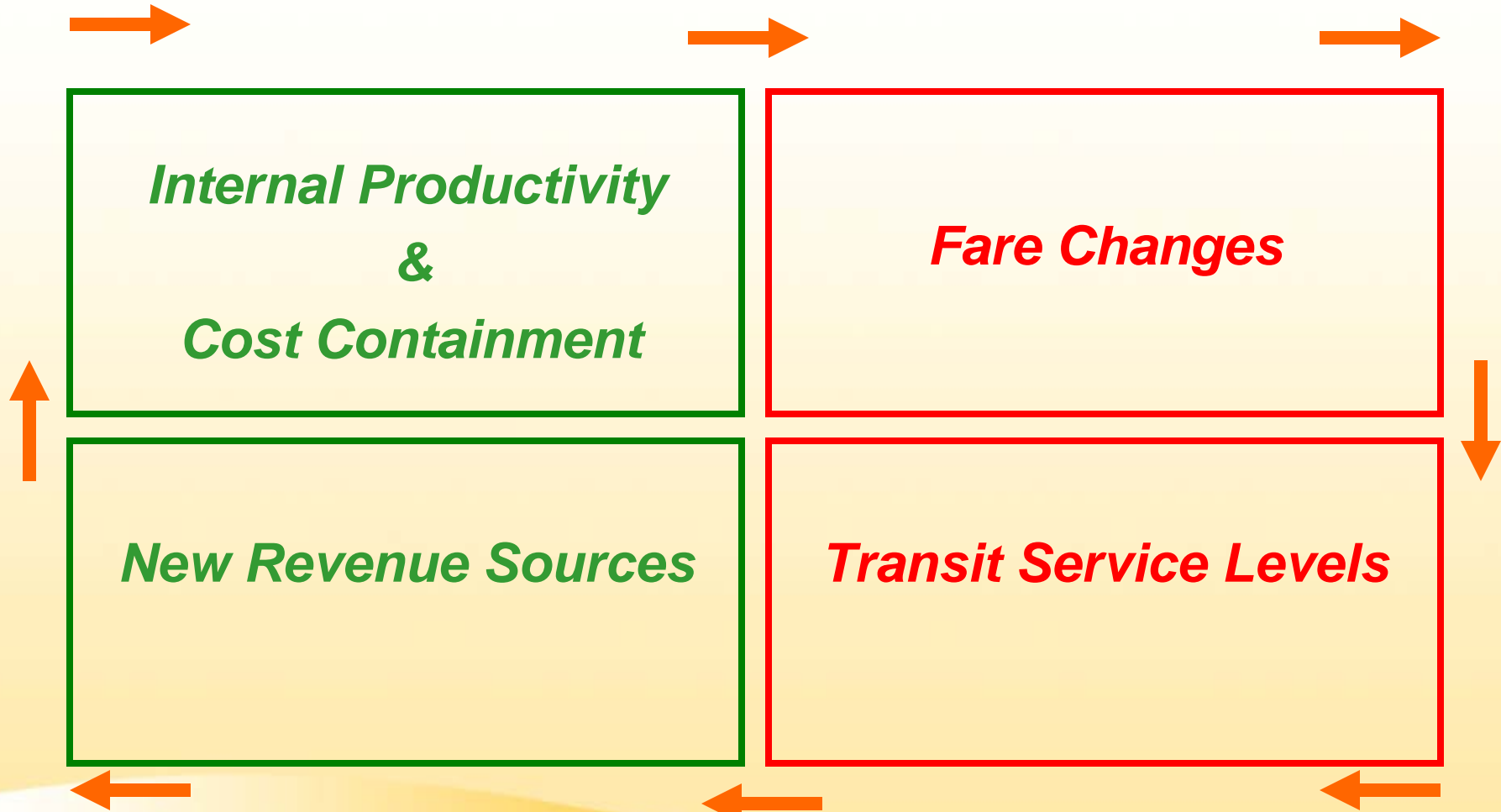


MARTA 2009 Budget Summary Review



Metropolitan Atlanta Rapid Transit Authority

Transit Budgeting Strategies



The Budget Context...

- Eliminate Legacy MARTA Legislative Financial Constraints
 - ✓ “50/50” Capital and Operating Split
 - ✓ Interest Income Limitations
- Aggressively *Do Our Part* – (“Self Help”)
 - ✓ Complete Comprehensive Internal Financial Review by Year-End (“Zero-Based Budget Approach”)
 - ✓ ID Additional Internal Productivity/Cost Containment Measures

The Budget Context...

