

**MINUTES**  
**MEETING OF THE BOARD OF DIRECTORS**  
**BUSINESS MANAGEMENT COMMITTEE**  
**METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY**  
**May 31, 2018**

The Board of Directors Business Management Committee met on May 31, 2018 at 10:39 a.m. in the Board Room on the 6<sup>th</sup> Floor of the MARTA Headquarters Building, 2424 Piedmont Road, Atlanta, Georgia.

**Board Members Present**

Roberta Abdul-Salaam  
Robert F. Dallas  
Frederick L. Daniels, Jr., Chair  
Jim Durrett  
Roderick E. Edmond  
William (Bill) Floyd  
Ryan C. Glover  
Jerry Griffin  
John 'Al' Pond  
W. Thomas Worthy

MARTA officials in attendance were: General Manager/CEO Jeffrey A. Parker; Deputy General Manager A. Robert Troup; C-Suite Team Members – Chief Financial Officer Gordon Hutchinson, Chief Operating Officer Richard A. Krisak and Chief Counsel Elizabeth O'Neill; AGMs Elayne Berry, LaShanda Dawkins, Wanda Dunham, Diane Hamilton (Acting), Angela Jackson (Acting) and Benjamin Limmer; Chief Information Security Officer Dean Mallis; Executive Director Shelton Goode; Senior Directors Kevin Hurley, Amanda Rhein and Thomas Young (Acting); Directors Rhonda Allen, Lisa DeGrace and Jonathan Hunt; Managers Davis Allen, John Cochran and Ryland McClendon. Manager Executive Office Administration Tyrene Huff; Sr. Executive Administrator Ashanti Boothe; Sr. Executive Administrator to the Board of Directors Tonya Gantt (Contract); Sr. Executive Administrator Keri Lee. Others in attendance Adrian Carter, Abebe Girmay, Daniel Goodridge, Cedric Griffin and Courtne Middlebrooks.

Also in attendance Helen McSwain of MATC/Rhodafox; Jim Schmidt of HNTB.

**Consent Agenda**

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- a. Approval of the April 26, 2018 Business Management Committee Meeting Minutes
- b. Resolution Authorizing the Award of a Contract for the Procurement of Printing Paper for Authority-Wide Use, IFB B41368

On motion by Mr. Pond seconded by Mr. Durrett, the Consent Agenda was unanimously approved by a vote of 10 to 0, with 10 members present.

**Individual Agenda**

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**Resolution Authorizing the Execution of Second Amended and Restated Lease Agreement Between MARTA and PFP 3 Lindbergh Center LLC for Master Retail Facility at Lindbergh City Center Project**

Mrs. Rhein presented this resolution authorizing execution of Second Amended and Restated Lease Agreement between MARTA and PFP 3 Lindbergh Center LLC for Master Retail Facility at Lindbergh City Center project to facilitate sale of property to new owner.

MARTA initially entered into a Development Agreement with Carter and Associates, LLC in 2000 for the development of TOD at Lindbergh Center Station. In July 2015 Carter's lender foreclosed on the property and assumed Carter's rights under the ground lease. Since gaining control of the property in 2015, PFP 3 Lindbergh Center LLC has had three failed attempts to sell the property. It is within MARTA's best interests to have the property under the control of an experienced owner/developer who is better suited to make the necessary investments in the property to transform it into a model TOD.

An amendment to the existing lease agreement would bring it up to date and reflect all the development that has occurred up to this point. It would also include the following modifications:

- Capital Event Participation Rent: Includes the provision that MARTA would receive Capital Event Participation Rent; which is typically about 10% of the proceeds (only pertains to initial sale of the property). Due to the value of the property being less than the original development cost, MARTA would not receive any capital event participation rent. MARTA is proposing that this provision be eliminated and accept a one-time payment of \$200K

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- Guarantee and Letter of Credit – proposing to eliminate the letter of credit requirement and replace with the Liquidity Threshold and Net Worth Threshold. Requiring the Lessee to have \$3M of net worth and \$750K of liquid assets. This will ensure the Lessee has the financial resources to operate the project at the level required for a first-class project.
- Community Matters – MARTA is requiring that the Lessee:
  - Be supportive of a rezoning effort
  - Be supportive of creating a Community Improvement District
  - The Lessee reimburse MARTA for all legal expenses

Dr. Edmond asked what objective data supports this modification and change to the liquidity threshold.

Ms. Rhein responded MARTA has been in negotiations over a year. MARTA agreed to remove the previous Letter of Credit Guarantee requirement and changed to include a net worth threshold of \$3M with a liquidity threshold of \$750K. This matter was discussed and negotiated extensively.

