTV and other strategies.

Mr. Buckley said it is important to work on changing the public's perception that MARTA is not safe. As a Tier 1 agency, MARTA may be able to receive funds from Homeland Security; and if so implementation of CCTV should be moved up to FY13.

Mr. Durrett said enhancing security will take the sting out of raising fares. He made a motion to advance the Operating and Capital Budgets and security enhancements to Public Hearings.

Mr. Buckley made a friendly amendment to the motion for staff to begin an aggressive marketing campaign to change the public's perception of safety and advance CCTV implementation to FY13, if the Authority receives Federal funds.

Mr. Ferrell said \$6 million is the most MARTA has received from one grant – that is not feasible – full implementation of CCTV is not doable by FY13.

Mr. Daniels said he believed staff would work as diligently as possible but attaching it to the motion would not be appropriate at this time.

Business Management Committee

4/26/11

Page 10

Mr. Ferrell added that the Board will receive quarterly briefings on the CIP.

Mr. Buckley said that his main interest lies with the public's concern. MARTA cannot just say it is safe; the Authority has to make sure what it is saying about safety is true.

Mr. Orkin asked are cameras the major deterrent for crime. MARTA has to determine the best way to spend the least amount of money.

Dr. Scott said there could be no guarantee that MARTA can meet an implementation deadline in 2013. She asked if the Board would give staff 60 days to do due diligence and come back to the Board with a final plan at 90 days and at that time amend the Budget if necessary.

Mr. Buckley withdrew the friendly amendment and seconded Mr. Durrett's motion – with a clear understanding that staff will come back to the Board with a full plan for 2013.

The Board agreed to advance the Operating and Capital Budgets and Security Enhancements to Public Hearings by a vote of 4 to 0, with 5* members present.

Mr. Durrett commended MARTA's Departments of Police and External Affairs for their handling of the incident last Saturday involving an attack on a patron.

Briefing – Financial Highlights

Mr. Allen briefed the Committee on Financial Highlights for February 2011 and February Year-to-Date (YTD).

Actual Revenues in the month of February were unfavorable by \$1.1M, or 4%, due to combined effects of (1) an unfavorable variance in Sales Tax receipts of \$2.8M, or 18%, (2) a favorable variance in Passenger Revenues of \$1.5M or 19.8% and (3) a favorable variance in Other Revenues of \$0.2, or 25%.

On a February YTD basis, actual Revenues were favorable by \$8.8M, or 4%. These overall favorable results are primarily due to (1) Passenger Revenue exceeding budget by \$9.2M, or 14.1%, (2) a favorable variance in Sales Tax receipts of \$1M, (3) Other Revenues falling under budget by \$0.9M, or 13.1% and (4) an unfavorable variance in Lease Income of \$0.4M, or 61%.

Business Management Committee

4/26/11

Page 11

Actual Expenses were over budget by \$0.3M or 0.9% in the month of February. This negative variance was primarily due to the combined effects of:

- Salaries & Wages favorable by \$1.9M, or 12.6% due primarily to vacancies in a variety of represented and non-represented positions
- Overtime Expenses \$0.3M, or 18.9% over budget primarily due to the covering of some operating vacancies on overtime, the coverage of some services on overtime while awaiting incorporation into the official service plan and a variety of other issues requiring the utilization of focused overtime
- Benefits were unfavorable by \$1.7M, 19.6%, primarily due to three Worker's Compensation Loss claim cases hitting the benefits line in the same month, along with a related increase in reserves for injury and damage claims
- Contractual Services \$0.3M, or 13.3%, over budget primarily due to the budget for non IBM license fees being under allocated
- CNG favorable by \$0.4M, or 53.6%, due to the actual dekatherm coming in less than the budget price
- Diesel was unfavorable by \$0.1M, or 24.7%, due to the actual fuel consumption rate being higher than planned
- Other Non-Labor was unfavorable by \$0.3M or 12.7% primarily due to overruns in electricity for the month in conjunction with a recently announced rate increase granted to the Georgia Power Company

On a February YTD basis, net operating budget expenses were under budget by \$1.250M primarily due to:

- Salary & Wages under budget by \$7.5M, or 5.4%
- Overtime unfavorable by \$3.0M, or 24.3%
- Contractual Services \$1.2M, or 7.7% over budget
- Other Materials & Supplies Expenses \$1.2M, or 7.0%, under budget due to timing related differences in expensing invoices
- Other Non Labor Expenses \$1.2M, or 5.9% under budget
- CNG favorable by \$4.1M, or 52.2%
- Diesel favorable by \$0.1M or 2.2%

Other Matters

Mr. Daniels referenced Tab 8 of the Committee books and asked Board Members to review these items:

- a) List of Future Resolutions & Presentations
- b) Ridership Update (February YTD)
- c) Quarterly DBE Participation Report

Adjournment

The meeting of the Business Management Committee adjourned at 12:35 p.m.