- ✓ Prepare Fare Recommendations (Planned FY2010 Implementation – Phase I)
- ✓ January 2009 Mid-Year Budget Revision

- Plan for Long-Term Financial Sustainability (Operations, “State of Good Repair”, Expansion Program)
 - ✓ ID Needs and Funding Requirements
 - ✓ Anticipate “Rainy Days” (avoid “volatility” to transit service levels and fares)

The Budget Context...

- Resolve the Regional Transit “*BIG PICTURE*”
 - ✓ What is Our Transit Plan?
 - ✓ What is MARTA’s Future Role?
- Implement a Proactive Public Information, Education and Communications Plan re: MARTA/Transit Funding Needs

Proposed Operating Budget FY 2009



Original Budget Projection

(as of June 2007 – FY07 Un-audited)

	Actual FY04	Actual FY05	Actual FY06	Actual FY07	Adopted FY08	Projection FY09	Projection FY10
Current Year Operating Revenues	292.71	302.34	323.61	338.96	362.17	353.14	363.37
% Increase/Decrease	2.0%	3.3%	5.2%	4.7%	6.8%	1.2%	2.9%
Net Operating Expenditures	295.82	306.30	303.62	326.86	383.52	399.77	412.73
% Increase/Decrease	-4.1%	3.5%	-0.9%	7.7%	17.3%	4.2%	3.2%
Impact on Reserves	(3.11)	(3.96)	19.99	12.10	(21.35)	(46.63)	(49.36)
Prior Year Surplus/Deficit	13.91	10.80	6.84	26.83	38.93	17.58	(29.04)
Sales Tax Surplus/Carryover (before 5%)	10.80	6.84	26.83	38.93	17.58	(29.04)	(78.40)
Prior Year 5% Sales Tax Reserves	20.79	34.82	49.64	66.20	83.66	102.22	111.62
5% Sales Tax Reserves	14.03	14.82	16.56	8.73	0.00	0.00	0.00
Extension of 5% Sales Tax Reserves				8.73	18.56	9.40	0.00
Sales Tax Surplus/Carryover (after 5%)	45.63	56.48	93.03	122.60	119.81	82.58	33.22
MARTA Act Reserves	(28.71)	(29.27)	(30.23)	(32.36)	(33.90)	(36.22)	(35.31)
Available Reserves	16.93	27.22	62.81	90.25	85.92	46.38	(2.08)



FY08 Operating Budget Overview

	FY08 Annual Budget	FY08 YTD March Budget	FY08 YTD March Actual	Year-end Projected Estimate
Revenues				
50% Sales Tax	185.60	137.91	132.28	178.00
Passenger Revenues	104.90	78.56	76.94	102.46
Preventive Maintenance	44.43	33.32	33.32	41.33
Other Revenues	27.24	18.08	27.19	34.06
Total Revenues	362.17	267.87	269.73	355.85
Expenses				
Salaries & Wages	227.68	171.37	167.92	223.16
Benefits	96.69	72.58	72.84	98.97
Contractual Services	20.62	16.08	12.42	15.81
Materials & Supplies/Inv. Adj.	37.11	28.33	30.55	42.43
Other Non Labor Expense	31.29	23.74	21.09	32.14
Capital Allocation	(29.87)	(22.43)	(32.20)	(40.00)
Total Expenses	383.52	289.68	272.61	372.52
Surplus (Deficit)	(21.35)	(21.81)	(2.88)	(16.66)



FY08 Budget Highlights

Annual Revenue Projections – Budget vs. Current Forecast

- Sales Tax Receipts **down** (-\$7.6M operating impact)
- Passenger Revenue **below** Projections (-\$2.4M)
- Other Income **favorable** (+\$6.8M)
- Future **loss** of SB114 and 115 Funds (-\$11.5M in FY09; -\$24M in FY10)
- No New Local/Regional/State Transit Funding
 - \$50M “**needed**” annually (MARTA estimate)



