

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

January 30, 2012

The Board of Directors Business Management Committee met on January 30, 2012 at 11:07 a.m. in the Board Room on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Robert L. Ashe, III
Harold Buckley, Sr.
Wendy Butler
Frederick L. Daniels, Jr.,
Jim Durrett
Roderick E. Edmond, Chair
Barbara Babbit Kaufman
Jannine Miller*
Adam Orkin

MARTA officials in attendance were: General Manager/CEO Theodore Basta, Jr. (Acting); AGMs Davis Allen, Joseph Dorsey (Acting), Johnny Dunning, Jr. (Acting), Ben Graham, Georgetta Gregory, Robin Howard, Mary Ann Jackson, Jonnie Keith, Barbara Kirkland (Acting), Ryland McClendon, Elizabeth O'Neill and Gary Pritchett; Sr. Director Kevin Hurley; Directors Cynthia Moss Beasley, Lowell (Rip) Detamore, Reginald Diamond, Garry Free, Donna Jennings, Walter Jones, Carol Smith and Elvin Tobin; Managers Donna DeJesus, Vicki Dewberry, Gregory Snyderman, Roosevelt Stripling, Robert H. Thomas, Denise Whitfield and Don Williams. Executive Manager to the Board Rebbie Ellisor-Taylor; Sr. Executive Administrator Tyra J. Wiltz; Executive Administrator Renee Willis; Finance Administrative Analyst Tracy Kincaid. Others in attendance Cecil Banks, Doug Chambers, Josh Piermarini, Anthony Pines, Srinath Remala, Dansby Wade and Zaheer Wadhwania.

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

*Jannine Miller is Executive Director of the Georgia Regional Transportation Authority (GRTA) and is therefore a non-voting member of the MARTA Board of Directors.

Approval of the November 28, 2011 Business Management Committee Meeting Minutes

On motion by Mr. Durrett seconded by Mr. Daniels, the minutes were unanimously approved by a vote of 7 to 0, with 7 members present.

Resolution Authorizing the Solicitation of Proposals for Vending Service for the MARTA Headquarters Building and Satellite Facilities, RFP P24594

Mr. Detamore presented this resolution for Board of Directors' approval authorizing the solicitation of proposals for Vending Services for the MARTA Headquarters Building and Satellite Facilities by means other than competitive bidding, in accordance with Section 14(m) of the MARTA Act, through the use of Request for Proposals.

This is a recurring contract and replaces RFP P12022 - Vending Services for the MARTA Headquarters Building and Satellite Facilities, which expires June 30, 2012. The term of the Contract is two (2) years base with two (2) one-year options.

Mrs. Kaufman asked is the contractor different from the one selected for vending services in the rail stations.

Mr. Detamore said yes.

Mrs. Kaufman asked why MARTA isn't using the same contractor.

Mr. Detamore explained that the Authority cannot receive a profit from employees. This is a "no cost/no compensation" Contract. The Authority's goal is to offer vending services to staff at the lowest possible cost.

On motion by Mr. Durrett seconded by Mrs. Butler, the resolution was unanimously approved by a vote of 7 to 0, with 7 members present.

Resolution Authorizing the Solicitation of Proposals for MARTA's Concessions Snack Vending, RFP P25327

Ms. Whitfield presented this resolution for Board of Directors' approval authorizing the solicitation of Proposals for MARTA's Concessions Snack Vending Program.

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This is a first-time system-wide concession snack vending procurement as a result of a six-month snack vending pilot test in ten rail stations which was implemented in June 2011.

Ten machines were placed in ten stations for the pilot test. During the six-month test period, average monthly sales for each machine were \$1,000. MARTA receives 25% of monthly snack vending sales.

Staff anticipates additional revenue of \$100,000 to \$125,000 per year for MARTA during the three year term. Staff will request (in the RFP) minimum annual guaranteed rent of \$100,000. The additional \$100,000 would guarantee combined beverage and snack vending revenue of more than \$300,000 annually for MARTA. As of December, snack purchases totaled about twenty percent of beverage purchases. Staff believes this percentage will increase to 35% - 45% with system-wide implementation.

Mr. Ashe asked if MARTA will continue to receive 25% of monthly snack vending sales.

Ms. Whitfield said at a minimum.

Mr. Edmond asked is 25% industry standard.

Ms. Whitfield said yes.

Mr. Orkin asked if MARTA receives 25% of gross sales.

Ms. Whitfield said MARTA will receive \$100K per year for three years.

Mr. Daniels said the 25% is based on actual product sales.

Ms. Whitfield said that is correct.

Mr. Daniels asked about the rent.

Ms. Whitfield said that is the rent.

