

MINUTES

WORK SESSION OF THE BOARD OF DIRECTORS METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

May 3, 2018

12:00 p.m.

Board Members Present

Roberta Abdul-Salaam
Robert L. Ashe III
Robert F. Dallas
Frederick L. Daniels, Jr.
Roderick E. Edmond
Ryan Carter Glover
Jerry Griffin
Freda B. Hardage
Alicia M. Ivey
Russell McMurry, P.E.*
John "Al" Pond
Christopher S. Tomlinson*

Staff Members Present

Jeffrey A. Parker
Robert A. Troup
Richard Krisak
Gordon Hutchinson
Elizabeth O'Neill
Rukiya Thomas
Davis Allen
Rhonda Allen
Elayne Berry
LaShanda Dawkins
Wanda Dunham
Abebe Girmay
Shelton Goode
Kevin Hurley
Torrey Kirby
Ryland McClendon
David Springstead
Cain Williamson
George Wright
Thomas Young

Also in attendance was LaToya Brisbane of Holland & Knight, LLP;
Councilwoman Jennifer Ide of Atlanta City Council; David Wickert of *The AJC*.

Chairman's Report

Upcoming Meetings

Thursday, May 31, 2018

- Operations & Safety Committee – 10:00 a.m.
- Business Management Committee (immediately following)

* Christopher Tomlinson is Executive Director of Georgia Regional Transportation Authority (GRTA);
Russell R. McMurry, P.E. is GDOT Commissioner and are therefore non-voting members of the
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Thursday, June 7, 2018

- Planning & External Relations Committee – 10:30 a.m.
- Board – 1:30 p.m.

Approval of the April 12, 2018 Work Session Minutes

On motion by Mrs. Hardage seconded by Ms. Ivey, the minutes were unanimously approved by a vote of 8 to 0, with 10* members present.

* * *

At the request of several members of the Board, and discussion with Mr. Parker, Chairman Ashe announced the appointment of a subcommittee of the Board to focus on IT infrastructure issues. He asked interested Board members to contact him within the next few days.

* * *

General Manager/CEO Report

More MARTA

Mr. Limmer presented this briefing.

Timeline

- November 2016 - Passage of the Sales Tax
- Bus Service was launched in February, April, August and December 2017
- Concurrently, MARTA staff gathered public feedback on bus service and the public's input on spending the \$2.5B on high capacity transit projects
- October 2017 – February 2018 – Evaluation Process
- March – mid-May 2018 – Develop information Materials
- Mid-May – August 2018 Engagement Activities
 - Public Outreach Activities
 - MARTA Board/City of Atlanta Subcommittee
 - City Council/Mayor

Intergovernmental Agreement (IGA)

- Establishes the roles/responsibilities of MARTA and City of Atlanta
 - PMO and City of Atlanta Liaison
- Serves as framework for program implementation
- Establishes Advisory Committees
- Lists full universe of potential transit projects

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- Establishes program prioritization process
- Major capital investment project execution and management

Advisory Committee Meetings

Joint Prioritization Leadership Group (JPLG)

- Meet on a monthly basis, beginning in October 2017
- Includes key management staff from City of Atlanta, Atlanta Beltline and MARTA
- Discuss project scenarios, scheduling and potential funding
- Developed strategies for public/stakeholder engagement
- Recommended Scenario #1 for advancement

Advisory Committee Meetings

Technical Advisory Committee (TAC)

- Meet on a monthly basis, beginning in January 2018
- Includes technical staff from City of Atlanta, Atlanta Beltline, GDOT and MARTA
- Discuss evaluation results, project scenarios, scheduling and potential funding
- Developed strategies for public/stakeholder engagement
- Recommended Scenario #1 JPLG for advancement

More MARTA Implementation to Date

Bus Service Improvements

- 41 route improvements
- 3 routes with service frequency and span aligned with rail
- 15 routes with increased service frequencies
- 15 routes with increased spans of service

More MARTA Implementation to Date

Atlanta Streetcar Transition

- MARTA and City of Atlanta are currently coordinating knowledge transfer
- MARTA is currently developing transition schedule for streetcar service
- MARTA is scheduled to take over operations in Summer 2018

More MARTA Implementation to Date

More MARTA Financial Overview

- Sales tax was forecasted to raise \$65M per year (current year dollars)
 - Collections from April 2017-March 2018 were \$67M
- Expenditures to date

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- Enhanced bus service (~\$11.4M)
- Atlanta Streetcar operations since July 2017 (TBD)

How was Project List Developed?

