

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

April 25, 2013

The Board of Directors Business Management Committee met on April 25, 2013 at 10:35 a.m. in the Board Room on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Juanita Jones Abernathy
Harold Buckley, Sr.
Jim Durrett
Barbara Babbit Kaufman

MARTA officials in attendance were: General Manager/CEO Keith T. Parker, AICP; Chief Operating Officer Rich Krisak; Chief Financial Officer Gordon L. Hutchinson; Program Manager, Strategic Transformation Initiative Davis Allen; AGMs Undra Baldwin (Acting), Deborah Dawson, Wanda Dunham, Ben Graham, Georgetta Gregory, Cheryl King, Miriam Lancaster (Acting), Ryland McClendon and Elizabeth O'Neill; Sr. Director David Springstead; Directors Scott Haggard and Lyle Harris; 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 Michael Cain, Don Lawrence, Anthony Pines, Srinath Remala, Ray Rodriguez and Tuan Vo.

Also in attendance Steve Visser of *The AJC*; Maria Saporta of *Atlanta Business Chronicle*; Sanquinetha Dover of Dover Staffing; Pam Alexander of LTK Engineering; Lynne Riley of MARTOC; Matt Pollack of MATC; Dave Williams of Metro Atlanta Chamber of Commerce.

Approval of the March 25, 2013 Business Management Committee Meeting Minutes

On motion by Mr. Buckley seconded by Mrs. Kaufman, the minutes were unanimously approved by a vote of 4 to 0, with 4 members present.

Resolution Authorizing the Solicitation of Proposals for the Procurement of a Workers' Compensation Managed Care Organization (MCO), RFP P29319

Mrs. O'Neill presented this resolution for Board of Directors approval authorizing the solicitation of proposals for Workers' Compensation Managed Care Organization (MCO) by means other than competitive bidding, in accordance with Section 14(m) of the MARTA Act, through the use of Request for Proposals.

On motion by Mr. Buckley seconded by Mrs. Kaufman, the resolution was unanimously approved by a vote of 4 to 0, with 4 members present.

Briefing – Proposed Fiscal Year 2014 Operating & Capital Budgets

Mr. Parker and Mr. Allen briefed the Committee on the Fiscal Year 2014 Operating & Capital Budgets.

Original Assumptions (as adopted in June 2012)

- Steady State Service Levels through FY 2016
- Continuation of "\$0" Annual Salary Increase for all Represented and Non-Represented Employees (represents an eight-year period through the end of FY 2016)
- Fare Increase in FY 2014 (\$2.75 Base and 40 Pass Multiple)
- Reserves at \$1.5M at the end of FY 2018 – "Fiscal Cliff"
- Unsustainable Healthcare business model

Vision for the Future

- Employee Incentive Payment
- Re-opening restrooms
- Healthcare Reform
- Operational Business Roadmap
- No fare increase in FY14
- Security Enhancements
- Employee Merit Increase
- Service Restoration
- Employer of Choice
- Improved Public Perception
- Improved Employee Moral

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- **Balanced Budget**
- **Sustainability**
- **Regional Transit Provider of Choice**

FY14 Proposed Operating Budget

- **Initiatives Impact on the FY 2018 Reserves Balance**
 - **Option 1 – Reserves Balance at \$60.7M at the end of FY 2018
Status Quo – no changes**
 - **Option 2 - \$111.0M at the end of FY 2018
Includes the impacts of the following:**
 - **Employee One-time incentive payment – FY14**
 - **Merit Increase – FY16**
 - **Service Restoration – FY17 and FY18**
 - **Re-opening restrooms – FY15**
 - **Healthcare Reform Initiatives**
 - **Operational Business Roadmap (implementation plan FY13-
FY17)**

Proposed Assumptions & Initiatives (as of April 2013)

- **Customer Relief**
 - **Steady State Service Levels through FY 2016**
 - **Service Restoration in FY 2017**
 - **Re-opening Restrooms**
 - **“Knuckle-Head Behavior” Campaign**
 - **Secret Shoppers Program to monitor/improve customer service**
 - **No fare increase in FY 2014**
 - **Security Enhancements**
 - **Security Cameras on Bus/Rail**
 - **Increased Police visibility**
 - **“See & Say” smart phone app**

