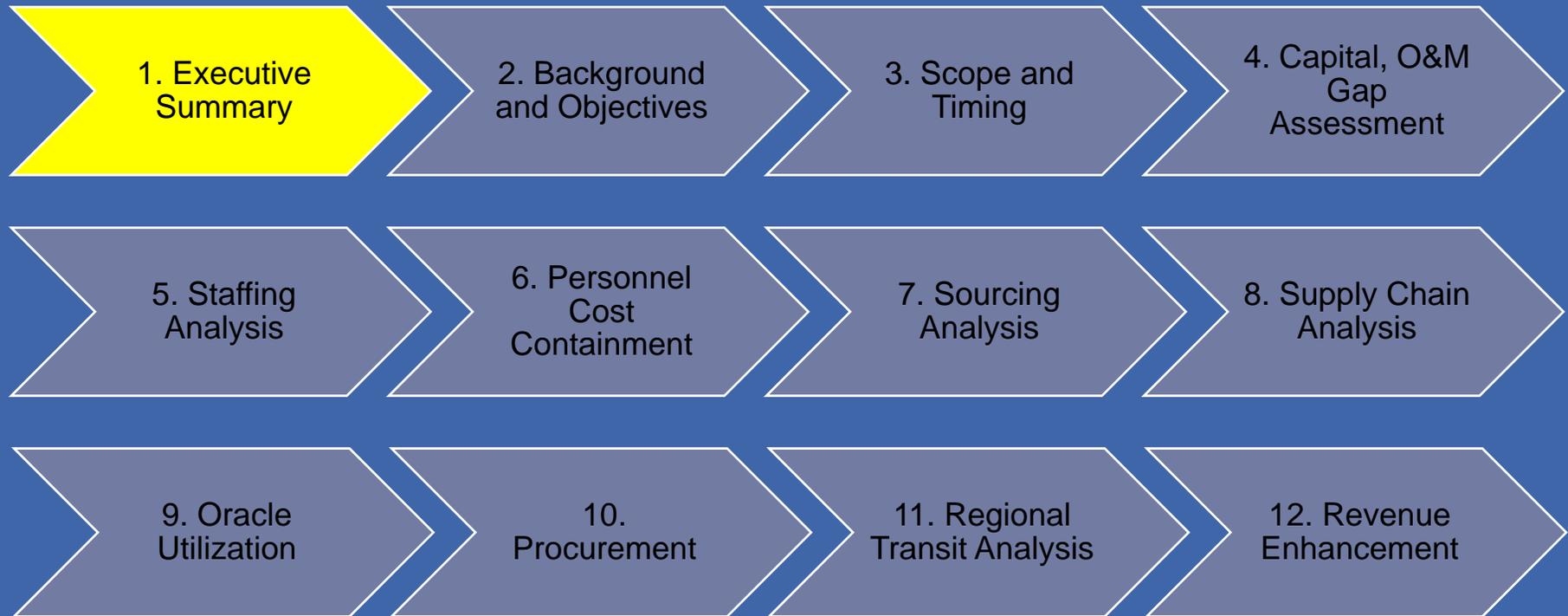




cutting through complexity™

MARTA
2012 Management Audit
PHASE II DRAFT

DRAFT - September 21, 2012



1. Executive Summary

Background and Objectives

MARTA engaged KPMG to provide a combination of operational audits and strategic advisory services to assess and improve MARTA's overall operational and financial effectiveness. This report focuses on strategic transformation. Key project objectives include: Analyzing current business processes and identifying specific near-term opportunities, identifying longer-term opportunities to improve overall effectiveness and efficiency, identifying new and enhanced methods of revenue generation, and driving sustainable, continuous improvement within MARTA.

Like most organizations, MARTA was forced to alter operations and services in reaction to significant downturns in the global, national, and local economies over the last decade.

Significant Economic Downturns

- ◆ 2001 and 2007 – 2009 recessions
- ◆ Significant impacts on state and local government revenues
- ◆ Sales tax revenues account for more than 50% of MARTA's operations
- ◆ MARTA ridership declined
- ◆ MARTA implemented drastic cost cutting and revenue enhancement measures

Economic Impact on Region and State

- ◆ MARTA employs more than 4,500 people
- ◆ MARTA contracts with local firms throughout the region, paying vendors approximately \$288 million between FY2010 and FY2011
- ◆ MARTA's presence generates approximately 25,000 jobs statewide

1. Executive Summary

Background and Objectives

MARTA has taken cost cutting actions over the past several years to become more efficient, reduce costs, and further provide value to customers and stakeholders. Examples of these actions include:

