



Metropolitan Atlanta Rapid
Transit Authority (MARTA)

Current State Assessment and Cost Allocation Assessment Report

**More MARTA Atlanta Enhanced Service Attribution
Methodology Assessment**

FINAL

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Executive Summary

We are pleased to present our current state assessment regarding MARTA's cost allocation process for sales tax revenue for the More MARTA Atlanta Program. We thank MARTA's stakeholders for their cooperation and collaboration during this important project.

Background

The More MARTA Atlanta Program (the Program or More MARTA Program) was developed to enhance transit services within the City of Atlanta (the City), beginning in February 2017. In accordance with the Program Intergovernmental Agreement (IGA) between MARTA and the City, Program expenses were funded with a .5% sales tax imposed on businesses within the City limits and should be used to support operating expenses for enhanced bus routes and expenses for certain capital projects that benefit the City. The IGA was silent as to how much of the program funding should be spent on operating versus capital projects, however it did provide a listing of capital projects that should be funded as a part of the Program. Accordingly, MARTA determined that the allocation of Program funding for the operating and capital budgets should be split evenly, with 50% to be used for operating and maintenance expenses to run the Program bus routes, and 50% of the Program funding for designated capital projects. MARTA performed a true-up reconciliation for each year. As required, it replenished the Program capital fund to the budgeted amount to ensure that the Program funding was used for its original intent: to fund both operating costs for enhanced bus service and the designated capital projects.

Five years into the Program, MARTA notified the City that the .5% sales tax was not sufficient to fund all the capital projects that were initially designated in the IGA due to the large increases in labor, materials and supplies expenses caused by inflation. The City subsequently requested documentation for how the Program funding was used during the fiscal years ending 2017 through 2023.

KPMG's Scope and Approach

We were engaged to assess MARTA's current state processes for attributing enhanced bus and mobility service hours and miles and related cost allocation methodologies for the Program. The objective was to evaluate and document the cost allocation process attributable to the City services compared to other MARTA jurisdictions.

As we conducted our assessment, we gained an understanding of the current service hours and miles attribution and the cost methodologies used by MARTA. We recalculated the current state cost allocation methodologies, identified gaps in those methodologies, and provided recommendations for improvements with the goal of creating an updated, transparent, and well-documented future state process and methodology for allocating costs in support of the Program.

Cost Allocation

Generally, cost allocation is the process of identifying and allocating costs based on a measurable factor that essentially acts as the basis for assigning costs proportionally, based on either resources used or benefits received. Because actual costs are not tracked by bus route, MARTA developed two methods to allocate operating and maintenance costs to the Program bus routes, referred to as the "Threshold Method" and the "Proportional Method." We have provided an overall description of each method below.

Threshold Method

The Threshold Method defined "enhanced bus service" as the routes for which 40 percent of the service is operated in the City limits that were established or reduced after program inception, February 2017. Each time bus route schedules were updated, MARTA recalculated the vehicle revenue hours and miles attributed to those incremental bus routes as compared to total vehicle revenue hours and miles for all bus routes and used that percentage as a basis to allocate the bus operating and maintenance costs. If service levels for bus routes increased or decreased, the service hours and miles

pertaining to those changes were taken in their entirety to or from the More MARTA City of Atlanta Program (the “Program”) routes first before being allocated across the remaining routes.

Proportional Method

The Proportional Method defined “enhanced bus service” as the additional routes and services that were established from Program inception (February 2017), consisting of a variety of changes including frequency improvements, new routes, and restructuring of routes, to December 2019, when the additional Program routes and improvements were finalized and stabilized. The Proportional Method calculated the vehicle revenue hours and miles pertaining to those incremental routes at that point in time and used those static percentages to allocate the operating and maintenance costs for all subsequent years.

Threshold Method versus Proportional Method

The key difference between the two methods is how “enhanced bus service” is defined.

The Threshold Method defines enhanced bus service as any increases or decreases in service levels as of the inception of the program in 2017 and readdresses those service levels each time bus routes are changed. Any increases or decreases in service levels are attributed to the Program first, regardless of the cause or location of those service level changes.

The Proportional Method defines enhanced bus service as the incremental routes and service levels that were established at a point in time when the additional routes and service levels for the Program were finalized. The Proportional Method calculates a set percentage of vehicle revenue hours and miles that were attributed to routes that were established specifically for the Program as of December 2019, the date in which the Program routes were stabilized. Those set percentages were then used as a base to allocate the operating and maintenance costs for all subsequent years. The set percentages for service levels proportionally allocates fluctuations in service levels across all routes rather than allocating all service level changes first to the Program routes.

