

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

June 24, 2013

The Board of Directors Business Management Committee met on June 24, 2013 at 10:55 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.
Jim Durrett
Roderick E. Edmond
Barbara Babbit Kaufman
Jannine Miller*

MARTA officials in attendance were: General Manager/CEO Keith T. Parker, AICP; Chief Operating Officer Richard A. Krisak; Chief of Staff Rukiya Eaddy; Chief Administrative Officer Edward L. Johnson; Chief Financial Officer Gordon L. Hutchinson; Program Manager, Strategic Transformation Initiative Davis Allen; AGMs Deborah Dawson, Wanda Dunham, Shyam Dunna (Acting), Rod Hembree (Acting), Jonnie Keith (Acting), Cheryl King, Ryland McClendon and Elizabeth O'Neill; Directors Walter Jones, Pat Minnucci and Antoine Smith (Acting); Executive Manager to the Board Rebbie Ellisor-Taylor; Manager, Executive Office Administration Tyrene L. Huff; Finance Administrative Analyst Tracy Kincaid; Others in attendance Carlos Arrietta, Francisco Quinones and Srinath Remala.

Also in attendance Matt Pollack of MATC.

Approval of the May 29, 2013 Business Management Committee Meeting Minutes

On motion by Mr. Durrett seconded by Mr. Daniels, the minutes were unanimously approved by a vote of 4 to 0, with 4 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

April Year-to-Date FY 2013 Budget Variance Analysis

Mr. Hutchinson briefed the Committee on the April Year-to-Date FY 2013 Budget Variance Analysis.

Overview

During the month of April, total net Revenues were \$1.8 or 5.3% more than budget (favorable) due to (1) a favorable variance of \$1.4M or 11.5% in Passenger Revenue this month, due to ridership being higher than projected and (2) a favorable variance of \$0.9M or 138.1% in Other Revenue, due to \$842K Ad Valorem tax received from Fulton and DeKalb counties.

Also during the month total net expenses were \$1.4M or 4.0% less than budget (favorable) primarily due to (1) a favorable variance of \$1.8M or 9.9% in Salaries & Wages due to vacancies and (2) a favorable variance of \$1.2M or 10.7% in Benefits due to vacancies and healthcare being less than planned.

Year-to-Date Operating Expenses

On an April year-to-date-basis, actual Revenues were favorable by \$3.4M or 1.0%. Of this amount, Sales Tax receipts were favorable by \$5M or 3.6% and Other Revenues were favorable by \$3.8M or 61.3% due to the receipt of Alternative Tax Rebate (\$2.5M) and Ad Valorem Tax (\$842K) which was offset by Federal Assistance by \$5M or 8.2% due to an anticipated decrease in eligible Preventive Maintenance reimbursable expenses.

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

- Sales Tax receipts over-performing (3.6%) relative to plan on a April YTD basis as forecasted by the Georgia State Economic Forecasting Center
- Passenger Revenue was slightly higher than budget (0.1%) even though YTD ridership was lower than projected by 3.6% - Revenue associated with the selling of breeze cards, which are unrelated to trip making revenue, account for the slight difference in percentages; additionally, the cost of fare media is no longer included as a contra revenue item
- Station Parking was lower at 16% 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

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- Lease Income was below budget by 3.2% primarily due to the TOD Ground leases not yielding as planned due to timing differences (\$101K) and the Amortized Lease Income (\$166K), due to the unwinding of two defeased lease transactions/tranches in June 2012
- Federal Assistance was below budget by \$5M or 8.2% due to an anticipated decrease in eligible Preventive Maintenance reimbursable expenses
- Other Revenues were above budget by \$3.8M or 61.3% due to the receipt of the Alternative Tax Rebate (\$2.5M) and Ad Valorem Tax (\$842K)

Year-to-Date Budget vs. Actual Expense Performance

On an April year-to-date basis, net operating budget expenses were under budget (favorable) by \$31.8M or 9.0% primarily due to the combined effects of the following:

- Salaries & Wages—the largest portion of labor expenses which, when combined with overtime and benefits constitute over 74% of the annual operating budget—were favorable by \$17.7M or 9.6% on a April year-to-date basis; this positive variance was primarily due to net vacancies in a variety of positions throughout the agency
- Overtime Expenses were \$2.6M or 14.3% over budget (unfavorable) which is an offsetting impact of the vacancies
- Benefits were under budget by \$10.3M or 9.3%, due primarily to vacancies and Healthcare being less than planned; the on target variance in workers compensation losses was due to strengthening the reserves for existing & older cases to more accurately reflect the ultimate value of these cases
- Contractual Services were \$1.1 or 4.7% under budget (favorable) due to favorable variances in the maintenance service-fare collection equipment, passenger/facility maintenance (elevators/escalators), Non-IBM license fee and passenger/fac-janitorial accounts; this is primarily due to timing differences.
- CNG Fuel was \$0.6M or 14.9% under budget due to running fewer miles than planned
- Diesel Fuel was \$0.5M, or 5.9% under budget due to running fewer miles than planned
- Other Materials & Supplies were unfavorable by \$1.8M or 7.6%

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- Other Non-Labor charges were \$0.9M or 3.5% under budget (favorable) due primarily to a positive variance in utilities; a timing difference in the insurance premium (\$375K) also contributed to the favorable variance
- Capital charges were favorable at \$5.2M or 12.3% under budget which is due to more capital employees being hired as well as more full time employees charging to capital

Sales Tax Subsidy

- The Year-to-Date actual Net Operating Surplus of \$12.7M requires a sales tax subsidy of 45.6% which is favorable to the budget
- The Annual Budgeted Sales Tax Subsidy is 59.9%

Mr. Buckley asked if MARTA is projecting a year in the black.

Mr. Hutchinson said yes.

Mr. Daniels asked what areas does staff see for improvement.

Mr. Hutchinson said impacts in Contract and Labor costs are a potential upside.

Dr. Edmond said in large organizations such as MARTA, there is a challenge to get the right workforce. Overtime has been a huge drain on the Budget. He asked what is the national standard for workforce versus overtime.

Mr. Parker said over the next months staff will drill down on data from KPMG and bring back information to the Board on how management intends to address the issue of not having enough people in various positions.

Mr. Durrett said if MARTA is fully staffed that would drive up costs as well – the Board needs a cost comparison of that versus overtime.

Mr. Parker said level of service is also impacted; On-Time Performance (OTP) is sometimes off target because of under staffing.

April FY 2013 Key Performance Indicators

Mr. Hutchinson briefed the Committee on the April FY 2013 Key Performance Indicators.

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Financial KPIs

April month and YTD KPIs are favorable to the projection and to fiscal year 2012 with the exception of YTD combined Ridership which is 4M below both the projection for 2013 and the same period in 2012.

Bus and Rail monthly Ridership trends have been positive in the past two months which is partly due to special event ridership such as the Final Four NCAA basketball championship in April.

Operation KPIs

Bus, Rail and Mobility OTP has been trending lower for the past several months and is below target in April. If this negative trend continues, ridership may be adversely impacted in future months. Bus and Mobility OTP are impacted by aging vehicle fleets, mechanical failures and operator absenteeism. The decline of rail OTP coincides with the increase in frequency of mechanical failures.

Safety and Security KPIs

All safety and security KPI's are higher than target and higher than fiscal 2012.

Ms. Miller asked is there a correlation between OTP and Ridership.

Mr. Parker said yes. The Authority will have to take a more comprehensive look at this – being realistic about congestion and mechanical failures. He added that is difficult to recover from mechanical failures.

Dr. Edmond said MARTA also receives complaints about being early.

Mr. Parker said that is also a violation of OTP standards.

Mr. Daniels said it seems unrealistic to have the same arrivals every day, especially considering metro Atlanta traffic conditions.

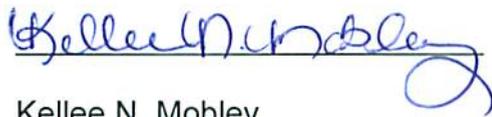
Mr. Parker said that is a major component of what staff will be examining. Additionally, staff is working on an app for customers that will keep them informed about 'next bus' – where it is, when it will arrive, etc.

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Adjournment

The meeting of the Business Management Committee adjourned at 11:25 a.m.

Respectfully submitted,



Kellee N. Mobley
Sr. Executive Administrator to the Board