FY08 Budget Highlights

Expenses

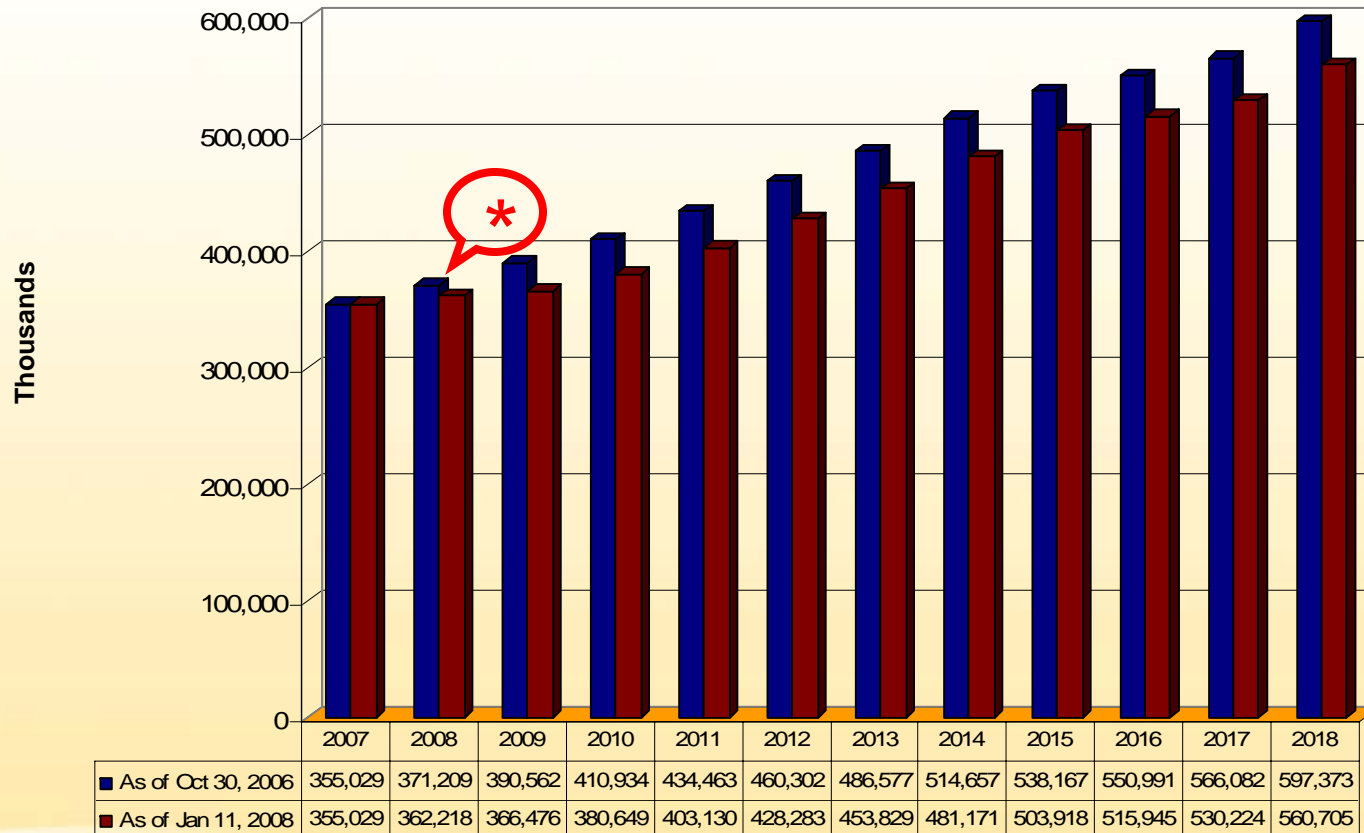
- Mid-Year Budget Adjustment (-\$10.2M)
 - **No Impact** to FY08 Service Levels or Fares
 - 130 **Frozen** Positions
 - \$2.9M in **Other Cost Containment** Actions
 - FY 2007 **Mid-Year Adjustment Impacts**

- GASB 45 Adjustment (\$6.5M)
 - Other Post Employment Benefits (OPEB) Obligations



Updated Total Sales Tax Yield Projections

October 2006 vs. January 2008



*March YTD Actual Total Sales Tax Yield is 2.56% (\$6.9M) below the revised estimate from January 2008.



Priority Recommendations

Today.....