Summary of our Observations and Recommendations

Based on our understanding of the current state and the alternate cost allocation methodologies, we have identified the following areas for MARTA’s consideration to help improve the cost allocation process for the More MARTA Program:

- **Align internally on a definition of enhanced bus service that best reflects the results of the More MARTA Program:** Consider the following:
 - The Threshold Method provides an initial framework for cost allocation by establishing a baseline using December 2016 bus route service levels and defining “enhanced bus service” as any service exceeding these levels. This approach was sufficient during the early phases of the More MARTA program, allowing for clear identification and allocation of incremental service costs but caused the More Marta Program to absorb all future increases and decreases in service levels that were not always directly attributable to the Program.
 - Given that bus enhancements were stabilized in December 2019, the Proportional Methodology offers a refined approach that would better suit current conditions. Using December 2019 data, this method adjusts for systemwide changes by incorporating Vehicle Revenue Hours (VRH) and Vehicle Revenue Miles (VRM) percentages.
 - Unlike the Threshold Methodology, the Proportional Methodology distributes service changes across the entire transit system, providing a more balanced and equitable reflection of costs. This approach allows for a more accurate and fair allocation of resources, aligning with the stabilized levels of service in the More MARTA program.
- **Streamline & Automate Cost Allocation Process:** The cost allocation process is highly manual and subject to human error. The calculations are currently completed in several different excel spreadsheets using formulas that are not locked. To enhance efficiency and simplicity in the cost allocation calculation, MARTA should develop and

implement an integrated cost allocation workbook and reconciliation process. This process should include automation where possible and utilize a single, comprehensive workbook or software solution that consolidates all calculations, employs clear and comprehensible formulas, and incorporates internal controls to help prevent calculation errors.

- **Validate Cost Allocation Assumptions:** MARTA should perform a periodic “look-back” to validate whether the cost allocation assumptions are valid. For example, MARTA should compare planned VRH and VRM against actual to determine whether the differences remain insignificant to the cost allocation process. Validating assumptions is a leading practice and will further strengthen the City’s confidence in MARTA’s cost allocation methodology.
- **Develop Policies and Procedures to Document the Cost Allocation Calculations:** As MARTA finalizes its cost allocation method, policies and procedures should be established and should include, at a minimum, roles and responsibilities for completing the cost allocation calculations and specific procedures that incorporate internal controls to prevent errors. MARTA should also implement cross-training for team members across the departments involved in preparing the cost allocation calculations.
- **Refine the IGA with City of Atlanta:** Consider refining the IGA to be more specific for how the More MARTA program funding should be spent and allocated between capital projects and operating costs and develop a cadence and a format to report such costs to the City on a regular basis.
- **Consider Use of Advanced Technology to Measure & Validate Route Specific Information:** MARTA should consider the benefits of utilizing its advanced vehicle location technology to distinguish and track More MARTA routes separately from other routes. This will allow MARTA to use actual VRH and VRM data, validate their assumptions with real data, and optimize cost allocation.

Introduction

The More MARTA Atlanta Program (the Program) was developed to enhance transit services within the City of Atlanta (the City) and began in February 2017. In accordance with the Program Intergovernmental Agreement (IGA) between MARTA and the City, Program expenses were funded with a 0.5% sales tax imposed on businesses within the City limits and should be used to support operating expenses for enhanced bus routes and expenses for certain capital projects that benefit the City. This tax supplements an existing one percent sales tax for transit services in Atlanta, Fulton, and DeKalb Counties, also known as MARTA's "core service".

The IGA does not prescribe how the sales tax funds should be used between operating costs and capital projects. Therefore, MARTA allocated 50% of the Program funding to be used for operating and maintenance expenses to run the Program bus routes, and 50% of the Program funding for designated capital projects. MARTA also developed two cost allocation methodologies to identify and allocate the Program operating and capital costs, which are referred to as the "Threshold Method" and the "Proportional Method."

1.1 Project Objective & Approach

We were engaged to assess MARTA's current state processes for attributing enhanced bus and mobility service hours and miles and cost allocation methodologies related to the Program with the objective of evaluating and documenting the cost allocation process that is attributable to the City services versus all other MARTA jurisdictions. The scope of our work spanned program inception in February 2017 through June 30, 2023, however the cost allocation data was not available for the fiscal year ended June 30, 2023, therefore our assessment was conducted through June 30, 2022.

We began our assessment by reviewing the IGA, policies and procedures, and the cost allocation calculations and supporting data. We conducted working sessions with key stakeholders involved in the cost allocation process to better understand the underlying assumptions and calculations supporting the methodologies.

Current State Assessment

1.2 The City of Atlanta IGA

The IGA between the City and MARTA establishes roles and responsibilities for both parties in planning, designing, implementing, and managing new transit projects funded by the Program.

The governance structure defined in the intergovernmental agreement includes the Program Governance Committee (PGC) and the Program Management Team (PMT) to oversee and direct program activities. The PGC comprises representatives from MARTA, the City, and Atlanta Beltline, Inc., while the PMT includes key staff members from both MARTA and the City. These committees were established to ensure coordinated efforts, address policy and project-specific issues, and facilitate communication with stakeholders and the public. Both parties share accountability in achieving the Program's objectives, although roles and responsibilities are broadly defined.

Additionally, the IGA stipulates operational details, timelines, milestones, and specific reporting requirements. Reporting requirements include quarterly briefings and financial reports to the Atlanta City Council and the Mayor. The IGA underscores MARTA's responsibility in managing funds and ensuring compliance with financial and operational guidelines, while maintaining transparency and alignment with the City's strategic transportation plans.

Overall, the intergovernmental agreement establishes a general framework for the Program. However, the IGA does not provide detailed operational specifics or explicit approval workflows, which are areas that may require further consideration.

1.3 Enhanced Bus Service

MARTA began planning for enhanced bus service in mid-2016 for the Program start in February 2017, before the additional sales tax for the Program was assessed. MARTA collaborated with the leadership in the Mayor's Office and the Atlanta City Council and leveraged data published in the 2016 Comprehensive Operations Analysis report to determine which routes should be enhanced. MARTA ultimately enhanced bus operations under the Program with additional service in the form of improved frequency as well as restructured and new routes that complemented existing service. The Program enhancements were completed in December 2019.