- ◆ Freezing employee wages for the past five years
- ◆ Instituting a mandatory two-week unpaid furlough program in FY10 and FY11 for non-represented employees
- ◆ Conducting a reduction in force in FY11 resulting in the reduction of over 700 positions and the lay-off of over 400 employees
- ◆ Engaging the Hay Group to assess MARTA's HR effectiveness, position and compensation classifications, and opportunities for improvement
- ◆ Increasing employees medical premium contributions – beginning in FY 2010 for non-represented employees and retirees and in FY 2012 for represented employees
- ◆ Other initiatives taken to reduce medical costs have included increases to co-pay for office visits, prescriptions and emergency room visits in 2011 and unbundling the plans (Medical, Dental, vision, pharmacy, etc.) when the contract was re-solicited in 2010

MARTA is in the process of obtaining approval for certain short-term cost savings for the non-represented defined benefit pension programs while examining options for more significant changes to offerings for the long-term.

In 2011, MARTA commissioned Phase I of the KPMG study in an effort to determine if efficiencies could be obtained. This report, representing Phase II of KPMG's work represents the next stage of MARTA's ongoing initiatives and identifies strategic transformation opportunities for MARTA to improve operational and financial effectiveness.

1. Executive Summary

Scope

The scope consisted of required tasks and a commitment to assess other high priority tasks

- ◆ Required tasks (Fixed tasks) were identified in project initiation
- ◆ Other high priority tasks (Variable tasks) were finalized with MARTA in the Strategic Assessment
- ◆ The purpose of the Strategic Assessment was to identify opportunities for further analysis
- ◆ Specific task procedures performed are detailed within each individual report section

Fixed Tasks

- **Capital O&M Gap Assessment**
- **Staffing Analysis**
- **Personnel Cost Containment Assessment –**
Healthcare Claims, Fringes and Benefits/Pension, Attendance, Workers' Compensation Claims, Collective Bargaining
- **Regional Transit Analysis**
- **Revenue Enhancement Opportunity Identification**

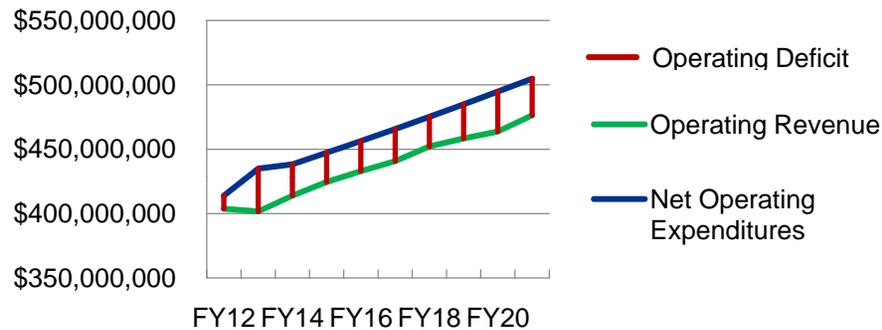
Variable Tasks

- **Sourcing Analysis –** *Finance and Accounting, Human Resources, IT, Risk Management, Customer Call Centers, Mobility (Paratransit), Cleaning*
- **Supply Chain Assessment**
- **Oracle Utilization Assessment**
- **Procurement Review**

1. Executive Summary

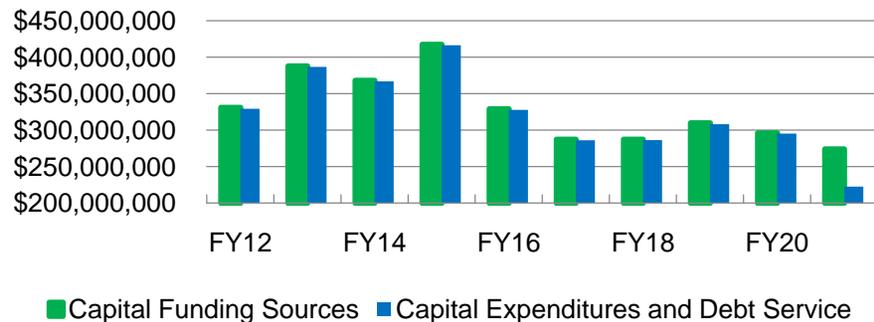
Capital, Operations and Maintenance Gap Assessment

**Operating Revenue vs. Expenditures,
FY12-21 (source: MARTA)**



FY12 FY14 FY16 FY18 FY20

**Capital Funding
Sources vs. Expenditures,
FY12-21 (source: MARTA)**



FY12 FY14 FY16 FY18 FY20

■ Capital Funding Sources ■ Capital Expenditures and Debt Service

- ◆ MARTA's projected operating expenditures will exceed revenues through 2021 based on steady state of current operations
- ◆ MARTA's projected operating revenue shortfall through FY21 is \$248 million
- ◆ Projected revenues do not consider future federal funding uncertainties
- ◆ Projected expenditures include a 2% annual increase to adjust for inflation, but do not include other pay increases
- ◆ MARTA is projected to fall below the MARTA Act 10% minimum reserve fund requirement in FY16
- ◆ MARTA is projected to exhaust its reserves by FY18
- ◆ MARTA's current economic model is unsustainable
- ◆ Fiscal sustainability requires MARTA to reduce its excess costs over revenue \$25 million annually
- ◆ If MARTA were to increase the annual salary wage base by 3%, the annual operating deficit would increase by approximately \$7million
- ◆ MARTA budgets capital projects to equal available capital funding. Based on forecasted funding levels, estimated useful life and original service date of major assets, there is an additional \$6 billion to \$7.1 billion in unfunded capital needs through FY21.