Evaluated seventy-three (73) potential projects. Total cost of \$11.5B; \$2.5B of sales tax forecasted.

- Technical Analysis
 - 14 measures used to evaluate projects that were based on the adopted Guiding Principles
 - Evaluated costs/ridership/access to jobs/geographic distribution of projects
- System Planning
 - Expanding capacity (ART, BRT, LRT, station improvements)
 - Optimize connectivity (existing services, first/last mile)
- Public Input
 - Surveys (bus service improvements, light rail projects)
 - Public meetings, community events, station pop-ups

Next Steps

- Community Outreach Activities – May/June/July
 - Stakeholder Advisory Committee (SAC) Meetings
 - Public Outreach Activities
 - Atlanta City Council Briefings
 - Mayor of Atlanta Briefing
- Board Work Session – August
 - Review Public Response to More MARTA Program of Projects
- Board Action – September
 - Approve More MARTA Program of Projects

Mr. Daniels asked that staff bring to the Board, the cost related to operation of the Streetcar.

Dr. Edmond stated the people who voted thought they would get rail. It is important that MARTA preserves its credibility. \$25B over 40 years will not be enough to get light rail or heavy rail. Rail is not a part of this scenario. A former Board member, Harold Buckley was correct when he said Public Private Partnership (PPP) would be the only way to obtain true rail expansion. MARTA can make this possible through its TODs. This is great what we're doing, but we must be honest with the people and let them know we're not getting rail with the current funding.

Mr. Parker commented that some of the corridors are in a very conceptual phase. We want light rail, but must ensure we will have the funds. There is a big gap for all the projects but this is the recommended scenario and at the planning level, we are moving toward rail. That's where we wanted to deliver some of these projects. We need to do it as economically as possible to meet the constraints of the program. An important layer such as T3s, PPPs, there have been some limited opportunities throughout the United States.

Mr. Griffin asked about moving from the aspirational to the possible. He said his county is beginning to move away from aspirational to what is possible.

Mr. Daniels said the reality is there has been no money for rail for some time now. Telling people what we can realistically do, puts us in a better situation. Having a straight forward conversation with everyone is what we should do.

Mr. Limmer said the goal was to come up with a fiscally responsible financial model. What can we do in forty years?

Mr. Parker stated we have a program that has assumptions. We have corridors that are at the planning stage. We've used assumptions based on what is going on with other transits that are developing light rail, so that we have a fiscally constrained approach.

Chairman Ashe thanked staff for the incredible work put forth.

Implementation of Bus Operations Report Recommendations

Mr. Wright presented a bus assessment briefing.

Staff was directed to look at challenged KPIs. Those challenged KPIs were:

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- Bus On Time Service (OTP)
- Mean Distance Between Failure (MDBF)
- Bus Operator Overtime
- Bus Operator Attendance

McCloud Transportation & Associates was selected to perform the comprehensive assessment which included a deep dive of functions, processes and practices within the bus mode.

McCloud's Scope of Work

- Task 1 – Conduct a comprehensive review of the organizational structure of the Department of Bus Operations
- Task 2 - Conduct site visits to MARTA's bus operating and maintenance facilities: Laredo, Perry, Hamilton and Browns Mill
- Task 3 - Conduct a review of the Department of Bus Operations and Bus Maintenance budget
- Task 4 - Review bus route planning staff utilization
- Task 5 - Review staff recruitment, selection and training of bus operators, road supervisors and dispatchers
- Task 6 - Conduct a comprehensive review of the Office of Bus Maintenance
- Task 7 - Conduct an industry analysis to identify best practices that may be applicable to MARTA

Within each project task were twelve focal areas:

The assessment included site visits, interviews with staff, focus groups, deep dive into the analytics and industry and peer reviews.