Cost Allocation Base

MARTA uses Trapeze FX for scheduling and tracking its system-wide routes. Trapeze FX is a software solution widely used by transit organizations that helps manage fixed route schedules and registration data for public transportation. Detailed route schedules are created and published by MARTA three times per year—typically in late spring (April/May), late summer (August/September), and midwinter (December). Distinct schedules are published for weekday service (Monday through Friday) and weekend service (Saturday, and Sunday). Holiday schedules are not published, but generally if the holiday falls during the week, the weekend service schedule is followed. The effective dates of these schedules last until the next schedule update becomes effective.

MARTA uses Vehicle Revenue Hours (VRH) and Vehicle Revenue Miles (VRM), which represent the hours and miles that buses travel while serving passengers, as the base for cost allocation. Revenue service includes the time when a bus is available to the public and expected to carry passengers, encompassing breaks for drivers and time to deal with traffic, but excluding the time when buses are traveling to or from the bus yard without passengers. This base appears appropriate for cost allocation purposes because operating costs are generally incurred while serving MARTA's customers.

Once MARTA obtains planned schedule data from Trapeze FX, the cost allocation calculations are completed in Excel. The process begins with the Department of Planning, which is responsible for calculating hours and miles attributable to the More MARTA program. The Finance Department complete the profit and loss workbook and the sustaining capital

workbook. The data is then shared between the Planning and Finance Departments. Both departments utilize several layers of manual validation to the Excel files to ensure accuracy.

MARTA reports its actual systemwide costs, VRHs, and VRMs to the National Transit Database (NTD) in October of each year. The purpose of the NTD report is to serve as the primary source of data about the financial, operating, and asset conditions of America's transit systems. The VRH and VRM are key measurement components in the NTD report, which further validates the appropriateness of those measures as a cost allocation base.

Impact of the Pandemic on Systemwide Bus Routes and Sales Tax Revenue

Unexpected events in bus services are typically the result of cancelled or altered service due to unforeseen circumstances such as operator shortages, road closures or weather events. The COVID-19 pandemic brought an excess of unexpected events due to reduced demand for bus service resulting from the shelter at home requirements. As a result, MARTA published additional bus route schedules in the spring of 2020 under an Essential Service Plan that suspended many routes and provided increased frequency or capacity on others to allow social distancing across its fleet. This plan was in effect until the Spring of 2021, when service on all routes resumed. During this time, MARTA also saw a substantial influx of residents to the Metropolitan area, which contributed to its tax base and increased the sales tax revenue and the .5% designated for the Program.

Capital Project Portfolio

MARTA originally planned for a total of 17 projects which were included in the IGA. MARTA believes that it has always been understood that the list of capital projects far exceeded what would be funded with the Program sales tax. Furthermore, the feasibility studies for those 17 projects had not been completed prior to the execution of the IGA. By 2022, inflation caused the costs of goods and services to spike, increasing the projected cost of capital projects. In response, MARTA reduced the Program portfolio of planned capital spend from 17 projects to nine projects and proposed a revised project sequencing plan in 2023 to the city.

1.4 Relevant Stakeholders

The following stakeholders play a role in the administration of the Program and/or the cost allocation process:

- Georgia Department of Revenue (DOR): Responsible for providing accurate sales tax information, which is pivotal for the financial planning and allocation processes. This precise reporting supports effective budget management and the proper allocation of funds for the More MARTA program.
- Department of Planning: Using Trapeze FX, the Department of Planning captures scheduled bus service routes and converts the route data to VRHs and VRMs, which are submitted as a part of the NTD reporting and are used as the base to allocate operating costs. This Department is responsible for allocating the VRHs and VRMs to the Program.
- Budget and Grants Unit: Provides the operating costs attributable to the bus operations and is responsible for tracking those operating costs across the different transportation modes. A comprehensive Profit and Loss (P&L) statement is prepared for all bus operations, and this data feeds into the Sustaining Capital Workbook used to allocate costs to the Program, which is described later in this document.
- Research & Analysis: Provides the data needed to track the linkage between the bus routes and rail trips, which factors into the cost allocation calculation.
- Division of Capital Programs: Provides the data pertaining to capital projects for the Program and takes the lead in preparing and developing the quarterly capital project performance reports. While their direct involvement in the cost allocation process for operating expenses is minimal, they provide the Program capital expense data submitted in the quarterly reports provided to the City.