- **An Emphasis on the “BASICS”**
 - *Safety & Security, Reliability, Customer Environment*
 - *“State of Good Repair”*
 - *“Expense Neutral Restructuring”*
 - *“Live Within Our Means”*

- **Complete In depth Organizational & Financial Assessment**
 - **Submit Mid-Year 2009 Budget Revision**

- **Strengthen Performance Management, Analysis and Reporting**
 - Revenue & Ridership Data

- **Complete Comprehensive Fare Study**

- **Finalize MOVE System Optimization Review Recommendations**

Priority Recommendations

Aggressively Advance.....

- **FY09 Legislative Proposals** to *eliminate* the “50/50” capital/operating split and “capital reserves” limitation
- Expanded **regional transit plan** and **new dedicated funding**
- State transportation/transit **funding**
- Internal **productivity/cost containment** measures
 - Zero Based Budget (Mid Year Budget Adjustment)
 - “Rightsizing” (R.I.F.) – Station Services
 - Employee Availability
 - Fleet Size & Reliability
 - Material/Inventory Control
 - Project Management and Internal Controls
 - ID Capital Project Operating Impacts
 - Collective Bargaining Strategy



FY09 Budget Proposal

	FY08 Budget	FY08 Forecast	FY08 Budget v. Forecast Change	FY09 Proposed
Revenues	362.17	355.86	(6.31)	351.72
Net Expenses	383.52	372.51	11.01	395.46
Impact on Reserves	(21.35)	(16.65)	4.70	(43.74)
Net Available Reserves	89.20	93.12	3.92	57.15



FY09 Operating Budget Proposal

Key Assumptions

- **Steady State** Rail and Bus Service Plan
- **Significant** MARTA Mobility Service Increase (+50 assigned vehicles)
 - Average Growth in Revenue Hours.....28%
 - Average Growth in Revenue Miles.....29%
 - Average Annual Expense Growth.....30%
- **No** Fare Increase Planned in FY09
- **Fare Restructuring** to Begin in 2010 (Phase I)
- **No** New Dedicated Transit Funding in FY09



Operating Revenue

	Actual FY06	Actual FY07	Adopted FY08	Forecast FY08	Proposed FY09
Sales Tax (50% Max)	165.61	174.61	185.60	178.00	183.24
Passenger Revenues	95.14	99.26	104.90	102.46	103.35
Other Transit Related Revenues	10.71	11.25	10.08	16.47	11.45
Interest on Capital Reserves	4.65	6.02	4.83	5.27	2.23
Lease Income	1.73	1.52	1.46	1.52	1.57
Transit Oriented Developmt. Revenue	3.14	3.35	4.01	3.95	4.23
Preventive Maintenance Revenue	37.33	39.00	44.43	41.33	41.79
Token Re-evaluation Income	0.00	3.00	3.00	3.00	0.00
Lease-to-Service Amortized Income	3.75	3.95	3.86	3.86	3.86
Prior Period Audit Adjustments	1.56	(0.02)			
Current Year Operating Revenues	323.61	341.94	362.17	355.86	351.72
% Increase/(Decrease)	5.2%	5.7%	5.9%	4.1%	-1.16%



Annual Operating Expenses

\$M

Major Expense Categories	FY06 Actual	FY07 Actual	FY08 Budget	FY08 Projected	FY09 Proposed	08 vs 09 (% change)
Labor	193.59	202.21	227.68	223.16	240.70	7.86%
Fringes						
Healthcare	31.86	38.64	46.03	42.72	47.93	12.19%
Pension	14.50	20.91	24.21	24.77	25.38	2.45%
Other	21.62	22.67	26.45	31.48	31.96	1.53%
	67.98	82.22	96.69	98.97	105.27	6.36%
Fuel	12.04	12.36	15.07	13.41	17.16	27.98%
Traction Power	5.37	6.16	6.65	6.63	7.23	9.12%
Casualty & Liability	5.72	8.11	8.81	10.01	9.16	-8.42%
Other	46.94	54.34	58.49	60.34	57.94	-3.97%
Cost Allocation	(28.03)	(39.15)	(29.87)	(40.00)	(42.00)	5.00%
Totals	\$ 303.62	\$ 326.26	\$ 383.52	\$ 372.51	\$ 395.46	6.16%