1. Executive Summary

Staffing Analysis

We identified 5 peer transit agencies to serve as a peer review panel for a staffing analysis. We analyzed variances between MARTA staffing levels and peer average staffing levels for Back Office support functions.

- ◆ Key findings include:
 - ◆ Unfavorable variances in Back Office Support functions include IT, Revenue Operations, Contracts & Procurement (includes contract administration and records management, procurement and inventory management)
 - ◆ Contributing factors may include; (1) manual work processes (2) utilization of technology (or lack thereof) (3) productivity of resources (4) statutory and local requirements
- ◆ To realize potential savings, MARTA should leverage the staffing analysis and further analyze variances among the peers
- ◆ MARTA should conduct a staffing assessment for its direct operational functions (rail, bus, paratransit) using peers with comparable operations and vehicle types (mode, infrastructure, demographics, state of good repair ratings, levels of automation, etc)
- ◆ MARTA should conduct a staffing assessment for its police function using Tier 1 agency peers with comparable operations (crime rates, demographics, safety perception, patrol patterns, use of vehicles, etc.). This peer assessment should also determine the use of sworn officers compared to security guards
- ◆ MARTA should conduct a staffing assessment for its system safety function using agency peers with comparable operations

1. Executive Summary

Personnel Cost Containment

Personnel operating costs for MARTA are \$345 million or 77% of its total operating budget. Improving MARTA's fiscal sustainability will require fundamental changes to MARTA's personnel operating costs. Working with management, KPMG identified 5 areas where MARTA's cost structure is significantly different than both the private sector and other government agencies, including:

- ◆ **Healthcare Claim Costs** – MARTA's annual healthcare claim costs are \$8.9 million higher than the national average including both public and private sectors. MARTA should restructure and/or renegotiate healthcare plans to be more consistent with other private and public plans
- ◆ **Retirement Costs** – MARTA's annual retirement costs are \$22.0 million more than the national average including both public and private sectors. MARTA should restructure legacy plans and/or renegotiate retirement options to be more consistent with other private and public plans
- ◆ **Attendance** – High absenteeism has created a need to carry extra employees that increases MARTA's benefit costs. The additional benefit costs on these FTEs approximate \$10.9 million annually. MARTA should change organizational structure, work rules, labor policies, and time and attendance systems to reduce absenteeism and related benefit costs
- ◆ **Workers Compensation Costs** – MARTA's annual workers compensation costs are \$5.5 million higher than the national average including both public and private sectors. MARTA should implement systems and policies to track and reduce its workers compensation costs
- ◆ **Collective Bargaining Agreement** – 64% of MARTA's workforce are governed by collective bargaining agreements. Represented employees pay significantly less for medical coverage and pension costs than the national average including both public and private sectors. The collective bargaining agreements do not assist MARTA in controlling absenteeism. MARTA should continue to work with represented employees to contribute towards MARTA's fiscal sustainability

MARTA employees (represented and non-represented) pay less for medical coverage and pension costs than the national average including both public and private sectors. Successful strategies to reduce costs in healthcare, retirement, absentee and workers compensation areas could save up to \$50 million annually.

1. Executive Summary

Sourcing Analysis

KPMG performed a Sourcing Analysis for MARTA's standard business functions using publicly available data and KPMG data catalogs for private and public entities. KPMG developed a functional time analysis to establish MARTA's baseline costs which we compared to sourcing options to determine the potential cost savings. KPMG also assessed the complexity, investment, impact on the customer, and ongoing management activities for sourcing alternatives. MARTA should prioritize and begin to implement sourcing options to reduce its overall cost structure.