1.5 Overview of MARTA's Cost Allocation Process

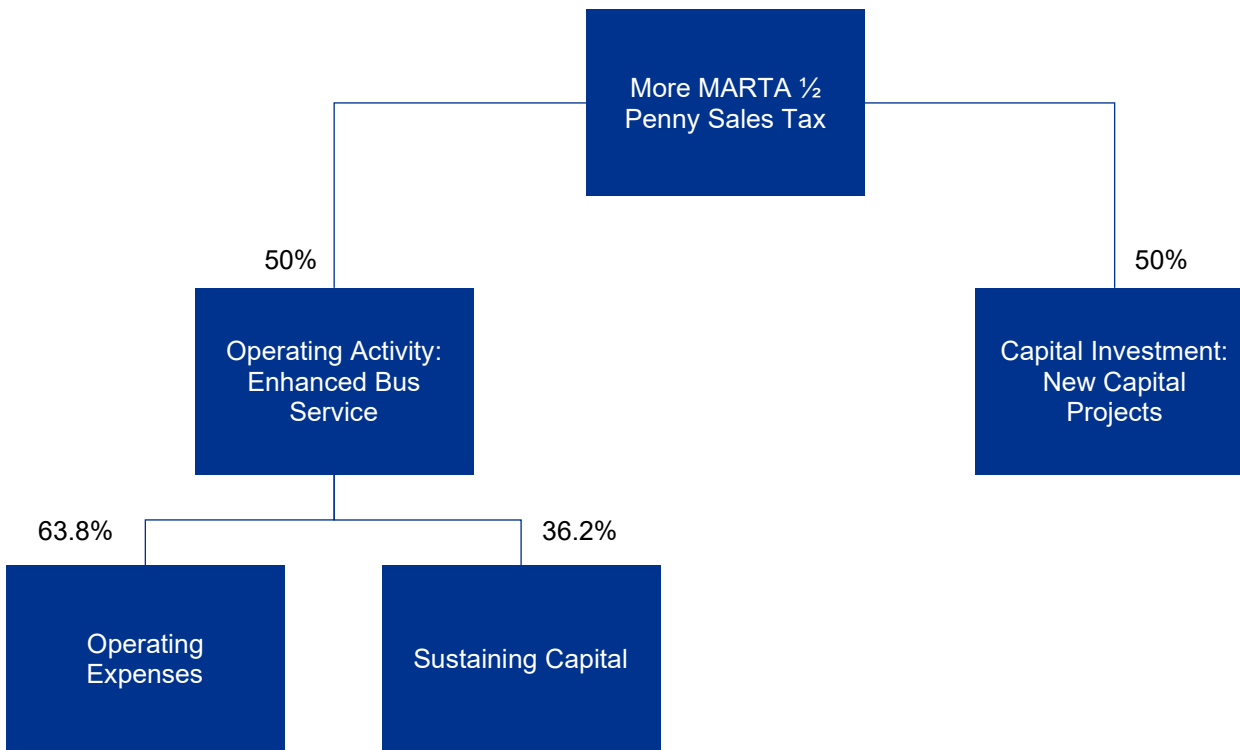
Estimate and Allocation of Sales Tax Revenue to Program Capital and Operating Costs

The Department of Revenue distributes sales tax in multiple installments without direct allocation to specific jurisdictions. MARTA uses a method involving the Special Purpose Local Option Sales Tax (SPLOST) to estimate jurisdiction-specific revenue. MARTA applies a hypothetical 1% SPLOST rate from each jurisdiction as a proxy to estimate what the revenue from a 1% sales tax would be. This estimated SPLOST revenue is then compared to the actual tax revenue received, which allows MARTA to allocate the appropriate share of tax revenue to each jurisdiction, including the City of Atlanta. Most jurisdictions use an educational SPLOST for this calculation, but the City of Atlanta negotiates educational funding with Fulton and DeKalb counties and lacks a standardized educational SPLOST. Instead, it uses the sewer SPLOST (a 1% tax levied to service sewer bonds) as an alternative proxy. The More MARTA program is funded by a 0.5% sales tax attributed specifically to the City of Atlanta. To determine this, MARTA calculates the total sales tax revenue for the City using the sewer SPLOST proxy and then isolates the portion corresponding to the More MARTA program. For example, if the 1% SPLOST proxy revenue for the City of Atlanta is \$10 million, the revenue attributed to the 0.5% More MARTA sales tax would be \$5 million, ensuring precise and efficient funding allocation.

Once the estimated Program funding is established it is divided between enhanced bus operations and new capital project delivery reserve. The portion allocated to operating activities is further divided into two subcategories: operating costs and sustaining capital costs (see Chart 1 below). This allocation was based upon the three-year average of the MARTA system-wide operating and sustaining capital costs during the 2014 – 2016 fiscal years.

- Operating costs cover the expenses for More MARTA Atlanta's enhanced bus service, paratransit service, and streetcar service. This includes driver salaries, fuel, vehicle and facility maintenance, dispatching, and administration. MARTA allocates 63.8% of the Program operating funding to these costs.
- Sustaining capital, also known as "State of Good Repair," involves ongoing investments to maintain MARTA's existing service levels, like buying new buses to replace old ones and refurbishing facilities. MARTA allocates 36.2% of the Program operating funding to these sustaining capital costs.

Chart 1: More MARTA ½ Penny Sales Tax Revenue Flow



MARTA Fund and Reserve Accounts

MARTA deposits the operating portion of the .5% sales tax (50%) into MARTA’s General Fund. The other 50% capital funds are deposited to the City of Atlanta Capital Reserve Account. The City Capital Reserve Account is exclusively for the More MARTA Atlanta program. MARTA also has a Unified Reserve Account, which is considered MARTA’s overall savings account. MARTA uses this account for any reimbursement from the City Capital Reserve Account and is based on its cash position

As mentioned above, the percentage allocations are estimates. MARTA performs a true-up reconciliation for each year to correct any discrepancies between budgeted and actual expenditures by transferring funds from the General Fund to the City Capital Reserve accounts. If operating costs are less than budgeted, MARTA transfers excess funds to the City Capital Reserve Account. If operating costs are more than the budgeted amount, MARTA transfers funds from the City Capital Reserve Account to the Unified Reserve Account. If capital project costs are greater than the amounts in the City Capital Reserve Account, MARTA will use debt funding to cover the remaining costs with the 0.5% sales tax revenue pledged as revenue to support the corresponding debt service.