- **Employee Relief**
 - Employee Incentive Payment for Non-Represented and Represented – approximately \$8.3M in December 2013, FY 2014
 - Employee Merit Increase in July 2015, FY 2016
 - Employee Morale Incentives
 - Dress Code – Relaxed Dress Business Appropriate
 - Bus Roadeo/Rail Roadeo
 - Telecommute Policy Implementation
- **Fiscal Relief**
 - Implementation of the Operational Business Roadmap Recommendations
 - Healthcare Savings Initiatives
 - Pension Costs Stabilized
 - Modest Fare Increases
 - Proposed Fare Increase in FY 2015 - \$0.15
 - Proposed Fare Increase in FY 2016 - \$0.10
 - Proposed Fare Increase in FY 2018 - \$0.10

*Development of Fare Policy in FY 2014 in accordance with the tenets of the Strategic Plan

Proposed FY 2014 Capital Budget

- **FY14 Capital Budget Development Assumptions**
 - Projects already under contract or in the very late stages of the procurement process
 - Policy directives in terms of size of Bus and Mobility procurements
 - Project Prioritization Scoring (Expert Choice):
 - Life/Safety Critical Projects
 - Operations Critical Projects
 - Partial funding for Planning functions
 - Partial funding for CIP support and various business support functions

FY14 Capital Budget – Top Ten Projects by Cost

- FY14 Bus Procurement - \$44,000,000
- Brady Mobility Facility - \$22,000,000
- Train Control System Upgrade - \$21,479,774
- Fire Protection System Upgrade - \$16,407,369
- Buckhead Station North Entrance - \$11,004,431
- FY14 Mobility Vans - \$9,710,000
- AFC Smart Card Reader Upgrade - \$8,098,033
- Rail Car Reliability Maintenance Program - \$7,500,000
- Vehicle Security Cameras - \$7,270,000
- Total - \$155,539,607
- Top Ten Projects consume approximately 54% of the FY14 Budget

Mr. Buckley said some of the recommendations provided through the KPMG roadmap are not being proposed. He asked if staff will be implementing those recommendations at a later time.

Mr. Parker said KPMG's recommendation to MARTA is 100% implementation of their roadmap – the Authority feels 60%. Staff will bring all 12 items back to the Board for further discussion.

Mr. Durrett said that he has never been prouder to serve on the MARTA Board. He commended the General Manager and staff on the budget development.

Mr. Parker said the proposed FY14 Budgets does not include a Sales Tax increase or request to the State; it also assumes the 50/50 is in place. MARTA intends to go after revenue aggressively and work diligently to improve the public perception of MARTA.

Mrs. Kaufman said she was very impressed with the proposed Budgets. She added that she would rather not impose a fare increase in 2015 but otherwise staff has presented a great roadmap.

Mrs. Abernathy said no fare increase is her position as well.

Mrs. McClendon said Public Hearings on the proposed FY14 Budgets are scheduled for May 14 and May 16.

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

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

Overview – February 2013

During the month of February, total net revenues were \$4.4M or 12.7% less than budget (unfavorable) due to the following:

- 1) An unfavorable variance of \$3M or 18.5% in Sales Tax
- 2) An unfavorable variance of \$1.3M or 20.4% in Federal Assistance

Total net expenses for the month were \$1.1M or 3.3%, less than budget (favorable) primarily due to the following:

- 1) A favorable variance of \$2M or 3.3%, in Salaries & Wages due to vacancies, which was offset by;
- 2) An unfavorable variance of \$1.1M or 52.1%, in Non-Labor expenses

Year-to-Date Operating Revenues

On a February year-to-date-basis, actual Revenues were favorable by \$1.8M or 0.7%. Of this amount, Sales Tax receipts were favorable by \$4.7M or 4.2%.