Within the seven tasks there were areas of focus:

- Bus On Time Performance – we are realizing an improving trend
- Mean Distance Between Failure

Unscheduled Absenteeism – since 2014 there has been a slight decrease in unscheduled absenteeism. Key drivers: 54% of unscheduled absenteeism is tied to approved leave – FMLA, job injury and short term disability. The key takeaway is It takes a total agency effort to change behavior. Some efforts in place are MARTA's occupational medical group and risk management. When someone is injured on the job, we must find ways to return them to work as soon as possible, even if it is light or modified duty.

There were nearly seventy recommendations. The top ten were identified:

1. *AGMs* – recommendation from McCloud Scale of Operations Warrants
2. *Enhanced Reliability Centered Maintenance (RCM) Program* – connect to all maintenance activities (PM)
3. *Staffing (Superintendent & Dispatcher)* – coverage and oversight inadequate
4. *Job Classifications (Bus Maintenance)* – need to streamline and combine
5. *Overtime* – optimize and align scheduling (run-cut) process
6. *Planning & Scheduling* – recruit and hire manager of scheduling
7. *Trapeze Update* – update-transition from Version 12 to Version 16
8. *Dispatchers-Supervisors Training* – establish formal training curriculum
9. *Dated Hiring Policies* – need to update; not aligned to current reality
10. *Labor Management Training* – structured curriculum needed – FMLA & CBA

Mr. Tomlinson asked how will a Trapeze update help. He also asked about hiring policies.

Mr. Wright explained that the current version of Trapeze is obsolete and does not optimally perform run-cuts. Regarding dated hiring policies, we will hire someone without a CDL, but they must obtain it within the training period. There is a significant shortage of CDL drivers. We need to look at sign up bonuses and other incentives to attract and keep talent.

Mr. Daniels asked that 'percentage of completion' be added to these top ten recommendations when they are next presented to the Board.

Mr. Pond asked if there a budgeting, behavior or scheduling problem regarding FMLA.

Mr. Parker pointed out there has been a recent decline in FMLA. What is being shown on the chart are the many factors that are driving unscheduled absenteeism. At the end of the day, there must be tactics that are different

between FMLA, sick or short term disability, to deal with those things and drive down the overall cost of unscheduled absenteeism.

Mr. Wright advised there needs to be a cultural paradigm shift. We want to make sure we educate our frontline so when they work with their employees, they know the right questions to ask – they are fully equipped. Specifically, in relation to bus operator overtime, a Task Force has been formed, chaired by DGM Mr. Troup. The focus is on service, staffing and the use of effective and efficient overtime.

Five Next Tier Actions

1. Bus Operator Training
2. Quality Program
3. Planning & Scheduling Transition to Operations
4. Route Review Committee
5. Improve Budget and Financial Competency

Mr. Daniels asked for clarification on item #3: Planning & Scheduling Transition to Operations.

Mr. Wright responded that one of the recommendations made in the assessment was to place this function within the operations function (it is currently housed in the business department).

Ms. Ivey asked how do we incentivize our star employees, who consistently do well.

Mr. Wright said there is no incentive at this time, but he has been charged by Mr. Troup to build a draft proposal; recognizing there are limits as to what can be done due to the ongoing labor contract.

Ms. Ivey asked how are we currently getting to people in the community who could become potential team members – how are employees made aware of opportunities that arise.

Mrs. Dawson said it depends on timing. We have job fairs at Headquarters and MARTA goes into the community to have job fairs. People are driven to the MARTA website through the use of press releases and social media, there is collaboration with the various technical schools, etc.

Mr. Goode said the Department of Diversity and Inclusion have over 1,000 organizations in the database. Information is sent to these organizations and they in turn send out to their database.

FY 2019 Proposed Operating & Capital Budgets

Mr. Hutchinson presented a summary of the Operating and Capital Budgets.