Cost Allocation Assumptions

The key assumptions used for both the Threshold and Proportional Methods are as follows:

- MARTA calculates the VRH and VRM, which is the base used to allocate costs, based the planned schedules rather than actual bus routes. Deviations from the planned routes could be due to road closures or bus breakdowns, and MARTA has indicated that those deviations would not materially impact the cost allocation process.
- MARTA runs weekend schedules on weekday holidays. VRH and VRM are adjusted to account for changes in service day counts.

Allocating Costs to the Program

1.6 The Threshold Method

The Threshold Method is the original methodology MARTA followed to allocate costs to the Program. The Threshold Method defines enhanced bus service as any service on the City of Atlanta routes established after December 2016, the date of the last published schedule before the Program began in February 2017. In essence, any improvements, restructuring changes, and new routes established after that date were considered to be Program routes and were used as the base to allocate bus operating costs. Conversely, any reductions in routes and the associated VRH and VRM after the December 2016 baseline date were applied first to the Program routes.

We obtained the cost allocation calculations using the Threshold Method from MARTA for the fiscal years ending June 30, 2017, through 2022 and we were able to recalculate the allocated amounts without material exception. We have provided a detailed walkthrough of that calculation in the Appendix to this document.

The threshold method assumes that all service increases or decreases after December 2016 are attributed to Program enhancements, whereas the increases and decreases could have also resulted from adjustments in transit operations within the broader MARTA system. For example, the threshold method did not consider route changes due to road closures as events outside of the Program. The limitations in the methodology were exacerbated when system-wide route reductions during the COVID-19 pandemic were allocated in their entirety to the Program routes, causing the base VRH and VRM to become negative, which is nonsensical since service enhancements cannot fall below zero. During these periods, no costs were allocated to the Program routes.

1.7 The Proportional Method

MARTA re-evaluated the enhanced bus service definition and created a new cost allocation methodology called the Proportional Method.

As described in Section 1.3 above, the Program enhanced bus service routes were completed by December 2019. Any changes in the level of service after that date would not be directly attributed to the Program without direct agreement and approval of service reductions and additions by the City. The Proportional Method calculated the VRH and VRM pertaining to those incremental routes as of December 2019, and at the time of this report, established static percentages of Program VRH and VRM, 9.7% and 10.3%, respectively, in relation to the total VRH and VRM of the system¹. Those percentages were applied to the system-wide total of the actual VRH and VRM for all periods after December 2019 to arrive at the VRH and VRM attributable to the Program, which were then used as a base to allocate the operational and maintenance costs.

We obtained the cost allocation calculations using the Proportional Methodology from MARTA for the fiscal years ending June 30, 2017, through 2022 and we were able to recalculate the allocated amounts without material exception.

¹ The VRH and VRM percentages are slightly revised to 9.6% and 10.2% respectively due to corrected holiday information and final numbers altered by MARTA following the release of the draft Current State Assessment. It is expected that the percentage changes result in a minimal impact to the cost allocation. MARTA will need to finalize its chosen methodology to determine the final true-up amount.

1.8 Comparison of the Threshold and Proportional Methodologies

The main difference between the two methods is how “enhanced bus service” is defined.

The Threshold Method defines enhanced bus service as any increases or decreases in service levels as of the inception of the program in 2017 and readdresses those service levels each time bus routes are changed. Any increases or decreases in service levels are attributed to the Program first, regardless of what caused those service level changes.

The Proportional Method calculates a set percentage of vehicle revenue hours and miles that are attributed to routes that were established specifically for the Program as of December 2019, the date in which the Program routes were stabilized. Those set percentages were then used as a base to allocate the operating and maintenance costs for all subsequent years. The set percentages for service levels proportionally allocates fluctuations in service levels across all routes rather than allocating all service level changes first to the Program routes.

The following table illustrates a side-by-side comparison of the impact of the two methodologies on the allocated operating costs for the Program.

Table 1: Allocated Operating Cost of Service

Fiscal Year	Threshold Method	Proportional Method
2017	\$5,036,157	\$5,036,157
2018	\$22,508,055	\$22,508,055
2019	\$44,106,908	\$44,106,908
2020	\$37,269,017	\$42,458,442
2021	\$2,668,030	\$40,047,931
2022	\$2,750,586	\$42,296,573

Table 2 illustrates the allocation of the Program sales tax revenue to the operating costs using the Proportional Method, and the true-up at the end of each fiscal year between MARTA’s operating accounts) and the More MARTA City of Atlanta Capital Reserve (capital fund).