Strategic initiatives have been evaluated according to the following factors:

- ◆ **Current Costs for Defined Opportunity** – Direct labor as determined by a functional time analysis completed by employees plus a percentage of non-labor operating costs
- ◆ **Comparison of Current Costs to Market Costs** – Market costs were identified for each functional area based upon KPMG proprietary data and other available information. The sourcing analysis includes the market average cost (sourced market comparison) for each function to compare to current MARTA operating costs and performance measures
- ◆ **Sourced Market Comparison** – Average cost and performance measures per function based upon market data representative of entities that source the task
- ◆ **Complexity** – Complexity of the function within MARTA's operating environment, viability of vendors in the marketplace, impact on labor agreement, and applicable federal transit laws
- ◆ **Investment Required** – Initial implementation and transition costs, sourcing agreement costs, and retained management costs
- ◆ **Projected 5 Year Savings** – Current operating costs less sourcing agreement costs and ongoing management costs
- ◆ **Recommended Action** – Potential next steps for aligning functions to MARTA cost-saving initiatives

1. Executive Summary

Sourcing Analysis

KPMG evaluated the following strategic initiatives:

Finance

Information Technology

Customer Care Center

Cleaning

Human Resources

Risk Management

Paratransit

- ◆ 7 business functions had a **low complexity** to outsource with **no impact on the customer**. Net 5-year savings on each function ranged from \$400,000 to \$13,100,000. The aggregate potential 5-year savings for the 7 functions range from \$17 million to \$27 million. The 7 functions include:

Accounts Payable

Benefits Administration

Employee Records and Data Management

Service Desk

Payroll

Recruiting and Staffing

End User Support

- ◆ 5 business functions had either a **medium complexity** to outsource or an **impact on the customer**. Net 5-year savings on each function ranged from \$0 to \$49,600,000. The aggregate potential 5-year savings for the 5 functions range from \$43million to \$115 million. The 5 functions include:

Telephony

Customer Care Center

Cleaning Services

Workers Compensation Claims Admin

Paratransit

The Sourcing Analysis is based on our analysis at the date of this report and the results could change based upon market conditions. MARTA should monitor market conditions to prioritize implementation of sourcing strategies. Successful implementation of these sourcing strategies for the 12 functions would require implementation costs totaling \$15 million and could result in the aggregate potential 5-year savings ranging from \$60 million to \$142 million.

1. Executive Summary

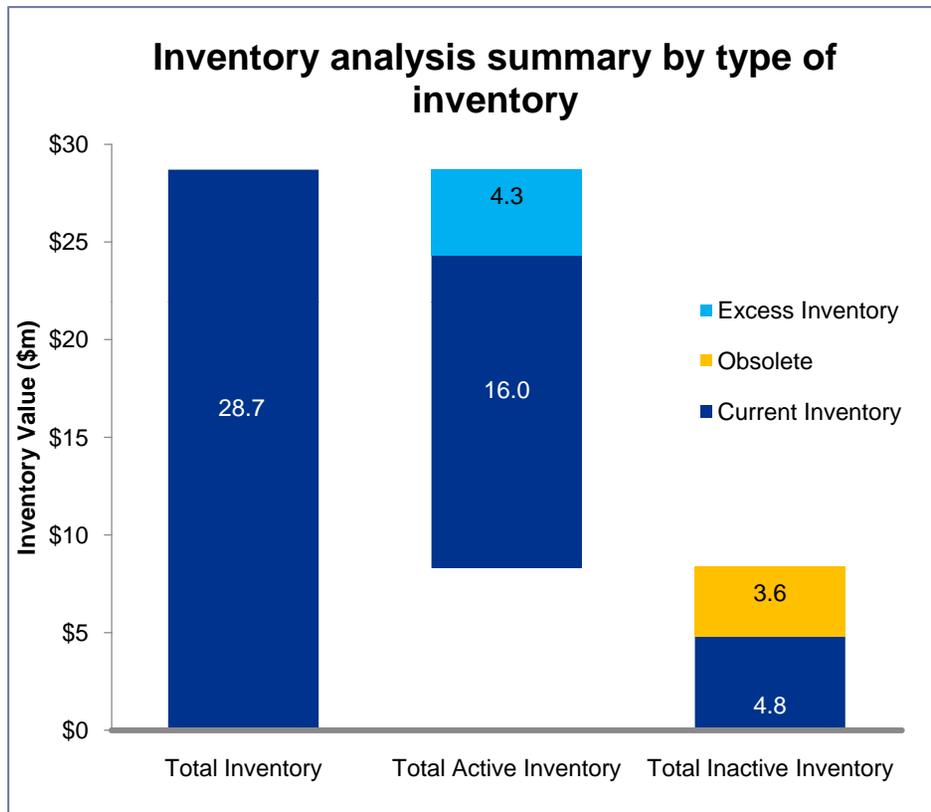
Sourcing Analysis

- ◆ MARTA should develop a strategy and roadmap for evaluating and implementing sourcing initiatives
 - ◆ Determine internal feasibility of sourcing the function (assess impact on labor agreement, federal transit laws, existing contracts, etc.)
 - ◆ Assess internal risk/reward in moving the function to an outside vendor
 - ◆ Finalize scope and objectives for sourcing opportunities
 - ◆ Finalize strategy and timeline for sourcing opportunities (order of the sourcing, interaction between initiatives, etc.)
 - ◆ Finalize financial business case based upon projected target operating model
 - ◆ Develop change management plan
 - ◆ Develop transition strategy
 - ◆ Finalize the sourcing implementation roadmap
- ◆ MARTA should link the developed sourcing implementation plan to annual budgeting processes
- ◆ MARTA should manage the sourcing implementation plan and regularly monitor progress towards plan goals