Mr. Daniels asked if MARTA is capping the revenue at \$100K.

Mr. Orkin said the rent obligation is 25% of sales but a minimum of \$100K. He asked if MARTA has an exit strategy to bring this in line with beverage vending.

Ms. Whitfield said staff would need to research.

Mr. Orkin said an exit strategy should be added to the contract.

Ms. Whitfield said there are no restrictions.

Mr. Daniels asked about station cleanliness.

Ms. Whitfield said it is built into maintenance.

Mrs. Kaufman asked is the contractor for the vending pilot aware that this is going out for bid.

Ms. Whitfield said yes.

On motion by Mr. Ashe seconded by Mr. Orkin, the resolution was unanimously approved by a vote of 7 to 0, with 7 members present.

Resolution Authorizing the Award of Excess Worker's Compensation Insurance

Mrs. Jennings presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or her designee to effect placement of MARTA's excess workers' compensation insurance policy for a period of one year effective March 8, 2012 to March 8, 2013 based on the proposals received by MARTA's insurance broker of record, MARSH USA, for a total cost of \$240,600.

On motion by Mr. Daniels seconded by Mrs. Kaufman, the resolution was unanimously approved by a vote of 6 to 0, with 6 members present.

Briefing – November Monthly and November Year-to-Date FY 2012 Budget Variance Analysis and Financial KPIs

Mr. Allen briefed the Committee on the November Monthly and November Year-to-Date FY2012 Budget Variance Analysis and Financial KPIs.

Actual Revenues in the month of November were unfavorable by \$1.2M or 3.6% due to the combined effects of the following: (1) an unfavorable variance in Sales Tax of \$1.6M or 9.6%, which under-performed relative to the November plan as forecasted by the Georgia State Economic Forecasting Center and (2) a favorable variance in Passenger Revenues of \$0.4M or 3.6%, which was higher than budget due to ridership being higher than projected. Effective October 2, 2011 a fare increase went into effect. This created a degree of uncertainty over the elasticity impacts related to the fare increase. The accuracy of the projections will be more evident in the second fiscal quarter.

On a November year-to-date-basis, actual Revenues were unfavorable by \$0.3M or 0.2%. Of this amount, Sales Tax receipts had an unfavorable variance of \$2.8M or 3.4% and (2) Passenger Revenues exceeded budget by \$2.4M or 4.7%. The net overall unfavorable result in total Revenue was primarily due to the combined effects of the following:

- Sales Tax receipts under-performing (3.4%) relative to plan on a November YTD basis as forecasted by the Georgia State Economic Forecasting Center
- Passenger Revenue, was higher than budget due to ridership being higher (8.6%) than projected. This is consistent, although on a declining rate, with the twelve month trend following the last fare increase and service reductions that were implemented last year
- Station Parking was slightly higher at 1.4% above forecast
- Lease Income, particularly TOD Ground Leases, was slightly above forecast at 1.8%.

Actual Expenses were slightly under budget (favorable) by \$3.5M, or 10.1% in the month of November. This positive variance was mainly 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 75% of the annual operating budget—were favorable by \$1.6M or 9.2% in the month of November. This positive variance was due primarily to not accruing sick and vacation time for the represented employees (over \$700K in Nov) and vacancies in a variety of positions throughout the Authority
- Overtime Expenses were \$0.4M or 27.4% over budget (unfavorable) primarily in the Offices of Police, Rail Car Maintenance, Bus Maintenance

and Rail Services due primarily to vacancies and not being reimbursed for capital projects (Police), though this will be adjusted

- Benefits were favorable by \$0.8M or 8.3% due primarily to union pension and workers comp losses being less costly than planned
- Contractual Services were \$0.03M or 13.3% under budget (favorable) due primarily to timing related differences in expensing invoices in the auditing services and main service-fare collection equipment accounts
- CNG Fuel was \$0.05M or 9.2% under budget due to under-runs in service mileage relative to the plan.
- Diesel Fuel was \$0.1 M or 17.0% under budget due to running less miles than planned in November
- Other Materials & Supplies were unfavorable by \$0.1 M or 6.5% due primarily to timing differences in expensing invoices in the Pass Facility-Maintenance & Repair account. The Non-Rev Service vehicle fuel account is also over budget; this variance is primarily in the Office of Bus Maintenance.
- Other Non-Labor was favorable by \$0.8M or 24.3% due primarily to a timing difference in anticipated payouts associated with injury claims. The telephone and propulsion power accounts also had large positive variances.
- Capital charges were favorable by \$0.3M or 9.2% as more capital employees are being hired as well as more full time employees are charging to capital projects.