Mr. Floyd asked if Lindbergh LLC is still in negotiations with Carter.

Mrs. Rhein said the entity that MARTA is proposing to enter into an amendment with is a subsidiary of Prime Financial – MARTA is negotiating with the bank.

Mr. Floyd asked what would they be buying when the property is actually sold.

Mrs. Rhein responded that they would be buying a majority of the retail that exists today (including the retail on Piedmont Road – Dunkin, Longhorn, Chili, Taco Mac and Wet Willies),

Mr. Floyd asked if they are buying the land as well.

Mrs. Rhine said they are getting a ground lease. They are not buying the land.

Mr. Floyd asked when does the lease expire.

Mrs. Rhein said she would get that information to Mr. Floyd and Board members.

Ms. Abdul-Salaam asked when looking at ease of sale, who brought the issue of liquidity threshold.

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Mrs. Rhein said potential purchasers including Prime asked for a liquidity threshold.

Ms. Abdul-Salaam asked what happens if MARTA is not successful with zoning.

Mrs. Rhein said if new zoning does not take place, the zoning that is in place today would remain. The zoning is currently C3.

Mr. Dallas remarked that he hopes the conversation on density will continue – that people will explore how density can be used for their benefit.

Mr. Durrett said when you look at the properties outside of what MARTA owns on the west side of Piedmont Road; he said he would like to understand the nature of that ownership and the potential for getting all of it together.

Mrs. Rhein commented the SPI helps with this, because it is MARTA-owned property that is not in SPI, but everything else is. Additionally, MARTA is working with the City of Atlanta to potentially go through master planning transportation studies for the Lindbergh/Armour area which will help clarify what happens along the Piedmont Road corridor as well.

Mr. Daniels thanked Mrs. Rhein for addressing the issue from the prebrief along the lines of legal counsel. One additional item is to ensure the guaranteeing entity is not a shell.

Mrs. Rhein said she will do further work on this and have answers prior to the next Board meeting.

On motion by Mr. Durrett seconded by Mr. Pond, the resolution was unanimously approved by a vote of 10 to 0, with 10 members present.

Mr. Daniels asked for an update on MARTA's Development Day.

Mrs. Rhein reported that it was a sold out event of 175 individuals. It was held at the ARC on May 21<sup>st</sup>. The program included a State of MARTA briefing by the new GM/CEO, comments from Chairman Ashe on this year's legislative session and More MARTA. Mrs. Rhein said she provided an update on the Authority's status over the past year and opportunities of the future. Mike Alexander of ARC

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provided a lengthier presentation on projected growth in the region and how TOD can help accommodate that growth.

Mr. Parker said it was a great meeting, well organized. The message MARTA projected for the development community is business as usual under new leadership. MARTA is still open for business and focused on TOD.

**Resolution Adopting Retiree Breeze Card Benefit Policy for Retirees of the MARTA Non-Represented Defined Contribution Plan**

Mr. Hurley presented this resolution recommending adoption of a retiree Breeze card benefit policy for retirees of the MARTA non-represented Defined Contribution Plan.

The policy will be implemented retroactively to include all participants that have terminated their employment in good standing with MARTA and who have 60 points and five years of service. There are approximately 45 plan participants in the retroactive category.

Dr. Edmond asked if this is the Pension Plan that is closed to further enrollment.

Mr. Hurley said this is the Defined Contribution Plan that all new employees enter into.

Mr. Pond asked if there is a five-year threshold.

Mr. Hurley said this plan mimics the Defined Benefit plan – five years of service and 60 point qualifies an individual for the card.

On motion by Mr. Dallas seconded by Mr. Durrett, the resolution was unanimously approved by a vote of 10 to 0, with 10 members present.

**Resolution to Adopt Fiscal Year 2019 Operating and Capital Funds Budget**

Mr. Hutchinson presented the FY 19 Budgets.

**Operating Budget**

Budget Objective

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- Produce a Balanced Budget (with contingency)
  - Optimal Performance
  - Cost Effective
  - Long-Term Sustainability
  
- Balanced Scorecard Objectives
  - Fiscal Focus
    - Balance the Budget
    - Reduce Contractual Services
    - Support Technology Obligations
    - Reset the Authority (cost reductions)
  - Customer Focus
    - Sustain Current Service Levels
    - Enhance More MARTA and add Atlanta Street Car (ASC) Service
    - Enhance Quality of Service (Clean, Safe, Reliable Vehicles and Stations)
    - Avoid Fare Increase
  - Employee Focus
    - Enhance Employee Recognitions
    - Fund Merits
    - Protect Employee Training & Development

