

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

July 29, 2013

The Board of Directors Business Management Committee met on July 29, 2013 at 10:40 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
Barbara Babbit Kaufman
Adam Orkin, *Chair*

MARTA officials in attendance were: 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 Wanda Dunham, Shyam Dunna (Interim), Rod Hembree (Acting), Jonnie Keith (Acting), Cheryl King and Elizabeth O'Neill; Executive Director Ferdinand Risco; Senior Director Kevin Hurley; Director Knox O'Callaghan; Managers Yolanda King and James Watkins; Executive Manager to the Board Rebbie Ellisor-Taylor; Manager, Executive Office Administration Tyrene L. Huff; Finance Administrative Analyst Tracy Kincaid; Others in attendance Ricky Chambers, Willie Clemons, Denise Coleman, Jeremy Craig, Corey Holland, Yolanda King and Don Lawrence.

Approval of the June 24, 2013 Business Management Committee Meeting Minutes

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

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

Mr. O'Callaghan presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to execute, on behalf of

MARTA, a Federal Transit Administration (FTA) New Freedom Program subgrant agreement with DeKalb County, which would pass-through \$141,595 in FTA New Freedom funding to the County.

DeKalb County's Office of Senior Affairs would utilize this funding for the provision of the County's Transportation Voucher and Brokered Trips, Mobility Management and Travel Training Programs for adults and elderly persons with disabilities who reside in DeKalb County outside of the MARTA service area.

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.

Briefing – Debt Program

Mr. Hurley briefed the Committee on upcoming activities related to MARTA's Debt Management Plan including near term transactions and required Board of Directors action.

MARTA's Debt Program Action Plan

- Program Review and Plan Development
 - Review existing debt portfolio
 - Near term opportunities and actions
 - Optional strategies should market conditions arise
 - Monitoring longer range options for future plan implementation

Near Term Opportunities and Actions

- Commercial Paper Draw
 - Short term variable debt issue
 - Requires supporting Letter Of Credit (LOC)
 - Commercial Paper (CP) issued to reimburse Capital Program working funds
 - Planned issue of \$100M
 - LOC, bond documents and resolution presented to Full Board August 12
 - Sale of CP subsequent to Board Approval in mid to late August
- Additional Bond Validation

- MARTA pre-validates bond issues
- \$1.5B requested refunding, restructuring and new money transactions
- Resolution to be presented at July 29 BMC for approval to proceed to August 12 Board of Directors meeting
- Requires local jurisdiction legal approvals
 - Executed through the court system
- Staff and Special Counsel will pre-brief jurisdiction treasury and legal officials
- Local jurisdictions answer the court filings and validation is complete

Rating Agency Presentation

- Update rating agency presentation with a more positive focus
 - Highlight new leadership team and direction
- Canvass the industry and determine best elements for presentation
- Site visits in September and October with three rating agencies
 - Meet Board members and leadership team
 - Receive facility tour (Armour)

Optional Strategies as Market Opportunities Arise

- Repurchase/Retirement/Refunding Strategy
 - Increased upward pressure on interest rates promotes review
 - Debt principal payments spike in FY18-FY20
 - Potential to refund and restructure certain series and maturities
 - Take advantage of historically low interest rates
 - Canvass the secondary market for repurchase potential
 - Prepare action plan as opportunities present
 - Solicit MARTA Board approval as necessary

Basis Swap Review and Exit Strategy

- Basis swaps: \$518 million (notional amount) swap with Goldman (counterparty) and \$200 million with Merrill Lynch
 - The basis swap is a financial transaction and does not act as a hedge
 - Based on the spread between a tax exempt index (SIFMA) and a taxable index (30 day LIBOR)
 - If spread narrows MARTA will make payments to counterparty and if spread widens MARTA will receive payments from counterparty,
 - Certain rating agencies view as variable rate debt
 - Contingent liability creates a negative impact to MARTA ratings
- Staff and financial advisor conduct analysis of pro's and con's
 - Determine the market conditions that promote termination and prepare termination strategy
- Obtain Board approvals to terminate

Board of Directors' Actions

- July 29, 2013 BMC review and approve increase in Bond Validation Resolution to proceed to Full Board August 12, 2013
 - Approve Resolution for Commercial Paper Draw and Letter of Credit increase and extension
 - Approve Resolution for increase in Bond Validation by \$1.5B
- Participation in rating agency visits
- Potential additional actions related to optional strategies and market opportunities

Resolution to Approve Additional Bond Validation

Mr. Hurley presented this resolution for Board of Directors' approval authorizing the actions necessary to validate \$1,500,000,000 of bonds to be issued in the future, with Board approval, in one or more series. MARTA regularly pre-validates bonds with the last validation occurring in November of 2006. This resolution authorizes MARTA staff to enter into agreements for certain legal

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services and the submission of court filings necessary to effect the bond validation.

The validation of bonds is a legal process that certifies that the issuer of the bonds is in fact authorized to do so. Approval of this resolution and the subsequent validation will not result in the actual issue of any bonds or debt at this time. The issue of debt against this validation will occur only within authorization granted by future actions of the Board of Directors.

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.

