

## MINUTES

### WORK SESSION OF THE BOARD OF DIRECTORS

### METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

January 8, 2015

12:05 p.m.

#### Board Members Present

Juanita Jones Abernathy  
Harold Buckley, Sr.  
Frederick L. Daniels, Jr.  
Jim Durrett  
Roderick E. Edmond  
Noni Ellison-Southall  
Freda B. Hardage  
Barbara Babbit Kaufman  
Christopher Tomlinson\*

#### Staff Members Present

Keith T. Parker, AICP  
David Springstead (Acting)  
Rukiya Eaddy  
Edward Johnson  
Gordon Hutchinson  
Elizabeth O'Neill  
Wanda Dunham  
Robin Henry  
Ming Hsi  
Reginald Mason  
Ryland McClendon  
Terry Thompson  
Davis Allen  
Abebe Girmay  
Jonathan Hunt  
Kevin Hurley  
Alisa Jackson  
Saba Long  
Ferdinand Risco

Also in attendance was Charles Pursley, Jr. of Pursley Friese Torgrimson, LLP.

#### Chairman's Report

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#### Upcoming Meetings

Thursday, January 29, 2015

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

Thursday, February 5, 2015

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

\* Christopher Tomlinson is Executive Director of Georgia Regional Transportation Authority (GRTA) and therefore is a non-voting member of the MARTA Board of Directors

## **Work Session**

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### **Approval of the December 4, 2014 Work Session Minutes**

On motion by Mr. Buckley seconded by Mrs. Hardage the minutes were unanimously approved by a vote of 5 to 0, with 6\* members present.

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Chair Ellison-Southall acknowledged and welcomed new Board member, Christopher Tomlinson, Executive Director of Georgia Regional Transportation Authority and State Road and Tollway Authority (SRTA).

Chair Ellison-Southall announced that Clayton County tabled the vote to elect members to serve on the MARTA Board. That vote should take place late January or February.

### **General Manager/CEO Report**

#### **MARTA Debt Program - Action Plan – G. Hutchinson/K. Hurley**

MARTA is looking to conduct a couple transactions over the next four to six months. These transactions involve issuing \$100M in debt to support the Capital Program; as well as refunding the 2006A Series bonds.

#### ***Capital Program Debt Issuance - \$100M***

It is fairly standard for MARTA to transact a \$100M debt issue. The transaction is anticipated to take place in the March-April timeframe. Staff conducted an analysis on the interest rate environment to determine the appropriate issuance mode (fixed rate or floating rate notes):

- Base Case: 30-Year Fixed Rate Bond Issuance
  - PV of debt service \$95M <sup>(a)</sup>
- Alternative 1: 3-year floating rate note converted to fixed rate after year three
  - PV of debt service – 88.9M <sup>(a)</sup>
- Alternative 2: 6-year floating rate note converted to fixed rate after year six
  - PV of debt service – 86.6M <sup>(a)</sup>
- Risk adjusted breakeven analysis:
  - Alternatives 1 and 2 are inefficient with increase in rates of .64% and 1.15%, respectively. Recent rate movements far exceed these levels

*Recommendation*

- Preserve Floating Rate Note program for more stable rate environment
  - Issue Base Case Scenario: 30-year fixed issue to support Capital Program needs
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- (a) For comparison of debt service across alternatives, the present value discount rate assumed was 3.50%

*The 2006A Bond Refunding is a \$90M Transaction*

- The Series 2006A Bonds are not currently callable until July 2, 2016
- Forward Delivery Bonds/Direct Placement Loan
  - Providers willing to lock interest rates as far as 18 months ahead of Issuance
  - Allows MARTA to lock in low fixed rates today for a loan beginning July 2, 2016
  - Repayment schedule can be structured to provide additional capital program capacity from FY 17 – FY 20
  - Market Analysis continues to show favorable “all-in” pricing as compared to current Series 2006A rates, based on recent indications

Board Action to Include:

- Approval of Pricing/Documentation – Fixed Rate Debt or Floating Rate Note Issue - \$100M
- Approval of Forward Starting Loan for Series 2006A - \$90M

Staff will bring to the April Board meeting for Board approval of the transaction.

Mr. Tomlinson asked about current interest rate on the 2006A Series bonds?

Mr. Hurley said approximately five (5%) percent.

Mrs. Kaufman asked where the 30-year fixed rate comes from.