### **Challenges**

#### **Revenue**

- Lower gas prices than prior years
- Competition from ride-sharing service
- Gentrification Impact (often riders move beyond the MARTA service area)

#### **Expense**

- Overtime
- Absenteeism
- Higher Wage and Salary Rates
- State Fuel Tax Exemption
- Unfunded Resource Needs
  - ∞ Personnel Equity/HR issues
  - ∞ Integrated Operations Center (IOC)
  - ∞ Technology & Obligations
  - ∞ Cybersecurity Enhancements

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- ∞ Safety/Security Enhancements
- ∞ Rail Car Maintenance/L-Care

We have produced a balanced budget with a small surplus.

Mr. Daniels called attention to forecasts for FY 2021 and beyond. He noted there will be a need to look at additional revenue sources in order to offset deficits, so that the Authority will not need to use reserves.

Mr. Parker said sales tax revenue is a large part of the operating revenue; there is no assumption of a downturn in the economy. A major issue would be both, not dealing with the expense side as well as a downturn in the economy in those years. That's the challenge going forward is managing that.

Mr. Hutchinson said with the City ½ penny sales tax that we call More MARTA, it is raising approximately \$70M a year and growing. The Authority is reserving ½ for future fixed infrastructure whether is for BRT or rail. The other half is used for increased bus service. Additionally, the ½ penny for fixed infrastructure, will also fund the Atlanta Street Car.

Mr. Hutchinson stated that FY 19 revenues are projected to be \$498.4M, with the three main sources coming from passenger revenue, Federal Operating Assistance and Sales Tax/Ad Valorem Tax.

Mr. Durrett asked about farebox recovery. He asked what is the range that is 'safe' - 25%?

Mr. Hutchinson said 25% is a bit low, you want to be closer to 30%.

Mr. Durrett referenced an article that asked the question – 'what is going on in Atlanta that is not happening elsewhere'. He suggested staff look for this article which compares MARTA's ridership with other systems that are not experiencing the same thing.

Mr. Dallas offered perspective on ridership decline – decrease in gas prices, people moving outside the service area, the possibility of this agency better marketing itself – the whole idea is engaging the public on current trends, i.e., social media.

Dr. Edmond said we must make sure employees put service first. In addition, millennials are coming to Atlanta en masse. There are individuals who sit on the MARTA Board that can help frame ridership messages to the public.

Mr. Hutchinson pointed out an upside to ridership - as TOD projects comes to completion and are occupied, the Authority expects some pickup from that.

Capital Budget

*FY 19 Capital Budget Development – Assumptions*

- Projects under contract or in late stage of procurement
- Service policy directives
  - Bus and mobility fleet requirements
  - Rail fleet requirements
- Prioritization
  - Life/Safety critical assets
  - Security/Regulatory requirements
  - Operations critical projects
  - State of Good Repair/Risk
- System Expansion
- System Enhancements

*Capital Improvement Program Delivery*

- During FY 19-28, bus and rail will be replaced significantly.

*FY 19 Capital Improvement Program (\$491.6M) – Funding Sources*

Sales tax is the Authority's most significant source of funding followed by debt financing, federal funds and carryover.

*FY 19 Capital Expenditures – (\$485.0M)*

- Debt Service
- Systems



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- Facilities & Stations
- Maintenance of Way
- Non-Asset

*FY 19 Proposed CIP – Top 10 Project Budgets by Cost*

- CQ310, CQ311 Rail Car Replacement Program	\$46.7 M
- Rehab Tunnel Ventilation Fans	\$37.0 M
- FY 14 Bus Procurement	\$31.3 M
- Future Radio Infrastructure	\$23.1 M
- CNG Fuel Facility at Hamilton	\$21.0 M
- Energy Services Company Performance (ESCO)	\$19.9 M
- Train Control Systems Upgrade	\$19.9 M
- Escalator Rehabilitation	\$ 9.1 M
- Track Renovation – Phase IV	\$ 8.8 M
- LCARE CQ312 84-Month Cycle	<u>\$ 7.5 M</u>
	<b>\$224.3 M</b>

*FY 19 Federal Funding – Top Tier Capital Projects*

Capital Project	Total CIP	Federal Share
Hamilton Facility Rehab	\$ 21.0 M	\$ 16.8 M
Train Control System Upgrade	\$ 19.9 M	\$ 15.9 M
Elevator/Escalator Rehabilitation	\$ 12.6 M	\$ 10.1 M
Track Renovation IV	\$ 8.8 M	\$ 7.0 M
Traction Power Substation System	<u>\$ 5.1 M</u>	<u>\$ 4.1 M</u>
	<b>\$ 67.4 M</b>	<b>\$ 53.9 M</b>

*Key Objectives of the FY 19 Budget Development Process*

- Produce a Balanced Budget
- Defer Fare Increase
- Improve the Quality of Service
- Enhance Service Levels
- Procure New Buses & Rail Cars
- Implement Atlanta Street Car Service

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Mr. Daniels said several Board members made relevant suggestions on the enhancement of the MARTA system. He asked that staff bring a presentation to the Board highlighting the suggestions from Board members - how they can be implemented and put in place to enhance ridership, customer service and revenue.