On a November year-to-date basis, net operating budget expenses were under budget (favorable) by \$7.0M or 4.2%, primarily due to the combined effects of the following:

- Salaries & Wages being favorable by \$8.2M or 9.3% on a November YTD basis
- Overtime Expenses were \$1.8M or 20.2% over budget (unfavorable) due primarily to the coverage of represented employee vacancies in Rail and Bus Maintenance positions, Facilities, Rail Services and sworn police officers
- Benefits were favorable by \$0.1 M or 0.1% in spite of a continuing first quarter overrun in represented employee healthcare costs. This overrun is currently under review and was discussed more fully in December's FY 2013 Budget Development Work Session. Of particular note at this point in

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the review is that the basic enrollment assumption—between the less costly Kaiser and the more expensive Cigna coverage plan—has not been realized.

- Contractual Services were \$0.4M or 3.6% under budget (favorable)
- CNG Fuel was \$0.2M or 7.3% over budget primarily due to the result of over budgeted level of service miles
- Diesel Fuel was \$0.1 M or 3.6% under budget or virtually on target
- Other Materials & Supplies were unfavorable by \$0.6M or 5.9%
- Other Non-Labor charges were \$0.6M or 4.5% under budget (favorable) due primarily to the telephone and propulsion power related favorable expenses
- Capital charges were virtually on target at \$0.3M or 1.5% under budget (favorable).

Sales Tax Subsidy

- The Year-to-Date actual Net Operating Loss (deficit) of \$4.7M requires a sales tax subsidy of 61.4%
- The Annual Budgeted Sales Tax Subsidy is 64.5%.

Key Financial Performance Indicators

- The budget variance for the month of November was favorable at -10.14% under budget, mostly due to favorable expense in labor (vacancies), fuel and contractual services costs. The budget variance for the Fiscal Year 2012 (the months of July through November) remains favorable at -4.15% under budget, mostly due to favorable variances in labor (vacancies) and contractual services costs.
- Combined Ridership for the month of November was 10.9M unlinked passenger boardings, which exceeded the forecasted total of 9.4M by 1.5M trips or 16.0%. Combined Ridership of 60.6M unlinked trips for the Fiscal Year 2012 (the months of July through November) exceeded the forecast of 55.8M unlinked trips by 4.8M or 8.6%.
- The Cost per Bus Passenger Trip of \$3.20 in November was better than the forecast of \$4.31 by \$1.11 or 25.8%. This favorable variance was due to bus ridership exceeding the forecast of unlinked trips by 880.1K, or 20.9%, as well as net under-runs in budgeted expenses. The Cost per Bus Passenger Trip of \$2.99 for the Fiscal Year 2012 (the months of July

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through November) was better than the forecast of \$3.58 by \$0.59 or 16.5%, mostly due to bus ridership exceeding the forecast of unlinked trips by 3.6M or 14.6%, as well as net under-runs in budgeted expenses.

- The Cost per Rail Passenger Trip of \$2.29 in November was better than the forecast of \$2.83 by \$0.54 or 19.1%. This favorable variance was due to rail ridership exceeding the forecast of unlinked trips by 586.8K or 11.3%, as well as net under runs in budgeted expenses. The Cost per Rail Passenger Trip of \$2.18 for the Fiscal Year 2012 (the months of July through November) was better than the forecast of \$2.35 by \$0.17 or 7.2% due to rail ridership exceeding the forecast of unlinked trips by 1.1M or 3.6%, as well as net under-runs in budgeted expenses.
- The Cost per MARTA Mobility Passenger Trip of \$29.23 in November was better than the forecasted \$40.31 by \$11.08 or 27.5%. This favorable variance was due to Mobility ridership exceeding the forecast of unlinked trips by 9K or 23.8%, as well as net under-runs in budgeted expenses. The Cost per MARTA Mobility Passenger Trip of \$29.30 for the Fiscal Year 2012 (the months of July through November) was better than the forecast of \$33.45 by \$4.15 or 12.4%, mostly due to Mobility ridership exceeding the forecast of unlinked trips by 20.8K or 9.3%, as well as net under-runs in budgeted expenses.

Dr. Edmond asked about the Sales Tax issue.

Mr. Allen said MARTA received favorable Sales Tax results for the month of January.

Mr. Daniels asked if the information is solid.

Mr. Allen said staff will be checking with US Bank, MARTA's trustee.

Briefing – November FY 2012 Key Performance Indicators

Mr. Basta briefed the Committee on the November FY 2012 Key Performance Indicators.