Successful sourcing implementation and transition for each opportunity could range between 6 to 12 months. Certain sourcing opportunities could potentially be bundled to be transitioned to a single vendor with a single implementation. Multiple sourcing opportunities (with different vendors) could also be implemented simultaneously.

1. Executive Summary

Supply Chain Analysis



- ◆ Total current inventory on hand: \$28.7M including \$20.3M for marked active inventory and \$8.4M for marked in-active inventory
- ◆ The age of MARTA's fleet is a contributing factor to the high levels of Rail and Linear Maintenance Inventory
- ◆ Obsolete parts are stored with active parts, leading to inefficiencies in store-room operations from space, pick, and location need
- ◆ MARTA inventory turnover is high, taking 297.46 days on average to turnover. Rail and Linear have the longest turnover periods
- ◆ Opportunity exists for impacting \$4.49M-\$4.93M of current inventory by implementing formal disposition strategies, accelerating current dispositions, and reviewing inventory replenishment policies
- ◆ Vendor Managed Inventory (VMI) can help MARTA shift from a "Just in Case" inventory strategy to a "Just in Time" inventory strategy resulting in potential annual savings of \$2.7 to \$5.5 million

1. Executive Summary

Oracle Utilization

KPMG performed an analysis for MARTA's Oracle utilization including assessment of owned and not utilized functionality, and available functionality not owned. KPMG interviewed MARTA's IT staff, business owners, and management. We also analyzed MARTA's IT usage and IT impact on operations.

- ◆ KPMG noted 2 applications (Purchasing and iProcurement) that MARTA owns but is not fully utilizing. Full implementation of these applications and related changes in business process could result in a savings of 12 FTEs or \$800,000 per year
- ◆ KPMG also noted additional Oracle functionality in iRecruitment, HR Self Service, and iLearning that MARTA could adopt. Purchase and implementation of the 3 applications could result in savings of 15 FTEs or \$1,100,000 per year

Procurement

KPMG performed an analysis for MARTA's procurement function. KPMG interviewed procurement personnel and observed specific business processes.

- ◆ KPMG noted that manual procurement processes within MARTA contribute to high personnel costs, increased risk of error, and challenges for reporting and analytics
- ◆ Certain procedures add administrative burdens that do not properly align to managing risks within the process. MARTA should understand procurement risks and update governing requirements aligned to manage those risks
- ◆ As MARTA increases sourcing activities, weaknesses in the contract management function in C&P and project management in user departments will be magnified

Regional Transit Analysis

KPMG performed an analysis of peer regional transit agencies including GRTA, Cobb Community Transit, and Gwinnett County Transit. We noted that GRTA, Cobb Community Transit, and Gwinnett County Transit use third party vendors to operate and maintain their transit systems. Because the regional peer agencies currently have outsourced arrangements, there do not appear to be any significant near-term opportunities for direct operating and/or maintenance shared services between MARTA and its regional peers. For longer term planning, MARTA and regional peers may achieve economies of scale by consolidating potentially duplicative vendor-provided functions into a regional sourcing model.