FY 2009 Proposed Staffing Levels

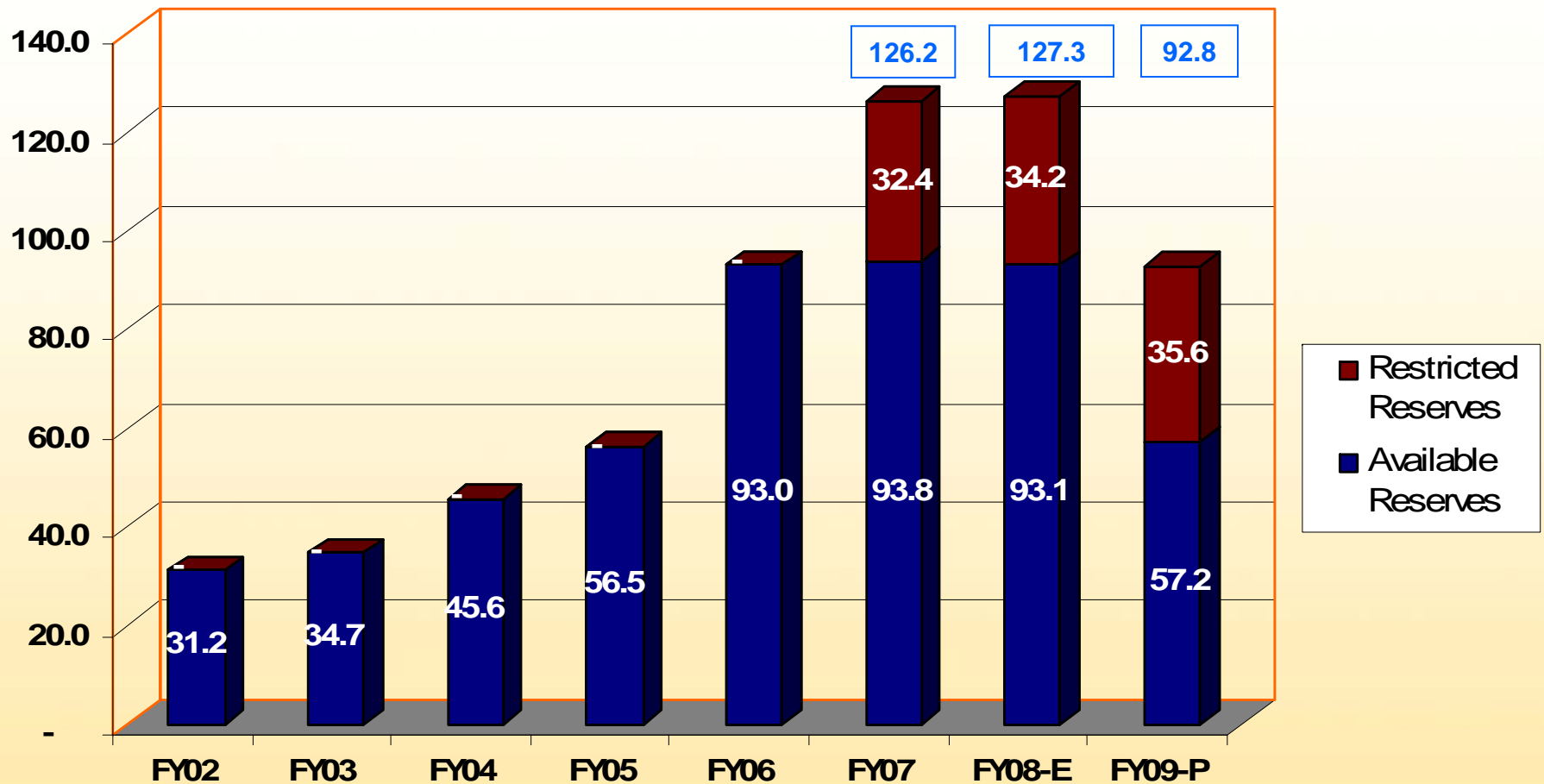
Department/Function	FY 2008 Actual	FY 2009 Budget
General Manager/CEO	24	24
Internal Audit	19	19
Legal Services	29	29
Transit System Development	144	141
Corporate Communications	79	73
Deputy General Manager/COO	418	436
Operations	3544	3386
Engineering & Infrastructure	106	105
Police Services	385	370
Chief of Business Support Services	176	165
Finance	275	273
Technology	118	116
	5317	5137



Operating Reserve Balance

(FY2002 – FY2009)

