

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

April 27, 2016

The Board of Directors Business Management Committee met on April 27, 2016 at 10:53 a.m. in the Board Room on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Roberta Abdul-Salaam
Robert F. Dallas
Jim Durrett
Roderick E. Edmond, *Chair*
Jerry Griffin
Barbara Babbit Kaufman

MARTA officials in attendance were: General Manager/CEO Keith T. Parker, AICP; Chief Operating Officer Rich A. Krisak; Chief Financial Officer Gordon L. Hutchinson; Chief of Staff Rukiya S. Thomas; Chief Administrative Officer Edward L. Johnson; Chief Counsel Elizabeth O'Neill; AGMs Elayne Berry, Wanda Dunham, Robin Henry, Ming Hsi, David Springstead (Interim) and Terry Thompson; Executive Director Ferdinand Risco; Sr. Director Joseph Erves; Directors Lisa DeGrace and Jennifer Jinadu-Wright; Executive Manager to the Board Rebbie Ellisor-Taylor; Manager, Executive Office Administration Tyrene L. Huff; Finance Administrative Analyst Tracy Kincaid. Others in attendance Davis Allen and Dansby Wade.

Also in attendance was Jim Schmidt of HNTB.

Consent Agenda

- a) Approval of the March 31, 2016 Business Management Committee Meeting Minutes

On motion by Mr. Durrett seconded by Mr. Dallas, the Consent Agenda was unanimously approved with a vote 6 to 0, with 6 members present.

Individual Agenda

Resolution Authorizing a One-Year Extension of the Incumbent Audit Firm of Cherry Bekaert for Fiscal Year 2017 for the Annual Financial and Single Audit Reports

Mr. Thompson presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or his delegate to amend the Annual Financial and Single Audits for Fiscal Years 2012 through 2016 Request for Proposals (RFP) P26298 to increase the value of the agreement and extend the term until June 30, 2017, in order for Cherry, Bekaert & Holland, L.L.P. to perform an Annual Audit for Fiscal Year 2017.

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

Resolution Authorizing the Solicitation of Proposals for Annual Financial and Single Audit Reports for Fiscal Years 2018, 2019, 2020, 2021 and 2022, Request for Proposals P37889

Mr. Thompson presented this resolution for Board of Directors' approval authorizing the solicitation of proposals for Annual Financial and Other Audits for Fiscal Years 2018 through 2022 by means other than competitive bidding in accordance with Section 14(m) of the MARTA Act, through the use of RFP. The selection of a preferred proponent shall be subject to the approval of the Board of Directors in accordance with Section 14 of the MARTA Act.

Dr. Edmond asked what does "other than competitive bidding" mean.

Mr. Hutchinson said it is the selection of a preferred proponent in which price is one of several factors considered.

Dr. Edmond said the Authority needs to use caution with that language.

Mrs. O'Neill said the language in the resolution mirrors the language in the MARTA Act.

Mrs. Abdul-Salaam asked how long will the RFP be out.

Mrs. DeGrace said 30-45 days.

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

Briefing – Ridership Incentives

The Committee was briefed on the results of the Fiscal Year 2016 (FY16) Ridership Incentives and provided recommendations for Fiscal Year 2017 (FY17) Ridership Incentives.

Ridership Incentives

- Four Promotions
 - Holiday Group Pass
 - Trip Rewards Free Ride Day
 - Free Ride Day
 - 30-Day Discount
- Marketing Mix
 - Flyers
 - Posters
 - A-Frames
 - Website
 - Social Media
 - Radio ads
 - Digital Ads
 - Local & Ethnic Print
 - Press Releases

Trip Rewards Promotion Overview

- Goal: Designed to reward frequent riders with additional trips
- Offer: From Aug. 15th to Sep. 14th 2015 there were 1,700 customers who rode MARTA 60-100 or more trips and were rewarded with round trip Breeze Tickets:
 - Trips that total 60-80 receive 2 round trips
 - Trips that total 81-100 receive 3 round trips

- Trips that total 101 + receive 4 round trips
- Target Audience: Current Riders
- Key Results
 - 1,700 customers qualified with 60+ trips
 - Tickets issued: 104 Round trip tickets
 - Customers receiving tickets: 43
 - Average number of tickets per customer: 2
 - 2014 vs. 2015 (August 15 – September 14) showed a trip increase of 11.1%

Free Ride Day Promotion Overview

- Goal: This program was primarily designed to encourage the general public to give MARTA a try by offering everyone a free ride day
- Offer: General Public can ride MARTA free all day on Labor Day – Monday, September 7, 2015
- Target Audience: General Public
- Key Results
 - Rail Ridership Labor Day 2014 vs Labor Day 2015 = +21%
 - Bus Ridership Labor Day 2014 vs Labor Day 2015 = +40%

