

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

September 26, 2011

The Board of Directors Business Management Committee met on September 26, 2011 at 10:15 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
Wendy Butler
Jim Durrett, Chair
Roderick E. Edmond
Barbara Babbit Kaufman

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, Georgetta Gregory, Ming Hsi (Acting), Mary Ann Jackson, Jonnie Keith, Cheryl King, Rich Krisak, Ryland McClendon, Elizabeth O'Neill and Gary Pritchett; Sr. Directors Rhonda Briggins, Johnny Dunning, Jr., Kevin Hurley and David Springstead; Directors Anton Bryant, Sharon Crenshaw, Reginald Diamond, Garry Free, Lyle Harris, Fred Remen and Elvin Tobin; Managers Donna DeJesus, Robert H. Thomas and Denise Whitfield. Executive Manager to the Board Rebbie Ellisor-Taylor; Executive Administrator Renee Willis; Finance Administrative Analyst Tracy Kincaid. Others in attendance Doug Chambers, Ricky Chambers, Dametrice Cochran, Christopher Dorsey, Roy Graphenreed, Kawal Grover, Anthony Pines, Srinath Remala, Tarus Stills, Anh Tuan Vo, Zaheer Wadhwanian, James Watkins.

Also in attendance Charles Pursley, Jr. of Pursley of Pursley, Lowery & Meeks.

Approval of the August 29, 2011 Business Management Committee Meeting Minutes

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

Briefing – Financial Highlights

Mr. Allen briefed the Committee on June 2011 and Year-End FY 2011 Financial Performance.

- June actual Revenues were favorable by \$16.7M, or 55.7%, due to the combined effects of the following:
 - A favorable variance in Federal Assistance of \$13.2M
 - A favorable variance in Other Revenue of \$3.8M
 - A favorable variance in Passenger Revenues of \$1.1M
 - An unfavorable variance in Sales Tax of \$1.3M largely due to the State's Audit of its corporate tax payers. MARTA lost about \$1.5M on the total Sales Tax for the month of June – \$800K of the \$1.3M would have been reduced without the audit
- The overall net favorable result in Revenue was primarily due to:
 - Receipt of unbudgeted Federal Highway Funds, of which \$15M were applicable to preventative maintenance reimbursement in FY 2011
 - Receipt of \$3.9M in unbudgeted Alternative Fuel Tax Rebates
 - Higher than planned Passenger Revenues that were conservatively projected for in FY 2011 due to a high degree of uncertainty over the elasticity impacts related to fare increase and a major reduction in force
- On a June Year-to-Date (YTD) basis, actual Revenues were favorable by \$29.7M, or 8.9%
- The net overall favorable result on total Revenue was primarily due to the combined effects of the following:
 - Ridership, and consequently Passenger Revenue, having been conservatively projected for in FY 2011
 - Unbudgeted receipt of Federal Highway Funds
 - Unbudgeted receipt of Alternative Fuel Tax Rebates
 - Sales Tax receipts over-performing relative to plan on a June YTD basis
 - Lease Income coming in below forecast

Business Management Committee

9/26/11

Page 3

- Station Parking revenue performing below forecast
- Actual Expenses were favorable by \$5.9M, or 15.6% in the month of June primarily due to the combined effects of the following:
 - Salaries & Wages were favorable by \$1.9M or 11.2%
 - Overtime Expenses were \$1.9M over budget
 - Benefits were favorable by \$1.4M
 - Contractual Services were \$.4M over budget
 - CNG was favorable by \$.2M
 - Diesel was unfavorable by \$.1M
 - Other Materials & Supplies Expenses were \$2M under budget
 - Other Non-Labor was favorable by \$2.5M
- On a June YTD basis, net Operating Budget Expenses were favorable by \$8.9M, or 2.2%
- The YTD actual net Operating loss of \$30.7M requires a sales tax subsidy of 59.6%
 - The budgeted Sales Tax Subsidy is 71.9%

Mr. Durrett said MARTA must deliver the message regarding support for Operations. Years ago the Federal Government ceased to give MARTA what it had received in the past. This is one of the reasons MARTA has been utilizing its Reserves. The Federal Highway Funds wasn't programmed; it was not something the Authority expected to receive. MARTA happened to receive this because of the way GDOT programmed and implemented those dollars.

Dr. Scott said one thing that would help is to include a footnote regarding this one-time occurrence that was a result GDOT's inability to spend those dollars. A decision was made to deliver the funds to the transit agencies so they could be utilized before expiring.

Mrs. Kaufman asked how MARTA budgets for Station Parking and is there a correlation between Passenger Revenue and Station Parking.

Mr. Allen responded there is no correlation; Station Parking is budgeted through trending analysis. The FY11 projection was very aggressive at a 4-5% increase. It has since been corrected for FY12.

Business Management Committee

9/26/11

Page 4

Mrs. Kaufman asked why Station Parking was budgeted so aggressively while the projections for Passenger Revenue were conservative.

Mr. Allen said Passenger Revenue projections were based on the fare increase and service reductions of FY11.

Mrs. Abernathy asked if June's unfavorable Sales Tax variance was due to the State's Audit.

Mr. Allen said the \$1.3M negative variance is 50% of the Sales Tax. The total Sales Tax for the month of June was \$2.6M down from budget. The \$1.5M that was deducted because of the State Audit is on the total Sales Tax.

Dr. Scott said this is not the first time the State has done this kind of adjustment. MARTA took another hit earlier of \$5.9M due to an error that caused the State to make an adjustment. This is another message the Authority needs to convey. These are big swings; thankfully MARTA had the convergence of some puts and takes.

Mr. Durrett asked which expense category does electricity costs for the propulsion of MARTA's rail system fit in.

Mr. Allen said Other Non-Labor.

Mrs. Abernathy asked about the increase in MARTA's diesel expense.

Mr. Allen said actual diesel fuel costs per gallon were higher than planned. The Authority's price for diesel was \$2.65 per gallon versus a budget of \$2.51 per gallon. The opposite occurred in CNG fuel costs. CNG actuals were \$4.32 per dekatherm. The budgeted amount was \$10.71 thus the favorable variance.

Mr. Durrett asked how much did MARTA spend on propulsion electricity.

Mr. Allen said MARTA exceeded the budget by approximately \$500K year-to-date. He added that staff could later provide a breakdown of general and propulsion electricity costs.

Dr. Scott said Georgia Power's rates increased so MARTA costs increased approximately 11%.

Business Management Committee

9/26/11

Page 5

Dr. Edmond asked how MARTA locks in its fuel rate such that it ends up paying less than the market rate.

Mr. Allen said the Authority follows the market along with its financial advisors. There is a team of people watching the market for MARTA and advising MARTA of the best time to secure a rate and the associated risks.

Dr. Edmond said gas prices have fallen. To the extent possible, MARTA should capitalize on the current rate.

Mr. Allen said MARTA spoke with its financial advisors regarding the current fuel prices two weeks. They are now trying to determine when the Authority should take action and how much to lock in.

Other Matters

No other matters came before the Committee.

Adjournment

The meeting of the Business Management Committee adjourned at 10:37 a.m.

Respectfully submitted,

Kellee N. Mobley
Sr. Executive Administrator to the Board