Mr. Hurley responded that staff goes out and test the market to determine what kind of rate MARTA would receive.

Mr. Daniels asked how much does MARTA's improved bond rating factor into basis savings.

Mr. Hurley stated it is hard to tell. In reality, they look at MARTA's credit as a whole. It is a factor, probably 5-6 basis points in order of magnitude.

Mr. Daniels asked that the number be quantified to determine dollar savings over the life of the transaction.

*Cellular and Wi-Fi for MARTA Riders – M. Hsi*

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Information Technology and Marketing are working on three very exciting initiatives:

1. Cellular Wireless Services for MARTA Riders
2. Wi-Fi Services on Buses
3. Wi-Fi Services at Rail Station

*Cellular Wireless Services for MARTA Riders*

MARTA has approximately 48 revenue miles (about 100 miles of track), 38 stations and parking decks. Currently, about 10 miles of tunnel and 15 underground stations where there is no cellular coverage.

MARTA has issued a RFP for:

- Safety
- Customer Service
- Smartphone Apps Usage
- Potential Revenue

*History*

RFPs were issued between 2005-2007, 2007-2009 and 2011-2012. For various reasons, no proposal ever materialized. Staff polled peer agencies – Boston, New York and WMATA. All use a Neutral Host Provider and the revenue varies.

*Lessons Learned*

- Most agencies have to reissue their RFP (no one gets it right the first time)
- Most are attempting to provide cellular coverage at 'no cost' to the Authority
- Multi –year – at least 10 years
- Subscription model is unproven in the transit environment
- Most use Neutral Host Providers

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- Does not yield immediate profit for Neutral Host Providers
- MARTA's stations, tunnels and ridership was not seen by the cellular carriers as significant enough to warrant investment
- Most are using a phased approach with a 'pilot' being the first phase – usually 2 years

### *Next Steps*

- Keep RFP simple – cellular services for the tunnels, underground and above ground stations and parking decks without cellular service
- Requesting Neutral Host Provider
- Set pilot and implementation sequences
- Set completion timeframes
- Coordinate track time with other major initiatives
- Provide existing drawings and assist with site surveys
- Profit sharing business model, not requesting guaranteed revenue up front

### *Timeline*

- Board Work Session Briefing – January 2015
- Business Management Committee – Request for Permission – January 2015
- Board Approval – Request for Permission – February 2015
- Issue RFP – March 2015
- BMC – RFP Award – July 2015
- Board Approval – RFP Award – August 2015
- Contract – September 2015
- Pilot Kickoff – October 2015
- Pilot Completion – March 2016
- Full System Implementation Completion (18 months) – September 2017

**Resolution Authorizing MARTA to Seek Voluntary Employee Benefit Vendors –  
R. Henry**

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Currently MARTA employees are provided pre-tax benefits:

- Healthcare
- Dental Services
- Vision Services
- Critical Illness Coverage
- Life Insurance

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The Authority would now like to move into post-tax benefits, goods and services, which will include:

- Legal Services
- Financial Services
- Insurance Services
- Child Care Services
- Employee Purchasing Program

A resolution will come before the Board today for approval to provide MARTA employees with a disciplined method to purchase interest-free products and services through payroll deductions through Voluntary Employee Benefits Post Tax. There are no implementation costs or participation fees for MARTA. The vendor assumes all liability associated with purchases, even for terminated employees.

### *Vendor Deliverables*

- The vendor(s) will create a MARTA only employee portal for employees to submit application, review products and services
- This on-line portal will allow employees to manage account information and make purchases of products and services
- The employee will be fully knowledgeable of all fees and costs for all goods and services upfront
- The vendor(s) will host quarterly product fairs for employees to provide marketing

### Projected Timeline

- Advertise RFP – March 1, 2015
- Review RFP and presentations of finalist(s) – April 30, 2015
- Award and implementation – May-June 2015

### **Other Matters**

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On motion by Mr. Durrett seconded by Mr. Buckley, the Board unanimously agreed by a vote of 8 to 0, with 9\* members present to go into Executive Session to discuss a personnel matter at 12:50 p.m.

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On motion by Mr. Durrett seconded by Mr. Daniels, the Board unanimously agreed by a vote of 8 to 0, with 9\* members present to adjourn the Executive Session at 12:56 p.m.

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**Adjournment**

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The meeting of the MARTA Board of Directors adjourned at 12:57 p.m.