30-Day Discount Promotion Overview

- Goal: Increase the purchases of the 30 day pass
- Offer: “From November 16 – 30, 2015 purchase a 30 day pass for only \$71” – a \$24 savings from \$95
- Target Audience: Existing 7-day customers and general public as holiday gifts
- Key Results
 - 30 Day Pass Sales November 16-30, 2014 vs. 2015
 - Units: 2,401 vs. 5,435 (126% increase)
 - Revenue: \$228,095 vs. \$385,885 (69% increase)
 - *Note:* 2014 vs. 2015 (August thru October) sales shows a downward trend for 30-Day pass product

Partnership Program Overview

- Established in 1992
- Sells discounted MARTA Passes directly to employers & Transportation Management Associations (TMAs)
- Objective: Attract new companies & increase participation among current participants

FY17 Promotions & Pilot Ideas

- Pass Partnership Program Discount (6-month pilot)
- Free Ride Day
- Discounted 30-Day Pass
- 3-Day Hospitality pass for hotels sold on consignment
- Breeze gift card sold in retail stores for holidays
- Groupon® Promotion
- Weekend Pass

Dr. Edmond asked if MARTA encountered any challenges with the Free Ride Day promotion.

Chief Dunham said yes, around 3:00 p.m. a significant number of youths used the system. A number of large fights occurred and there were complaints of loitering at malls.

Mr. Dallas said if a Free Ride Day promotion is offered again, MARTA should partner with other jurisdictions for strategies.

Chief Dunham agreed. She added that staff has also considered changing the timeframe for the promotion.

Mr. Griffin asked if MARTA conducted a study on the potential revenue impacts of the Pass Partnership Program.

Mrs. Jinadu-Wright said that is the reason for the pilot, with an aggressive sales campaign.

Mr. Parker said MARTA has found that there is a sensitivity to price. The goal is to find that “magic number”.

Mrs. Abdul-Salaam said MARTA needs to do something to incentivize the Hispanic community, particularly in Clayton County.

Mr. Parker agreed.

Mr. Risco said the department of Diversity & Inclusion has expanded its outreach and will continue to work at strengthening those relationships.

Mr. Parker said MARTA will also begin working with retailers for the sale of passes.

Briefing – Proposed FY17 Operating & Capital Budgets

The Committee was briefed on the proposed Operating and Capital Budgets for FY17.

Budget Development Milestones & Timelines

- *Projected* - January 2016 - The FY17 Authority budget is projected at a high level and call packages are prepared
- *Submitted* - February 2016 - Resource requests are submitted by MARTA Departments to achieve strategic goals and objectives
- *Preliminary* - March 2016 - After comprehensive analysis, a preliminary budget is prepared for GM/CEO Review
- *Proposed* - April 2016 - After Business Management Committee (BMC) review, the proposed budget is submitted for Public Hearings
- *Recommended* - May 2016 - Public Hearings & final revisions to budget
- *Adopted* - June 2016 - Official Board adoption

Current State – Historical Performance

- From Operational deficits to surplus
- Not since the 1996 Olympics has MARTA experienced three consecutive years of surplus; four consecutive years (projected FY17) will be a record

Sales & Ad Valorem Tax

- FY16 Forecast – \$432.6
- FY17 Projection – \$457.1M (Total Receipts)

Combined Ridership

- FY16 Forecast – 136.6M
- FY17 Projection – 137.7M

Proposed Assumptions & Initiatives

- Customer Focus
 - Full implementation of the Clayton County service, including security (Police) enhancements
 - Continuation of enhanced rail service that was implemented in May of 2014
 - Enhanced technology for customers communications (apps & digital announcements, as well as Wi-Fi services for Buses & Rail Stations)
 - Implementation of the Integrated Operations Center (IOC) initiative
 - Continued TOD enhancement initiatives
 - Q-Bus program & New Buses utilized for service
 - Enhanced restroom (i.e., "Smart Restroom" and other station enhancement initiatives)
- Employee Focus
 - Continuation of the Negotiated Union wage increases of 3%
 - Increased Union Employee & Union Retiree Healthcare contributions
 - Increased Defined Contribution (DC) non-represented Pension from 3% to 6%
 - Increased healthcare administrative cost, such as the Affordable Care Act (ACA) and Secova healthcare payments
 - Implementation of a 3% planned merit increase for non-represented employees
 - Continued improvements to the Performance Management program
 - Enhanced training and leadership development opportunities
- Fiscal Focus
 - Revenue Highlights
 - Increase in base fare and other fare rates deferred to FY18