1. Executive Summary

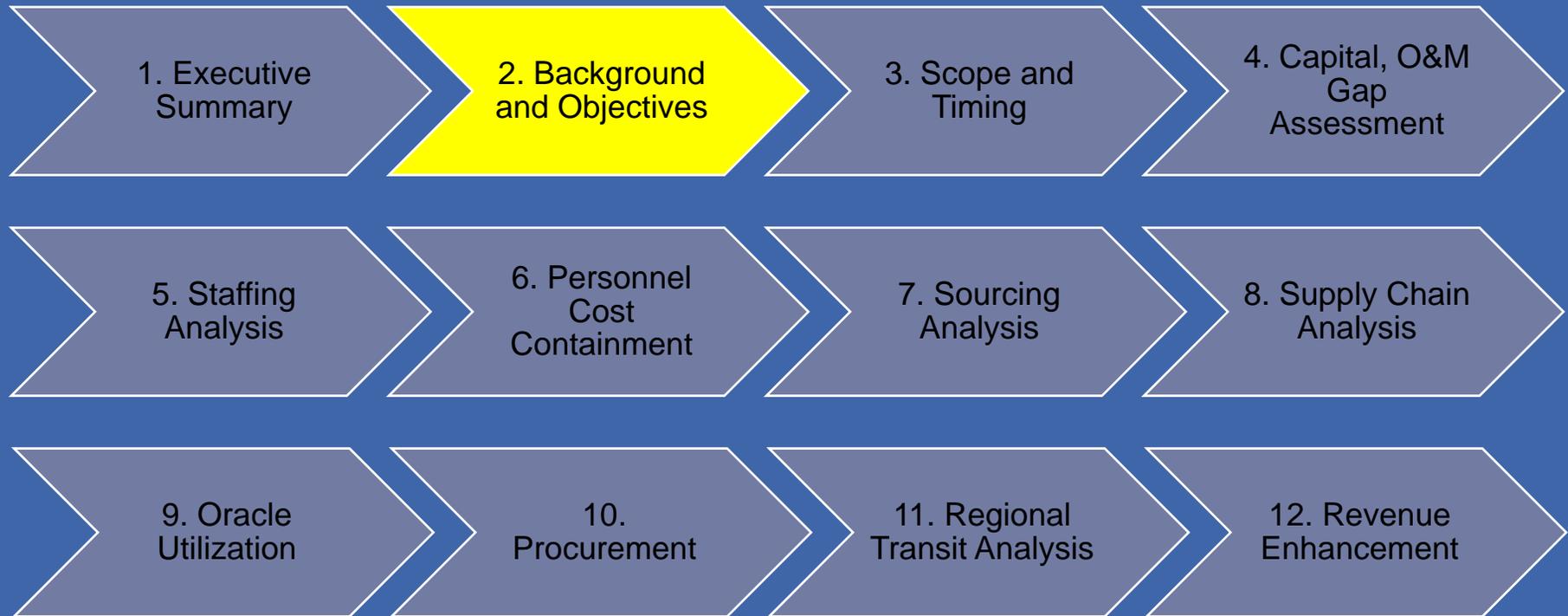
Revenue Enhancement

KPMG performed an analysis on MARTA's current revenue sources and compared to peer revenue sources. KPMG noted the following revenue opportunities:

- ◆ **Potential revenue enhancements** – increased wrapped vehicle advertisements, increased billboard development, daily parking fees, and expanding vending programs. MARTA should assess its fare recovery strategy and potential use of open payment systems. MARTA should also assess existing reciprocity agreements or services provided to local governments to better understand fully burdened associated costs
- ◆ **Additional revenue opportunities** – surcharges for cash fares, reserved parking fees, parking fees for non-residents (where federal funding was not used for construction of parking lots), alcohol advertisements, contracting station naming rights, advertising on itsmarta.com, concessions leasing, traffic fine recovery, air rights leasing, logo-branded Breeze cards, fare advertising, and secure bicycle storage

Conclusion

MARTA's current economic model is structurally unsustainable with costs projected to be greater than revenue for each year through 2021. MARTA must make significant and fundamental changes to operations to avoid across the board cuts that will adversely affect operational and customer service. MARTA's Healthcare Claim, Retirement, and Workers Compensation costs are \$50 million higher than national averages including both private and public sectors. Successful strategies to migrate from legacy plans and reduce costs in healthcare, retirement, absentee and workers compensation areas could save up to \$50 million annually. MARTA should also consider outsourcing functions, many of which are non-core, detailed in this report. Successful implementation of these sourcing strategies could result in the aggregate potential 5-year savings ranging from \$60 million to \$142 million. MARTA has other opportunities to contain costs and improve efficiency by making changes in its supply chain management, utilization of Oracle, and procurement function. MARTA should also explore additional opportunities to enhance existing revenue streams and add new revenue streams.