Briefing – May Year-to-Date FY 2013 Budget Variance Analysis and Financial KPIs

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

- For the month of May, total net revenues were \$0.1 or 0.5% less than budget (unfavorable) due to:
 - An unfavorable variance of \$1.3M, or 20.4%, in Federal Assistance this month due to an anticipated decrease in eligible Preventive Maintenance reimbursable expenses
 - An unfavorable variance of \$1.0M or 7.0% in Sales Tax Revenue due to under-performing sales tax relative to plan as forecasted by the Georgia State Economic Forecasting Center
 - This was offset by a positive variance of \$2.7M or 425% due to the receipt of Ad Valorem Tax this month of \$2.5M from Fulton and DeKalb counties
- Also during the month, total net expenses were \$2.4M or 6.7% less than budget (favorable) primarily due to:
 - A favorable variance of \$2.3M or 12.3% in Salaries & Wages due to vacancies
 - A favorable variance of \$1.2M or 11.% in Benefits due to vacancies and healthcare being less than planned
- On a May Year-to-Date-basis, actual Revenues were favorable by \$3.2M or 0.9% of this amount:

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- Other Revenues were favorable by \$6.5M or 94.5% due to the receipt of Alternative Tax Rebate (\$2.5M) and Ad Valorem Tax (\$3.4M)
- Sales Tax receipts were favorable by \$4.0M, or 2.6%; which was offset by Federal Assistance by \$6.3M, or 9.3% due to an anticipated decrease in eligible Preventive Maintenance reimbursable expenses
- On an May year-to-date basis, net operating budget expenses were under budget (favorable) by \$34.2M or 8.8% 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 \$20.0M or 9.8% on a May year-to-date basis
 - Overtime Expenses were \$3.0M or 15.5% over budget (unfavorable) which is an offsetting impact of the vacancies
 - Benefits were under budget by \$11.5M or 9.5%, due primarily to vacancies and Healthcare being less than planned
 - Contractual Services were \$0.4M or 1.8% under budget (favorable) due to favorable variances in the maintenance service-fare collection equipment, passenger/facility maintenance (elevators/escalators), and passenger/fac-janitorial accounts; his is primarily due to timing differences
 - CNG Fuel was \$0.6M or 14% under budget due to running fewer miles than planned
 - Diesel Fuel was \$0.6M or 5.9% under budget also due to running fewer miles than planned
 - Other Materials & Supplies were unfavorable by \$2.0M or 7.9%
 - Other Non-Labor charges were \$0.5M or 1.9% under budget
 - Capital charges were favorable at \$5.6M or 12.1% under budget
- The Year-to-Date actual Net Operating Surplus of \$13.7M requires a sales tax subsidy of 45.6%, which is favorable to the budget
 - The Annual Budgeted Sales Tax Subsidy is 59.9%

Briefing – May FY 2013 Key Performance Indicators

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

- In May FY 2013, 15 of 31 (48%) KPI's performed better than their monthly Targets
- Financial KPIs
 - Of 8 Financial KPIs, only Combined Ridership did not meet the Target in May
 - On the Fiscal Year-to-Date basis, all Financial KPIs but Combined Ridership are meeting their Targets
- Customer Service KPIs
 - These 2 KPIs, measuring responsiveness of MARTA's Customer Service Centers, have performed better than their individual Targets for the past 26 consecutive months
- (Bus) Operations KPIs
 - Of 4 Bus Operations KPIs, none met the Target in May
 - On the Fiscal Year-to-Date basis, Bus OTP and Customer Complaint Rate are meeting the Target
- (Rail) Operations KPIs
 - Of 4 Rail Operations KPIs, MDBSI and Customer Complaint Rate met the Target in May. On the Fiscal Year-to-Date basis, Rail OTP, MDBSI and Customer Complaint Rate are meeting the Target.
- (Mobility) Operations KPIs
 - Of 7 Mobility KPIs, MDBF, Trip Denial Rate and Reservation Average Call Wait Time met the Target in May
 - OTP continues to underperform due to problems with scheduling software, operator absenteeism and accidents. On the Fiscal Year-to-Date basis, MDBF, Trip Denial Rate, 2 Reservation Call KPIs and Customer Complaint Rate are meeting their Targets

- (Vertical Transportation) Operations KPIs
 - Of the 2 Vertical Transportation KPIs, Elevator Availability met the Target in May and on the Fiscal Year-to-Date basis
- Safety & Security KPIs
 - All 4 Safety and Security KPIs have not been meeting the Targets during this Fiscal Year

Other Matters

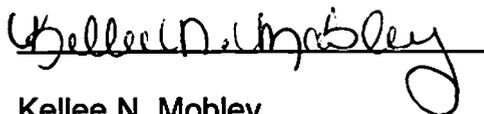
Mr. Durrett motioned to go into Executive Session at 11:24 a.m. to discuss a legal matter. Mrs. Kaufman seconded. The Board unanimously agreed by a vote of 5 to 0, with 5 members present.

Mr. Durrett motioned to adjourn the Executive Session at 11:32 a.m. Mrs. Kaufman seconded. The Board unanimously agreed by a vote of 5 to 0, with 5 members present.

Adjournment

The meeting of the Business Management Committee adjourned at 11:33 a.m.

Respectfully submitted,



Kellee N. Mobley
Sr. Executive Administrator to the Board