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- Proposed "6-month Pilot" increase in the Discount scale for the Partnership Program Discount
- Proposed eliminating the Holiday Group Pass program
- New Fiscal Initiatives
 - Ridership & Passenger Revenue Enhancements - assumes benefits from additional fare evasion measures and increased promotional activities, particularly the Partnership Program
 - Absenteeism Reduction strategy - overtime reduction included in FY17 budget similar to FY16
 - MARTA Transformation Initiative (MTI) Plan (reduced savings expectations)

FY17 Proposed Operating Budget

- Operating Revenues - \$458.2M
- Net Operating Expenses - \$453.3M
- Reserves Balance
 - Before Sustainability Initiatives - \$218.1M
 - After Sustainability Initiatives - \$242.1M

FY17 Capital Budget Development – Assumptions

- Projects already under contract or in the very late stages of the procurement process
- Policy directives in terms of size of Bus and Mobility procurements
- Project Prioritization Scoring (Expert Choice):
 - Life/safety critical projects
 - Security/regulatory projects
 - Operations critical projects
- Partial funding for Planning functions
- Partial funding for CIP Support and various business support functions

Proposed Capital Budget – Top Ten Projects by Cost

- Bus Procurement - \$35M

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- Audio Visual Information System - \$20M
- Train Control Systems Upgrade - \$17M
- L-CARE - \$16M
- Fire Protection Systems Upgrade - \$16M
- Traction Power Sub Stations - \$11M
- Airport Station Enhancements - \$9M
- Escalators Rehabilitation - \$9M
- Brady Mobility Facility Phase I - \$6M
- Bus Midlife Overhaul - \$4M
- Total - \$143M
- Top Ten Projects consume approximately 49% of the FY17 Budget

Briefing – FY16 February Budget Variance Analysis and Performance Indicators

The Committee was briefed on the FY16 February Budget Variance Analysis and Performance Indicators.

- Trends for the month of February are similar to the three previous months
- The Authority experienced higher Revenues than Expenditures, resulting in a surplus of \$4.9M or \$2.8M better than budget
- For the upcoming month, MARTA is anticipating a small Net Loss due to lose accruals
- Sales Tax continues to run under budget; however, on a combined basis with Ad Valorem Tax it remains relatively positive
- Passenger Revenue is negative – the Authority is watching this item carefully
- Other Revenues is positive at \$3.7M due to fuel tax rebates for natural gas used on MARTA buses
- Overtime continues to run high but on a net basis MARTA is still positive
- Overall there are no significant expense variations for the month
- Year-to-Date (YTD) MARTA realized a \$31M surplus, driven by slightly higher Revenues and significantly lower Expenditures

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- YTD Combined Sales Tax Receipts are \$10.3M under budget, which is significant
- YTD Passenger Revenue is also under budget
- Other categories are positive and there are no significant variations YTD
- YTD Overtime is relatively high; on a net basis, Salary, Wages & Benefits are still positive to budget
- Sales Tax required to fund operations came in slightly under 37%, which is virtually the best MARTA has done. The difference has allowed the Authority to build its surplus
- Cumulative Ridership YTD slipped below target and the prior year
- Combined Ridership started the year running above projections but below the prior year, which benefited from one-time special events in Atlanta
- Combined Ridership hit a downward trajectory several months back. It has begun to recover and is currently above prior year but below target; primarily due to bus ridership
- Rail On-Time Performance (OTP) has been performing quite well at 97% despite hindrances with aging equipment
- Rail Mean Distance Between Failure (MDBF) has been challenged; however, Rail OTP speaks highly of staff's management of delays
- Mobility OTP has been challenged, fluctuating in a pattern similar to last year. MARTA is anticipating improvements in Mobility OTP with the targeted takeover with MV Transportation, which has contract requirement of 90%.
- Vertical Transportation – Escalator Availability and Elevator Availability – has performed quite well
- Collisions (Bus and Mobility) has been challenged
- Employee Accidents are below target and prior year

Dr. Edmond asked what is MARTA doing to decrease Overtime.

Mr. Parker said staff will provide an Absentee Management update to the Board next quarter.

Dr. Edmond asked what is the cause for the increase in Collisions.

Mr. Parker said MARTA is experiencing the transition of employees to MV Transportation. With that, the Authority is seeing a number of employees leaving the agency. As a result, new employees are being hired, which typically translates to a temporary increase in collisions. MARTA expects that number to go down precipitously as the transition takes place.

Other Matters

- a) The Committee was provided the FY16 February Key Performance Indicators as informational only.

Adjournment

The meeting of the Business Management Committee adjourned at 11:48 a.m.