MINUTES

MEETING OF THE BOARD OF DIRECTORS

BUSINESS MANAGEMENT COMMITTEE

METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

November 27, 2012

The Board of Directors Business Management Committee met on November 27, 2012 at 11:35 a.m. in the Board Room on the 6th Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

Board Members Present

Harold Buckley, Sr.
Frederick L. Daniels, Jr.
Jim Durrett
Roderick E. Edmond
Noni Ellison-Southall
Barbara Babbit Kaufman
Adam Orkin

MARTA officials in attendance were: General Manager/CEO Beverly A. Scott, Ph.D.; Chief, Business Support Services and Administration Theodore Basta, Jr.; Deputy General Manager/COO Dwight Ferrell; AGMs Davis Allen, Deborah Dawson, Wanda Dunham, Ben Graham, Georgetta Gregory, Robin Howard, Mary Ann Jackson, Cheryl King, Miriam Lancaster (Acting), Ryland McClendon and Elizabeth O'Neill; Sr. Director Kevin Hurley; Directors Anton Bryant, John Crocker, Lyle Harris, Rod Hembree, Knox O'Callaghan and Ferdinand Risco; Managers Joyce Brown, Maurice Ficklin, Eulethia Dooley McLin and Jason Morgan. Finance Administrative Analyst Tracy Kincaid and Office Administrator II Tracie Roberson. Others in attendance were Anthony Pines, Srinath Remala, Janide Sidifall, Auh Tuan Vo and Renee Willis.

Also in attendance was Charles Pursley, Jr. of Pursley, Lowery & Meeks; Matthew Pollock of MATC; David Pendered of Saporta Reports; Steve Visser of *The AJC*.

Approval of the October 29, 2012 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 Replacement of MARTA's Excess Operating Property and Liability Insurance Program for 2013

Mrs. Jennings presented this resolution for Board of Directors' approval authorizing the General Manager/CEO or her delegate to effect placement of MARTA's excess operating property and liability insurance coverage for a period of one year; effective January 1, 2013 to January 1, 2014 based on the proposals received by MARTA's insurance broker of record, MARSH USA, for a total program cost of $3.06M.

Mr. Durrett asked how the coverage is budgeted due to the fact that it begins in the middle of the fiscal year.

Mrs. Jennings stated that it is booked into the annual budget each year based on projections that are developed with the insurance broker.

Mr. Daniels asked if anything could be done so that it falls within MARTA's fiscal year.

Mrs. Jennings said it's possible. Staff will need to work with the underwriters to get it accomplished.

Dr. Edmond said MARTA is going from $145M in coverage to $245M in coverage – a 60% increase. He asked why such a dramatic increase?

Mrs. Jennings said staff is recommending that limits are increased because it not only covers land, but business and equipment also. MARTA is required to apply proper inflation values each year. Because of recent weather conditions, MARTA must ensure it has adequate coverage in place, in case of catastrophic loss.

Mr. Orkin asked would it be wise at this time to consider a combination of insurance or self-insurance.

Mrs. Jennings said MARTA currently has a self-insured retention of $5M per occurrence on the property program. If we chose to not purchase any additional limits and stay at $145M then we are effectively making a decision to ensure anything that occurs catastrophically to that asset that exceeds $145M.

Dr. Edmond asked about the process of broker selection.

Mrs. Jennings said the broker is selected through a broker selection process (RFP). At the beginning of each year the broker and MARTA go through a process of looking at what the market will bear. This year, both the broker and MARTA thought it would be prudent to look at obtaining additional limits.

Dr. Scott said MARTA needs to bring the limits up. The northeast just experienced Hurricane Sandy. If Armour Yard were hit, MARTA is looking at $200M on the low end to replace it.

Mr. Daniels asked about DBE considerations.

Mrs. Jennings said when the broker RFP was done; there was no goal – based on internal assessment through DEO which was based on the RFP Statement of Work.

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

Resolution Authorizing the Award of Consultant Services for MARTA's Medical and Pension Plans, RFP P27333

Mrs. Dawson presented this resolution authorizing the General Manager/CEO or her delegate to award a contract to The Segal Company for consultant services for MARTA's Medical and Pension Plans in the amount of $569,300. The term of the contract is not to exceed five (5) years.

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

Mr. Daniels noted that the Hay Group worked on MARTA's previous benefits comparison and was in the final selection process. He asked when moving forward, if there would be any problem merging the Hay Group information with The Segal Company data.

Mrs. Dawson said there should not be a problem.