- Ridership and Passenger Revenue is up – the good performance is expected to continue
- MARTA has either met or exceeded 19 of 28 KPIs; the remaining have seen improvement

- **Bus On-Time Performance (OTP) of 74.6% is due to route changes**
- **Mean Distance Between Failure (MDBF) exceeded the target, while Mean Distance Between Service Interruption (MDBSI) is improving**
- **Bus Complaints continue to improve**
- **Rail OTP goal was exceeded**
- **Rail MDBF missed the mark due to brake and door issues**
- **Rail MDBSI exceeded the target**
- **Mobility OTP is improving on a YTD basis – current issues exists with aging equipment**
- **Escalator Availability continues to improve, approaching the annual goal**
- **Employee Accidents is showing a dramatic drop**

Ms. Miller said Bus MDBF and MDBSI seem low. She asked how many miles does a bus typically travel.

Mr. Basta said on average, a bus travels approximately 50,000 miles annually.

Ms. Jackson added that MDBF is not per bus, but the fleet as a whole.

Briefing – FY2013 Operating and Capital Budget Overview

The Committee was briefed on the FY 2013 Operating and Capital Budget development.

Mr. Dunning presented the Service Re-Investment Opportunities as follows:

- **Bus Service Productivity**
 - **Productivity is assessed after every Service Mark-Up**
 - **A route is deemed unproductive if it fails three (3) of the four (4) standard measures of performance for two (2) assessment periods within a year**
 - **Per MARTA's Service Standards, corrective actions for unproductive service involve proposals up to and including service termination**
 - **Budget-driven service planning begins with identifying unproductive service**

- Typically, unproductive service yields very modest resources for re-investment
- **Current System Diagnostics**
 - Bus service is very efficient based on the Service Standards
 - Over the past four (4) Mark-Ups, only one (1) route (1.1% of the system) is unproductive, under the Service Standards
 - Route 33 – Briarcliff Road: Saturday and Sunday Service
 - Minimum service adjustment yields estimated annualized value of 2,200 service hours and 31,000 service miles
 - Total route elimination yields estimated annualized value of 4,300 service hours and 62,000 service miles

Mr. Allen briefed the Committee as follows:

Key Revised Assumptions

- **Route Diagnostics Outcome**
 - Steady-State Service Levels through resource reallocation in accordance with route diagnostics evaluations
- **Healthcare Cost Increase**
 - Approximately \$10.2M per year
 - Impact of \$42M for FY13 thru FY16
- **Sales Tax Revenue Forecast Decline**
 - Approximately \$42M loss for FY13 and FY13 combined
 - Impact of about \$130.5M for FY12 – FY16
- **Sales Tax Flex from Capital to Operating**
 - Approximately \$25M per year for FY13 thru FY16
 - Impact of \$100M flexed from Capital to Operating
 - Impact on the Capital Program due to the Sales Tax flex
 - Based upon the assumption that such a flex will be allowable for all years
- **One-time Payout to Rep & Non-Rep Employees of 1%**
 - Impact of \$2.7M in FY13 only (one-time)

- **Three Additional Holidays for Non-Rep Employees**
 - **Impact of approximately \$0.5M per year**
- **Hay Study & Police Officer Equity Adjustment**
 - **Hay Study impact is approximately \$12M per year (preliminary)**
 - **Police Officer equity impact is approximately \$0.7M per year**

Capital Budget Financial Assumptions

- **FY13 Capital financial assumptions are primarily the same as FY12**
 - **Bond Rate – 6%**
 - **Commercial Paper rate – 1.75%**
 - **FY13 not to exceed \$230.4M**
 - **50/50 Sales Tax restriction is eliminated**
 - **Federal Formula Funding remains constant**
 - **Additional TIA funding is not included**
- **Sales Tax allocation to Capital will remain constant at 50% of March 2010 Forecast**

Mr. Durrett asked if the unproductive service on Route 33 – Briarcliff indicate that riders are mainly using the bus to get to and from work.

Mr. Dunning said yes. The route is only failing on the weekend.

Dr. Edmond asked how many riders typically use Route 33 on the weekend.

Mr. Dunning said ridership is in the upper 500's on Saturday and approximately 400 on Sunday.

Dr. Edmond asked about weekday Ridership.

Mr. Dunning said on average 860 riders.

Ms. Miller asked staff to provide an additional option without the elimination of 50/50 Sales Tax restriction.

Dr. Edmond suggested a 1-page document showing the impact of the 50/50 restriction elimination not being approved.

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Mr. Daniels said healthcare cost is a tough number. He added that Board Members need to fully understand all of the pieces.

Dr. Edmond added that employees need a very intense re-education on the possible savings in selecting Kaiser as a provider.

Other Matters

Mr. Daniels referenced Agenda item #8 - Other Matters - asking Board Members to review the following:

- a) Ridership Update (November 2011)

Adjournment

The meeting of the Business Management Committee adjourned at 12:30 p.m.