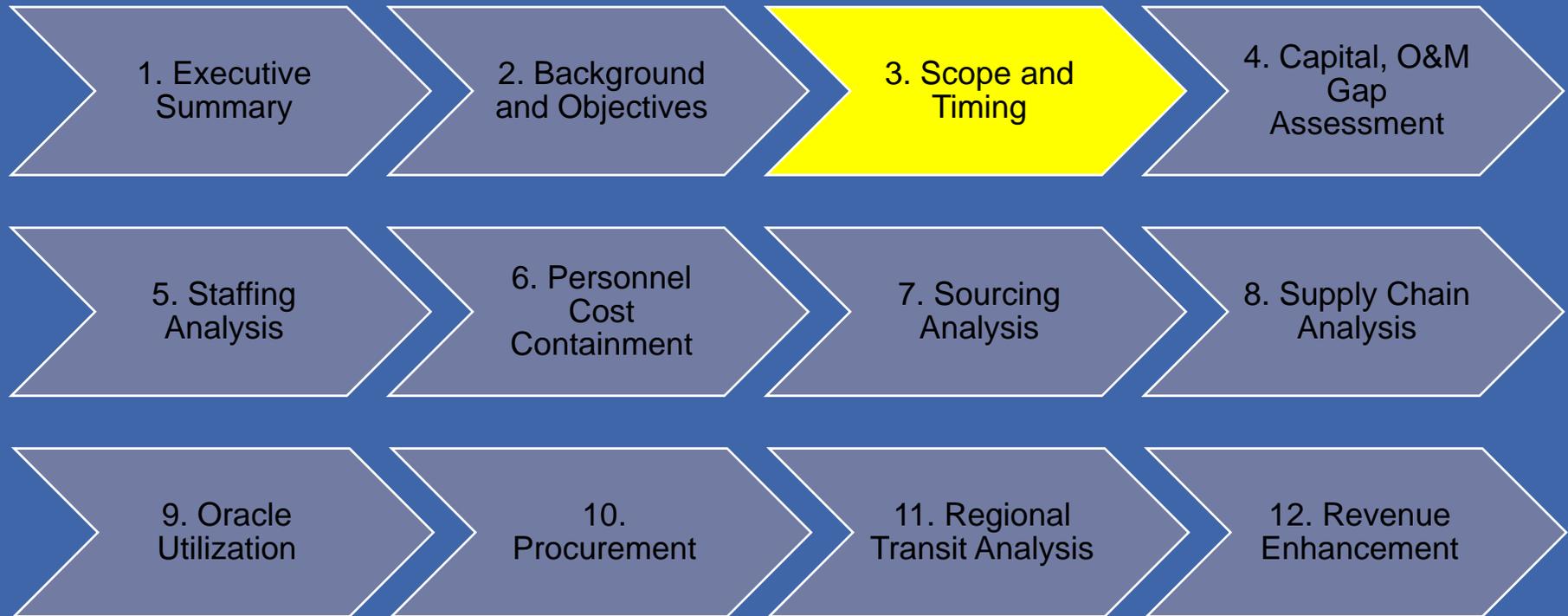
2. Background and Objectives

MARTA engaged KPMG to provide a combination of operational audits and strategic advisory services to assess and improve MARTA's overall operational and financial effectiveness. Key objectives include:

- ◆ Analyzing current business processes and identify specific near-term opportunities
- ◆ Identifying longer-term opportunities to improve overall effectiveness and efficiency
- ◆ Identifying new and enhanced methods of revenue generation
- ◆ Drive sustainable, continuous improvement within MARTA
- ◆ Assist MARTA to enhance its overall performance management, reporting and communications across key business areas

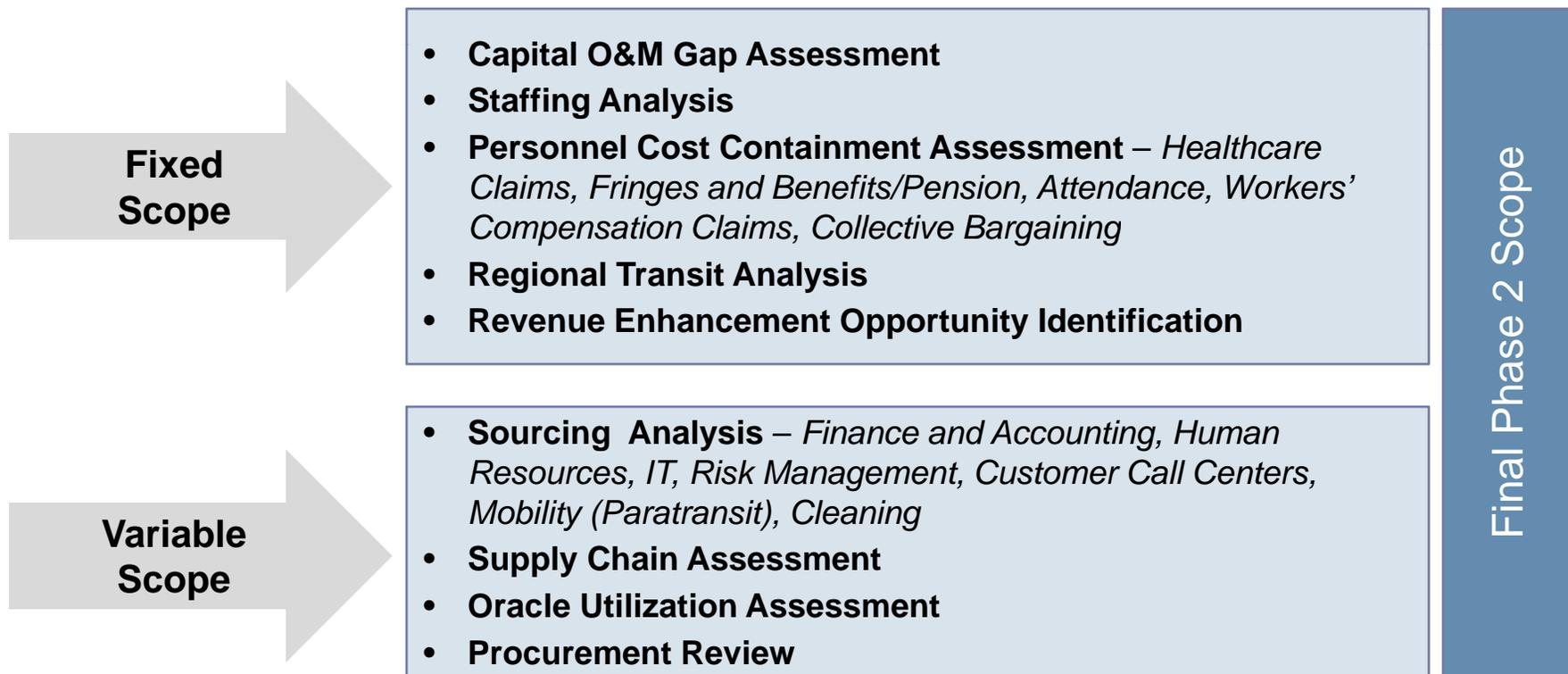
2012 Management Audit – *Focused on Strategic Transformation*