This table indicates that the operating fund owes the capital fund \$865,630 as of June 30, 2022:

Table 2: Program Sales Tax Revenue Allocation – Proportional Method

	Revenue	Operating	Capital			Total Cost
Fiscal year ending	Sales Tax Revenue Received	Allocated Operating Cost of Service (A)	Budgeted Capital Reserve	True-Up	Total Capital Investment (B)	Total More MARTA Cost (A+B)
2017	\$15,904,339	\$5,036,157	\$7,952,169	\$2,916,012	\$10,868,181	\$15,904,339
2018	\$68,789,865	\$22,508,055	\$34,394,932	\$11,886,878	\$46,281,810	\$68,789,865
2019	\$73,088,870	\$44,106,908	\$36,544,435	\$(7,562,473)	\$28,981,962	\$73,088,870
2020	\$71,176,972	\$42,458,442	\$35,588,486	\$(6,869,956)	\$28,718,530	\$71,176,972
2021	\$75,547,152	\$40,047,931	\$37,773,576	\$(2,274,355)	\$35,499,221	\$75,547,152
2022	\$90,132,192	\$42,296,573	\$45,066,096	\$2,769,523	\$47,835,619	\$90,132,192
Total	\$394,639,388	\$196,454,064	\$197,319,694	\$865,630	\$198,185,324	\$394,639,388

Observations & Recommendations

Area of Focus	Observation	Impact	Recommendations
<p>Cost Allocation Method & Process</p>	<p>Align internally on a definition of enhanced bus service that best reflects the results of the More MARTA Program: MARTA initially employed the Threshold Method for cost allocation within the More MARTA program, setting a baseline using December 2016 bus route service levels and categorizing "enhanced bus service" as any service surpassing these baseline levels. While effective in the initial stages for clearly identifying and allocating incremental service costs, this approach has become less suitable as the program matured. Specifically, it caused the More MARTA Program to absorb all future increases and decreases in service levels, which were not always directly attributable to the program.</p> <p>With the stabilization of bus service enhancements by December 2019, MARTA is now exploring the Proportional Method for cost allocation. This refined approach uses December 2019 data and adjusts for systemwide variations by incorporating Vehicle Revenue Hours (VRH) and Vehicle Revenue Miles (VRM) percentages. Unlike the Threshold Method, the Proportional Methodology evenly distributes service changes across the entire transit system, offering a more balanced and equitable reflection of costs. This method aligns better with the stabilized service levels currently in place within the More MARTA program.</p>	<p>Using the Threshold Method in the later stages of the More MARTA program has resulted in an inequitable allocation of costs and resources, as service level changes not directly tied to the program affected cost distribution. Transitioning to the Proportional Methodology would provide a more accurate and fair allocation of costs, reflecting stabilized service levels across the entire transit system. By accounting for systemwide changes through VRH and VRM percentages, the new approach would enhance financial transparency and ensure resources are more effectively aligned with actual service enhancements.</p>	<p>MARTA should carefully weigh the pros and cons of both the Threshold and Proportional Methodologies to decide which cost allocation method best aligns with the current definition of enhanced bus service and reflects the results of the More MARTA program. The Proportional Methodology would offer advantages, including a more equitable distribution of service changes across the entire transit system and an adjusted reflection of costs based on systemwide changes, making it potentially more suitable for the stabilized phase of the More MARTA program.</p> <p>Once MARTA selects the optimal method, it should be applied retroactively from 2020 and utilized moving forward. Additionally, MARTA should address the true-up between MARTA's operating accounts and the City Capital Reserve Accounts to ensure proper financial alignment.</p>
<p>Cost Allocation Method & Process</p>	<p>Manual Cost Allocation Process: MARTA's cost allocation process is currently very manual and is performed using multiple Excel spreadsheets across two departments.</p>	<p>The manual cost allocation process leads to inefficiencies and a higher risk of errors. This fragmented approach complicates audits, consumes valuable time, and may result in inaccurate cost allocations.</p>	<p>To enhance efficiency and simplicity, MARTA should consider developing and implementing an integrated cost allocation workbook and reconciliation process. This new process should include automation where possible, utilizing a single, comprehensive workbook or software solution that consolidates all calculations, employs clear and comprehensible</p>

Area of Focus	Observation	Impact	Recommendations
			formulas, and incorporates internal controls to help prevent calculation errors. This streamlined and automated approach would improve accuracy, reduce the risk of errors, and save valuable time.
Cost Allocation Method & Process	Periodic Review of Cost Allocation Assumptions: MARTA has not established a process to periodically review the validity of its cost allocation assumptions.	Without validating the assumptions used in the cost allocation process, the costs may not be spread fairly across the MARTA system routes.	MARTA should establish a process to perform periodic “look-back” analyses of its cost allocation assumptions. For example, MARTA should compare planned VRH and VRM against actual amounts to validate that the differences remain insignificant to the cost allocation process. Establishing a routine validation process for these assumptions is a leading practice that will strengthen the City’s confidence in MARTA’s cost allocation methodology and ensure that resource allocation continues to be based on accurate data.
Policies & Procedures	Undocumented Cost Allocation Policies & Procedures: MARTA has not developed comprehensive written policies and procedures for its cost allocation calculations. The calculations are completed by two different departments and employees are not cross-trained.	A lack of detailed policies, procedures and lack of cross-training increases the risk that the cost allocation calculation could not be completed if individuals leave the organization. It is a leading practice to maintain updated policies and procedures so that tasks are documented and easily repeatable.	MARTA should develop and document detailed policies and procedures that include, at a minimum, clearly defined roles and responsibilities for completing the cost allocation calculations and specific internal controls to prevent errors. Furthermore, MARTA should implement cross-training for team members across departments to enhance expertise, operational continuity and resilience.
Intergovernmental Agreements	Clarify Terms of the IGA: The current IGA lacks specific guidance on how the More MARTA program funding should be allocated between capital projects and operating costs and does not outline specific procedures that should be followed when circumstances and needs change that could impact changes in the planned spending.	Without having specific guidance and procedures established to guide the program spending, expectations may not be met, and disagreements may arise amongst the Program stakeholders. This further inhibits MARTA’s ability to adapt to operational needs and could result in negative impacts to the Program’s effectiveness.	MARTA should collaborate with the City of Atlanta to review and update the IGA to include clear guidelines on how program funding should be allocated and managed, with mutual agreement on cost allocation assumptions. The updated agreement should also incorporate structured procedures for making flexible and timely service changes. Additionally, the IGA could be strengthened by developing a regular cadence and format for reporting these costs to the City. Standardizing these procedures will ensure clearer communication and transparency of the Program.
Systems in Use	Opportunity to Implement Route-Specific Tracking Using Advanced Technology: MARTA	Using actual data would eliminate the need for the cost allocation methodology.	MARTA should consider the benefits of utilizing its advanced vehicle location technology to