Value Statement

MARTA is an integral part of the community, the economy and the transportation system in the region, providing a meaningful mobility choice and attractive alternative to the automobile for all residents and visitors to the area.

MARTA is a safe, secure and reliable public transportation system, with emphasis upon customer service and cost effectiveness.

It is a system with a positive image that the community understands, respects and supports.

FY 2019 Proposed Operating Budget

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 and development

Next Steps – Achieving Long-Term Sustainability – Achieving Future Balanced Budgets

- Structure Cost Neutral Union Wage Increases
 - Overtime (down)
 - Productivity (up)
 - Benefit Cost Inflation (down)
- Reduce Contractual & Consultancy Services
- Eliminate targeted positions (particularly G&A positions) to reallocate resources to higher priority needs

Mrs. Hardage called attention to slide 12 noting there were some items that have not yet been incorporated into the Budget. She expressed concern and asked that staff take a close look at Cybersecurity Enhancements and Safety/Security Enhancements to ensure these items are included in this Budget.

Mr. Daniels asked what are the primary drivers of net operating expenses that is driving the deficit.

Mr. Hutchinson referenced the revenue slide and said the big three are tax receipts, passenger revenue and Federal operating assistance. Federal operating assistance has been fairly flat the last few years. Passenger revenue is shrinking quite a bit. Ad valorem tax climbed slightly, but it is expected that vehicle sales will eventually decline.

To maintain a balanced budget, we must decrease overtime, increase productivity, contain benefit costs and reduce consultancy services.

FY 2019 Proposed Capital Budget

Key Objectives of the Fiscal Year 2019 Budget Development Process

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

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

Mr. Griffin asked with the reduction of overtime, increased productivity, reduction of benefit costs and reduction of contractual and contingency services – on More MARTA special projects - are the cost of planning included in More MARTA or is that something MARTA is doing and the capital costs paid out of More MARTA?

Mr. Hutchinson said It is included in More MARTA. More MARTA has a separate funding source.

Mr. Tomlinson asked about funding of the Atlanta Streetcar.

Mr. Hutchinson said MARTA will receive some Federal funding but there will be no funding from the City of Atlanta.

Plan of Finance

Mr. Hurley presented a briefing on the Authority's upcoming bond transactions.

There will be two transactions on June 7, 2018.

The first is a refunding of the Series 2017B variable rate bonds. The bonds will be refinanced to a fixed rate. The bonds need to be refinanced because of a reduction of the corporate tax rate – the investors have a tax benefit associated with these bonds. When the corporate tax rate was reduced their benefit was reduced and triggered the margin rate factor which allows them to recoup the lost investment by having a higher interest rate on the bonds. This caused MARTA's interest rate to rise. In addition, there have been rising short term interest rates. It is anticipated there will be an additional 2-3 increases over the next 12 months. The debt is front-loaded on the yield curve (where all the maturity for the bonds is located). In summary,

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- Par \$180.8M
- Fixed rate competitive bid
- Estimated TIC 2.75%
- Maturities from 2018 through 2025
- No restructuring
- Pricing on June 7, 2018 – prior to full Board meeting
 - Presented for approval thereafter
- Anticipated closing July 2, 2018
- New Bond Series 2018A

The second transaction is a new money issue at \$100M. This transaction will be variable rate bonds. The bonds will be issued on the back of the yield curve and will enjoy short term interest rates for a longer period and will not be as susceptible to volatility. While there is still variable rate debt in MARTA's portfolio, we have reduced our liability to fluctuating interest rates. MARTA will have the flexibility to turn this transaction over, if needed. In summary,

- Par \$100M
- Competitive RFP process
- 28-year maturity
- Pricing locks on RFP submission date – May 14, 2018
 - MARTA Finance staff in conjunction with Financial Advisors, Bond and Disclosure Counsel select the most efficient product to issue the bonds
- Present to June 7, 2018 full Board for approval
- Anticipated closing July 2, 2018
- New Bond Series 2018B

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Adjournment

The meeting of the MARTA Board of Directors adjourned at 1:45 p.m.