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

- Sales Tax receipts over-performing relative to plan on a February YTD basis as forecasted by the Georgia State Economic Forecasting Center
- Passenger Revenue was slightly lower than budget (0.2%) even though YTD ridership was lower than projected by 3.8%; Revenue associated with selling of breeze cards, which are unrelated to trip-making revenue, account for the slight variance in percentages – additionally, the cost of fare media is no longer included as a contra revenue item

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- Station Parking was lower at 14.8% 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 3.9% primarily due to the TOD Ground leases not yielding as planned due to timing differences (\$125K) and the Amortized Lease Income (\$133K), due to the unwinding of two defeased lease transactions/traunches in June 2012

Year-to-Date Budget vs. Actual Expense Performance

On a February year-to-date basis, net operating budget expenses were under budget (favorable) by \$26.9M or 9.4%, primarily due to the combined effects of the following:

- Salaries & Wages were favorable by \$13.7M or 9.3%
- Overtime Expenses were \$1.6M or 10.8% over budget (unfavorable)
- Benefits were under budget by \$7.3M or 8.3%
- Contractual Services were \$1.5M or 8.3% under budget (favorable)
- CNG Fuel was \$0.4M or 11.2% under budget due to running fewer miles than planned
- Diesel Fuel was \$0.4M or 6.2% under budget also due to running fewer miles than planned
- Other Materials & Supplies were unfavorable by \$1.8M or 9.8%
- Other Non-Labor charges were \$1.9M or 9.4% under budget
- Capital charges were favorable at \$5.1M or 15.1% under budget

Sales Tax Subsidy

- The Year-to-Date actual Net Operating Surplus of \$9.5M requires a sales tax subsidy of 45.9%, 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 February was favorable at 53.32% below budget, mostly due to a favorable variance in labor cost
 - The 2013 Fiscal Year-to-Date (months of July through February) budget variance remains favorable at 9.44% below budget, mostly due to favorable variances in labor (vacancies), contractual services and fuel costs
- **Combined Ridership**
 - Combined Ridership for the month was 10M unlinked passenger boardings, falling short of the forecasted 10.5M by 582K or 5.5%
 - The 2013 Fiscal Year-to-Date (months of July through February) Combined Ridership of 86.6M unlinked trips is lower than forecasted 90M by 3.4M or 3.8%
- **Cost per Bus Passenger Trip**
 - The Cost per Bus Passenger Trip of \$3.50 in February was better than the forecast of \$3.56 by \$0.06 or 1.7%; this favorable variance was mostly due to net under-runs in budgeted expenses
 - The 2013 Fiscal Year-to-Date (months of July through February) Cost per Bus Passenger Trip of \$3.37 is better than the forecasted \$3.66 by \$0.29 or 7.9%; this favorable variance is due to net under-runs in budgeted expenses
- **Cost per Rail Passenger Trip**
 - The Cost per Rail Passenger Trip of \$2.53 in February was higher than the forecast of \$2.51 by \$0.02 or 0.8%; this unfavorable variance was due to Rail Ridership falling short of the forecast by 382K unlinked boardings or 6.7%
 - The 2013 Fiscal Year-to-Date (months of July through February) Cost per Rail Passenger Trip of \$2.41 is better than the forecasted \$2.58 by \$0.17 or 6.6%; this favorable variance is due to net under-runs in budgeted expenses

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- Cost per MARTA Mobility Passenger Trip
 - The Cost per MARTA Mobility Passenger Trip of \$32.13 in February was better than the forecast of \$32.31 by \$0.18 or 0.6%
 - The 2013 Fiscal Year-to-Date (months of July through February) Cost per Mobility Passenger Trip of \$32.76 is better than the forecasted \$33.27 by \$0.51 or 1.5%; this favorable variance is also due to net under-runs in budgeted expenses

Mr. Durrett asked why is Ridership falling short of forecast.

Ms. King said the Research & Analysis Department is currently analyzing FY13 2nd Quarter Ridership and will provide a briefing at the next Planning & External Relations Committee meeting.

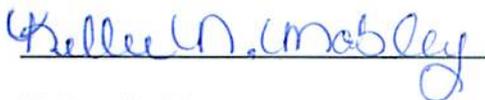
Other Matters

The February FY 2013 Key Performance Indicators were provided to the Committee as information only.

Adjournment

The meeting of the Business Management Committee adjourned at 11:11 a.m.

Respectfully submitted,



Kellee N. Mobley
Sr. Executive Administrator to the Board