Mr. Parker said at an upcoming committee meeting, staff will present a marketing program on airport service.

Mr. Durrett referenced page 21 of the slide presentation. He asked if the \$839.7M would cover the complete replacement of CQ310 and CQ311 rail cars.

Mr. Hutchinson said the \$839.7M would cover 100% percent replacement of the rail cars.

Mr. Worthy asked about Wi-Fi in the tunnels.

Mr. Hutchinson said most of the work has been completed. Additionally, the cost is being covered by the vendor.

Mr. Dallas asked if MARTA would benefit from internet sales tax.

Mr. Hutchinson said the major online presence are Walmart and Costco and there are others. MARTA expects a revenue pickup in this area. The forecaster will be building this into future models.

Mr. Dallas said there has been past discussion about Mobility's cost and service level. The KPMG study is part of the genesis behind privatization of Mobility - that presupposes that you get better service at lower cost. If the outcome is reversed, it should be looked at closely, because there is something wrong if our performance is not matching the objective.

Mr. Parker responded, noting MARTA experienced a latent demand from the lower level of service that was provided. The Authority increased the performance metrics, i.e., hold time, on time performance, etc. Although the cost per trip has gone down, the overall expense to the agency, because of increase demand for the service is partially driving expense.

Mr. Floyd said he continues to be concerned about sales tax and how it is budgeted. He said he is aware the State is resistant to giving detailed information on where the funds come from in regards to city boundaries. He urged staff to

continue interaction with the State in regards to where the sales tax dollars come from. It is important to know if revenue goes up, where those revenues come from within each district. Additionally, since MARTA is replacing the rail fleet, he asked if there is a market for old rail cars.

Mr. Hutchinson said the cars are so old, there is just scrap metal value on the cars.

Mr. Durrett suggested exploring interest from the film and television industry.

Ms. Abdul-Salaam asked for an explanation of the LCARE Program for rail cars.

Mr. Hutchinson explained that it is a rehab program for old rail cars until they are replaced.

Mrs. Abdul-Salaam suggested increasing our marketing efforts to the Hispanic community.

On motion by Mr. Durrett seconded by Mr. Worthy, the resolution was unanimously approved by a vote of 10 to 0, with 10 members present.

### **Briefing – FY 18 March Financials and Performance Indicators**

Mr. Hutchinson presented this briefing.

Year-to-date revenues generated a surplus of \$34M, driven by \$9.8M of additional revenues and 12.1M of lower expenditures. Sales tax is close to Budget. Salaries, wages and benefits are positive to Budget. The Authority is positive on fuel costs. MARTA is using a little less than 37% of sales tax to fund Operations.

#### *KPI's for March*

Cumulative net operating expenses are under Budget. Gross labor expenses are running slightly below Budget. Combined ridership increased in March. Bus Mean Distance Between Failure is positive. Rail on time performance is doing well. Mobility on Time Performance is slightly off. There has been inconsistent performance on mechanical performance of the fleet. Since December, the decreased MDBF is a contributing factor to the deterioration of on time performance.

Mr. Daniels asked about the Consent Decree – what is MARTA's response.

Mr. Young explained that the MARTA Oversight Team is still in the same building as MV Transportation. Daily meetings and formal weekly meetings are being held with MV. Within the last few weeks, there has been significant improvement in service. Four of the last seven days this past week, they have met the 90% threshold.

Mr. Daniels asked at what point will MV be held accountable for not meeting the threshold of 90%.

Mr. Young said by contract MARTA is holding them accountable every month through liquidated damages, and as they do meet goals, there are incentives.

Dr. Edmond made comments regarding a conversation by Board and staff regarding developing policy and procedure to deal with new ideas. He said he has been contacted by people who have ideas on saving MARTA money. He asked that the initiative of Unsolicited Proposals be placed back on the table so that the Board can revisit this.

Mr. Parker said this item will be presented at the next Work Session.

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### **Adjournment**

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The meeting of the Business Management Committee adjourned at 11:57 a.m.