Area of Focus	Observation	Impact	Recommendations
	<p>currently has advanced vehicle location technology capable of real-time tracking and automated calculations. However, the system has not been configured to distinguish and track More MARTA routes separately from other routes. Consequently, MARTA relies on the planned VRH and VRM data instead of actual, precise data for these routes.</p>		<p>distinguish and track More MARTA routes separately from other routes. This will allow MARTA to use actual VRH and VRM data, validate their assumptions with real data, and optimize resource allocation. While this may be a longer-term project, necessary steps to consider include starting to set up route-specific tracking, regularly verifying data accuracy, and generating detailed reports.</p>

Appendix

1.9 Workshop Sessions

Title	Topics Covered	Attendees	Date
Miles and Hours Calculation Workshop 1	MARTA provided an overview of the hours and miles calculations. This included information on data collection, calculation logic, and highlighting the key outcomes of the calculations.	<p>MARTA Attendance:</p> <ul style="list-style-type: none"> • Greg Patterson • Emil Tzanov • Don Williams • Ryan VanSickle • Mark McComb • Glen Waters • Kristina Garcia-Bunuel • Jolando Crane <p>KPMG Attendance:</p> <ul style="list-style-type: none"> • Julie Barrientos • Victoria Fenley • Sara Harris • Eric Gandelman 	01/14/2025
Miles and Hours Calculation Workshop 2	KPMG and MARTA held a follow-up discussion on information gaps from initial Miles and Hours workshop	<p>MARTA Attendance:</p> <ul style="list-style-type: none"> • Greg Patterson • Gregory Snyderman • Emil Tzanov • Ryan VanSickle • Mark McComb • Glen Waters • Kristina Garcia-Bunuel • Don Williams <p>KPMG Attendance:</p> <ul style="list-style-type: none"> • Victoria Fenley • Sara Harris • Eric Gandelman 	01/15/2025

Title	Topics Covered	Attendees	Date
Finance Cost Calculation Workshop 1	MARTA provided an overview of how the outcomes of the hours and miles calculations translate into the Financial Cost Calculations and walked KPMG through the logic used to perform them.	MARTA Attendance: <ul style="list-style-type: none"> • Greg Patterson • Emil Tzanov • Don Williams • Gregory Snyderman • Mark McComb • Kristina Garcia-Bunuel • Glen Waters • Jolando Crane KPMG Attendance: <ul style="list-style-type: none"> • Victoria Fenley • Sara Harris • Eric Gandelman 	01/21/2025
Finance Cost Calculation Workshop 2	KPMG and MARTA held a follow-up discussion on information gaps from initial Finance Cost workshop	MARTA Attendance: <ul style="list-style-type: none"> • Greg Patterson • Don Williams • Gregory Snyderman • Mark McComb • Glen Waters • Jolando Crane • Kevin Hurley KPMG Attendance: <ul style="list-style-type: none"> • Victoria Fenley • Sara Harris • Eric Gandelman 	01/22/2025
Follow Up Workshop	MARTA answered KPMG's outstanding questions from the workshop sessions and their continued documentation review.	MARTA Attendance: <ul style="list-style-type: none"> • Greg Patterson • Kevin Hurley • Gregory Snyderman • Mark McComb • Glen Waters • Kristina Garcia-Bunuel • Don Williams • Jolando Crane KPMG Attendance: <ul style="list-style-type: none"> • Victoria Fenley • Sara Harris • Eric Gandelman 	01/29/2025

Title	Topics Covered	Attendees	Date
Cost Allocation Alternatives Workshop	MARTA answered additional clarifying items and provided context on their process of creating the Threshold and Proportional Methodologies.	MARTA Attendance: <ul style="list-style-type: none"> • Greg Patterson • Kevin Hurley • Mark McComb • Glen Waters • Don Williams • Ryan VanSickle • Emil Tzanov KPMG Attendance: <ul style="list-style-type: none"> • Victoria Fenley • Sara Harris • Eric Gandelman 	02/06/2025

1.10 MARTA Response

Recommendation 1

Align on a definition of enhanced bus service that best reflects the results of the More MARTA Program: Consider the following:

- The Threshold Method provides an initial framework for cost allocation by establishing a baseline using December 2016 bus route service levels and defining "enhanced bus service" as any service exceeding these levels. This approach was sufficient during the early phases of the More MARTA program, allowing for clear identification and allocation of incremental service costs but caused the More Marta Program to absorb all future increases and decreases in service levels that were not always directly attributable to the Program.
- Given that bus enhancements were stabilized in December 2019, the Proportional Methodology offers a refined approach that may better suit current conditions. Using December 2019 data, this method adjusts for systemwide changes by incorporating Vehicle Revenue Hours (VRH) and Vehicle Revenue Miles (VRM) percentages.
- Unlike the Threshold Methodology, the Proportional Methodology distributes service changes across the entire transit system, providing a more balanced and equitable reflection of costs. This approach allows for a more accurate and fair allocation of resources, aligning with the stabilized levels of service in the More MARTA program.