\$M

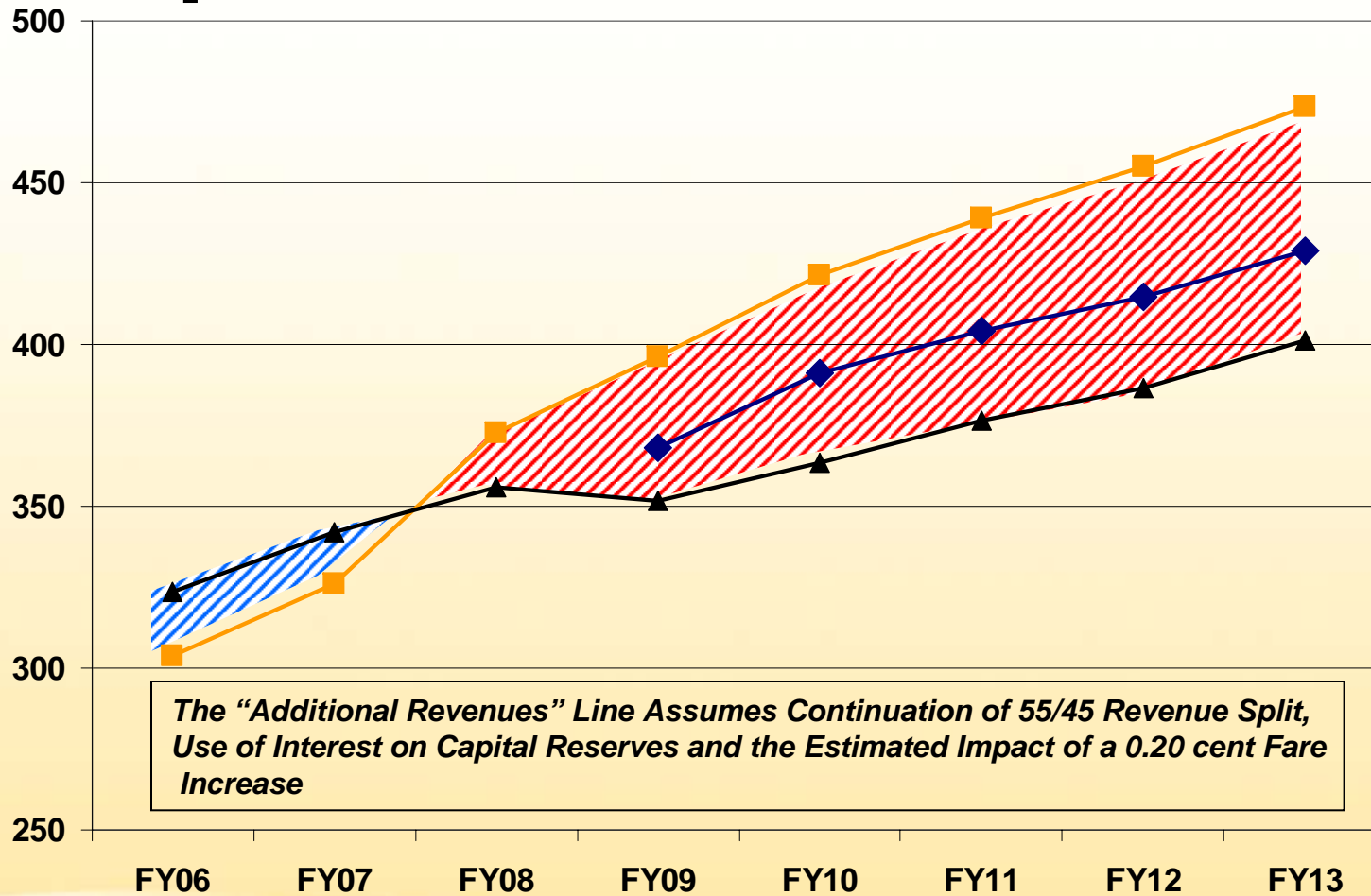


Proposed FY09 Operating Budget

	Actual FY06	Actual FY07	Adopted FY08	Forecast FY08	Proposed FY09
Current Year Operating Revenues	323.61	341.94	362.17	355.86	351.72
% Increase/Decrease	5.2%	5.7%	5.9%	4.1%	-1.2%
Net Operating Expenditures	303.62	326.26	383.52	372.51	395.46
% Increase/Decrease	-0.9%	7.5%	17.6%	14.2%	6.2%
Impact on Reserves	19.99	15.68	(21.35)	(16.66)	(43.74)
Prior Year Surplus/Deficit	6.84	26.83	42.51	42.51	25.85
Sales Tax Surplus/Carryover (before 5%)	26.83	42.51	21.16	25.85	(17.89)
Prior Year 5% Sales Tax Reserves	49.64	66.20	83.66	83.66	101.46
5% Sales Tax Reserves	16.56	8.73	0.00	0.00	0.00
Extension of 5% Sales Tax Reserves	----	8.73	18.56	17.80	9.16
Sales Tax Surplus/Carryover (after 5%)	93.03	126.17	123.38	127.31	92.73
MARTA Act Reserves	(30.23)	(32.36)	(34.19)	(34.19)	(35.59)
Available Reserves	<u>62.80</u>	<u>93.81</u>	<u>89.19</u>	<u>93.12</u>	<u>57.15</u>



Comparison of Revenues & Expenses (Baseline w/ Escalation) \$M



The "Additional Revenues" Line Assumes Continuation of 55/45 Revenue Split, Use of Interest on Capital Reserves and the Estimated Impact of a 0.20 cent Fare Increase



◆ Additional Revenues ■ Expenses ▲ Revenues

Operating Budget Projections (FY09 – FY11)

	Forecast FY08	Proposed FY09	Projection FY10	Projection FY11
Current Year Operating Revenues	355.86	351.72	363.49	376.43
% Increase/Decrease	4.1%	-1.2%	3.3%	3.6%
Net Operating Expenditures	372.51	395.46	420.68	438.72
% Increase/Decrease	14.2%	6.2%	6.4%	4.3%
Impact on Reserves	(16.66)	(43.74)	(57.19)	(62.29)
Prior Year Surplus/Deficit	42.51	25.85	(17.89)	(75.08)
Sales Tax Surplus/Carryover (before 5%)	25.85	(17.89)	(75.08)	(137.37)
Prior Year 5% Sales Tax Reserves	83.66	101.46	110.62	110.62
Extension of 5% Sales Tax Reserves	17.80	9.16	0.00	0.00
Sales Tax Surplus/Carryover (after 5%)	127.31	92.73	35.54	(26.75)
MARTA Act Reserves	(34.19)	(35.59)	(35.17)	(36.35)
Available Reserves	93.12	57.15	0.37	(63.10)



Next Steps