Dr. Edmond said it is his understanding that The Segal Company will assist in Union negotiations. He asked that the Board get the data and information well ahead of time.

Mrs. Dawson said strict timelines have been developed. Phase I deliverable is a 3-month period. The recommendations will be out around February.

Mr. Durrett said information on how the selected proponent scored in comparison to others is missing.

Mrs. Lancaster informed Board members that the scores would be provided.

Dr. Edmond said this has come up before. He reminded staff that this information should be provided in the read-ahead package that is sent to the Board.

Briefing – Debt Program - K. Hurley

MARTA's debt program is structured as a reimbursement program and is directly tied to the Capital Improvement Program and the Capital Budget. All the projects that make up the Capital Improvement Program are candidates for potential bonding or short term financing.

Summary of Outstanding Debt

MARTA has two types of debt: Variable Rate Debt and Fixed Rate Debt. The Authority's total outstanding debt (a combination of the two types of debt) is $1.884B; of this, $297M or approximately 16% is Variable Rate Debt which is inclusive of the 2000A/2000B bonds as well as recently sold commercial paper in the amount of $100M.

Annual Debt Service Coverage – one of the major things that markets look for is the ability to pay your debt. 2x your debt coverage is the benchmark in the marketplace. Built into the MARTA ACT is the 50/50 split which aids MARTA in being able to maintain a 2x debt coverage ratio. Additionally, the MARTA Board took an extra step and said 45% of the sales tax would be used to pay debt service. This further strengthens MARTA's ability to maintain a 2x debt coverage ratio. Over the next seven (7) years, the annual debt coverage ratio goes from 2.42 to 3.18, so MARTA will be considerably better than the 2x debt coverage.

Dr. Edmond asked for an explanation on the advantage(s) of commercial paper debt.

Mr. Hurley said when debt was first issued (2nd indenture), staff would look at Capital Program and say, for the next year, the Authority have $300M in projects. MARTA would issue debt for $250M and do projects for $170M, and pay interest on the $80M that was not being utilized. To fix the financial end, staff put the commercial paper program in place, which could be issued much quicker. This allows staff to time the need to use. MARTA is not paying interest it doesn't need to pay.

Dr. Edmond said that he would schedule a meeting before the holidays with Mr. Hurley and Mr. Allen to review this information and obtain a functional understanding.

Briefing – September Year-to-Date FY 2013 Budget Variance Analysis and Financial KPIs – D. Allen

Overview

During the month of September, total net revenues were favorable $1.2M, largely due to passenger revenue. Sales tax was favorable $269K. Net expenses were under budget by $2.7M. Benefits were favorable by $1.4M.

Year-to-Date September

- Net revenues continue to be favorable by $2.6M. Net expenses are under budget by $11.9M.
- Sales tax was favorable by $2M and Passenger Revenue was favorable by $800K.
- Station parking continues to be under budget by $23K. The Office of Research and Analysis has been asked to take a look at parking.
- Lease income is down $122K – approximately $50K is due to two terminated LILO lease transactions.
- TOD – MARTA has agreed to work with Carter on a $91K payment that was due in September. They will be charged interest.

Year-to-Date Expenses

Total expenses are favorable $11.9M (the bulk in salary and wages)

- Salaries & Wages were favorable by $5.6M
- Overtime was unfavorable by $300K
- Benefits were under budget by $1.4M
- Contractual Services were favorable by $2.2M
- CNG Fuel - $100K under budget
- Diesel Fuel - $300K under budget
- Other Materials & Supplies were unfavorable by $1M
- Other Non-Labor charges - $1.4M under budget
- Capital charges - favorable by $2.3M

Sales Tax Subsidy

- The Year-to-date actual Net Operating Surplus of $3.9M requires a sales tax subsidy of 45.4%, which is favorable to the Budget
- The annual budgeted Sales Tax Subsidy is 59.9%

Key Performance Indicators

All expenses are under budget. Combined ridership is favorable for the month and year-to-date.

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Mr. Durrett asked for a future briefing on the age of MARTA's rolling stock and the implications of O&M costs going forward.

Mr. Ferrell informed members that a five-year (5) contract will come before the Board which will replace approximately 300 buses. This is already factored into the Capital Program.

Dr. Scott said the Board should have a clear footprint of the official fleet plan for the agency – bus, paratransit and specifically, rail. MARTA has excess rail cars. The Board needs a clear understanding of what this means.

Adjournment

The meeting of the Business Management Committee adjourned at 12:33 p.m.

Respectfully submitted,

Rebbie Ellisor-Taylor
Assistant Secretary