MARTA Response

MARTA wholeheartedly agrees with the recommendation to align on a definition of enhanced bus service that reflects the outcomes of the More MARTA City of Atlanta Program. The proposed Proportional Methodology, based on December 2019 data, offers a more precise and equitable approach compared to the Threshold Method. By using Vehicle Revenue Hours (VRH) and Vehicle Revenue Miles (VRM) percentages, this method ensures that service changes that impact the entire system are distributed fairly across the entire transit system. It provides a more balanced and accurate allocation of resources, especially after bus enhancements have stabilized. This refined methodology allows for a more transparent, adaptable, and effective framework from 2019 until now and as we move forward with the Program.

Recommendation 2

Streamline & Automate Cost Allocation Process: The cost allocation process is highly manual and subject to human error. The calculations are currently completed in several different excel spreadsheets using formulas that are not locked. To

enhance efficiency and simplicity in the cost allocation calculation, MARTA should develop and implement an integrated cost allocation workbook and reconciliation process. This process should include automation where possible and utilize a single, comprehensive workbook or software solution that consolidates all calculations, employs clear and comprehensible formulas, and incorporates internal controls to help prevent calculation errors.

MARTA Response

MARTA agrees that streamlining and/or automating the cost allocation process would significantly improve efficiency and reduce the risk of errors. Implementing a comprehensive, integrated workbook or software solution would simplify the entire process and ensure consistency. Automation of key calculations, along with clear formulas and internal controls, would not only enhance accuracy but also save valuable time for the team. This was definitely a next step action that MARTA intended to accomplish once an allocation/ reconciliation methodology was recommended through this audit process and is a move in the right direction to optimize operations and ensure smoother reconciliation.

Recommendation 3

Validate Cost Allocation Assumptions: MARTA should perform a periodic “look-back” to validate whether the cost allocation assumptions are valid. For example, MARTA should compare planned VRH and VRM against actual to determine whether the differences remain insignificant to the cost allocation process. Validating assumptions is a leading practice and will further strengthen the City’s confidence in MARTA’s cost allocation methodology.

MARTA Response

MARTA agrees that performing a periodic “look-back” to assess whether the cost allocation assumptions remain valid is an essential practice for ensuring accuracy and reliability. By comparing planned VRH and VRM against actuals, MARTA will be able to identify any discrepancies and adjust our assumptions as needed to maintain integrity in the allocation process. MARTA will incorporate a formal review process into our procedure moving forward. This proactive approach will not only improve the cost allocation methodology but also further build confidence with MARTA’s jurisdictional stakeholders.

Recommendation 4

Develop Policies and Procedures to Document the Cost Allocation Calculations: As MARTA finalizes its cost allocation method, policies and procedures should be established and should include, at a minimum, roles and responsibilities for completing the cost allocation calculations and specific procedures that incorporate internal controls to prevent errors. MARTA should also implement cross-training for team members across the departments involved in preparing the cost allocation calculations.

MARTA Response

MARTA completely agrees that developing clear policies and procedures for documenting the cost allocation calculations is a critical step in ensuring transparency and accuracy. Establishing defined roles and responsibilities will not only streamline the process but also help in holding the team accountable. Additionally, incorporating internal controls will provide the necessary checks to prevent errors and discrepancies. This was also a next step action MARTA staff had intended on accomplishing once the allocation/ reconciliation method was identified. Cross-training across departments is a great idea, as it promotes collaboration and ensures continuity even if there are staffing changes. Implementing these practices will certainly strengthen the cost allocation and reconciliation process.

Recommendation 5

Refine the IGA with City of Atlanta: Consider refining the IGA to be more specific for how the More MARTA program funding should be spent and allocated between capital projects and operating costs and develop a cadence and format to report such costs to the City on a regular basis.

MARTA Response

MARTA Agrees with the recommendation. Refining the IGA to include clear specifications on the allocation of More MARTA program funding between capital projects and operating costs will definitely streamline the process and ensure greater accountability. Establishing a regular cadence and format for reporting costs to the City will provide enhanced transparency and foster better communication, ultimately strengthening our partnership with the City of Atlanta. MARTA will work with the City of Atlanta and take the necessary steps to enhance the IGA to ensure the program's continued success.

Recommendation 6

Consider Use of Advanced Technology to Measure & Validate Route Specific Information: MARTA should consider the benefits of utilizing its advanced vehicle location technology to distinguish and track More MARTA routes separately from other routes. This will allow MARTA to use actual VRH and VRM data, validate their assumptions with real data, and optimize cost allocation.

MARTA Response

MARTA appreciates the suggestion to leverage advanced vehicle location technology for distinguishing and tracking More MARTA routes separately. This approach aligns with our commitment to improving operational efficiency and enhancing data-driven decision-making. MARTA staff will certainly explore this opportunity from a capability, data quality and cost benefit perspective to best optimize our resources and enhance our service delivery.

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