BUDGET TIMELINE

- **April 23 --- Present Budget Proposal to Board at Budget Retreat**
- **May 3 to 6 --- Notice of Public Hearings in AJC**
- **May 1--- Notice of Public Hearings – Publish in Atlanta Daily World , Atlanta Inquirer, Champion, GoDeKalb.com, Mundo Hispanico and Crossroads**
- **May 12 --- Hold Public Hearing, 7pm, in Maloof Auditorium and North Fulton Service Center**
- **May 13 --- Hold Public Hearings, 7 pm, in Atlanta City Hall and College Park Public Safety Complex**
- **May 28 --- Present Proposed Budget to Business Management Committee**
- **June 9 --- Present Budget to Full Board**
- **June 16 --- At the Customer Development and/or O&D Committees call for Special Board Meeting if not adopted at June 9 meeting**



Funding Summary (Operating)

FY09 - FY30

[\$million]

MODE	MARTA Today	Good Repair	Expansion	Concept 3
Bus	4,920.7	4,871.5	4,871.5	*
HRT	2,854.7	2,826.1	2,826.1	*
LRT/SC			262.9	*
CR				*
BRT			91.9	*
Paratransit	414.1	409.9	409.9	*
Total	7,775.4	8,107.5	8,462.3	

* Concept 3 Revenue Service Dates are not available, only annual operating costs provided.

FY09 Budget Highlights



Operating Budget Summary

<i>FY09 Recommended Operating Budget</i>		
Beginning FY09 Carry-Over (Including Prior Year 5% Sales Tax Allowance - General Fund)		\$127,309,671
Revenues		360,884,085
Sales Tax (50% of Receipts)	\$183,238,000	
Passenger Revenue	103,353,949	
Other Transit Operating Rev	15,681,392	
Lease Income	1,565,844	
Interest on Capital Reserve	2,230,000	
5% Sales Tax Revenue	9,161,900	
Federal Assistance	41,793,000	
Lease-to-Service Amortized Rev	3,860,000	
Token Re-evaluation Revenue	-	
Total FY07 Available Funding		488,193,756
Expenses		(\$395,461,670)
Bus Operations	(\$213,747,033)	
Rail Operations	(181,714,637)	
Ending FY07 Carry-over		92,732,086

- FY09 Net Transit Operating Expenses: \$395.46M.
- No fare increase is scheduled for FY09.
- No service reductions are planned in FY'09.
- 460,000 average daily unlinked boarding passengers projected.

Operating Program Highlights

- An emphasis on the “BASICS” – safety, security, reliability and the customer experience
- Keeping the system in a state of good repair
- FY09 Legislative Proposals to eliminate the 50/50 capital/operating split and “capital Reserves” limitation
- Internal productivity/cost containment measures
- Maintains current service levels for Bus and Rail
- Significantly increase investment in Mobility Service with 50 additional vehicles
- Assumes a reduction in force of approximately 200 positions

Revenue Summary

Available funding for Transit Operations is \$488.19M, which is funded through three primary sources (Sales Tax, Operating Revenues and Federal Sources), as well as any Revenue Adjustments.

- **Sales Tax** - Although \$127.31M of Sales Tax & Prior Year Carry-over (including the prior years of the 5% Sales Tax Reserves) as well as an estimated \$183.2M for FY09 will be available, the deficit is programmed at \$43.74M for usage in FY09.
- **Passenger Revenue** - The projected FY09 passenger revenue is \$103.35M.
- **Federal Operating Assistance** of \$41.79M.

FY09 Planned Service Levels

- **Bus Fixed Route Service** is projected @ approximately 30.6 M miles of service operating over 132 routes. Estimated weekday peak vehicle requirements will be 624, including 15 small buses.
- **Demand-response Mobility Service** coverage for elderly and disabled patrons is projected @ 330 K hours of service.
- **Rail Service Level** is planned @ approximately 23.1 M rail car miles with peak service hours of 6:00 AM – 9:30 AM and 3:00 PM – 7:00 weekdays.

FY09 Budget Highlights

Capital Budget Summary

<i>FY09 Adopted Budget</i>	
<i>Sources and Applications of Capital Funds</i>	
FY09 Beginning Balance (est.)	\$20,202,100
Revenues	
Sales Tax (45%)	\$174,076,100
Financing Proceeds	248,000,000
Interest and Other Capital Income	1,404,000
Private Sector	0
Federal Grants	110,209,406
State Grants	1,938,000
	\$535,627,506
Total FY09 Funding Sources	\$555,829,606
Applications of Funds	
Capital Improvement Program	(\$386,463,310)
Debt Service on Revenue Bonds	(148,880,000)
Total FY08 Expenses	(\$535,343,310)
Ending FY09 Ending Balance	\$20,486,296

- Recommended Capital Funds Budget of \$535.34M for FY09
- FY09 Capital Improvement Program recommended budget of \$386.46M

Revenue & Expenses Summary

The Authority's **Capital Funds Budget** is based on capital funds on hand, the capital portion of sales tax receipts, federal grants, state grants, and a financing program that will consist of a balance between sales tax revenue bonds, commercial paper, and innovative financing proceeds.

The Authority's **Capital Improvement Program** supports expenditures for the replacement, rehabilitation, and enhancement of facilities, system-wide equipment, and infrastructure related to the support of Transit Operations; Non-Operating Expense Projects; and Transit Planning Program activities including the **Top 10 Projects** highlighted below:

Project	FY09	FY09-FY18
CQ310 & CQ311 Rail Car Rehab	\$81.256	\$114.739
Replace Fare Collection System	15.482	16.151
ERP/EAM System	14.985	14.985
Planning	12.391	93.227
Lighting Program	9.389	30.605
Replace UPS Systems	8.914	12.046
Train Control Systems Upgrade	7.953	175.191
Memorial Dr. Bus Rapid Transit	7.775	15.028
Hamilton Bus Facility	7.740	72.669
Rehab Systemwide Escalators Group 1	7.552	22.591

The Authority's **Bond Debt Service and Other Financing Programs**, totaling \$148.88M, is programmed for the principal and interest payments on outstanding and new debt. Currently, a fixed rate bond issue is not anticipated. If the long term fixed interest rate market becomes attractive, MARTA may elect to replace some or all of the Agency's variable rate commercial paper debt with fixed rate, long-term debt.