3. Scope and Timing

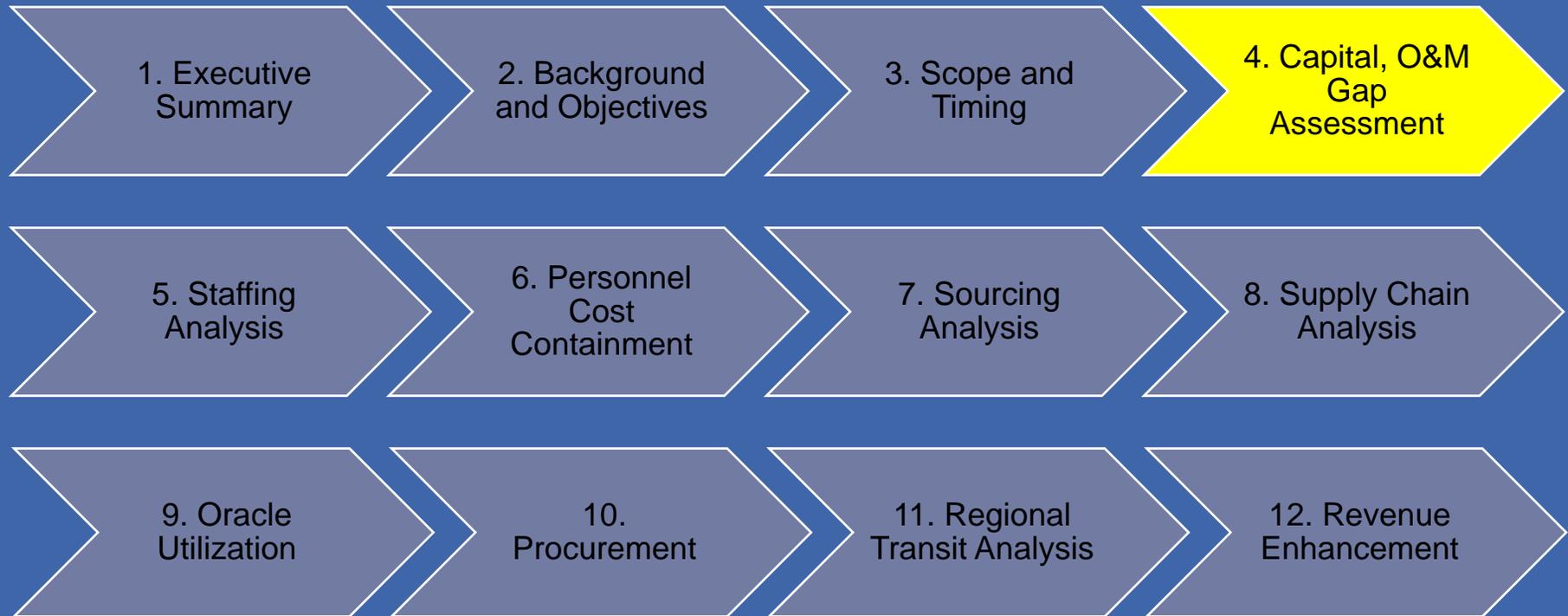
- ◆ The Scope consisted of required tasks and a commitment to assess other high priority tasks
- ◆ Required tasks, also referred to as Fixed tasks, were identified in Phase 2 project initiation (March 2012)
- ◆ Other high priority tasks, also referred to as Variable tasks, were determined and agreed upon with MARTA during the 30-Day Strategic Assessment (April 2012)
- ◆ The purpose of the 30-Day Strategic Assessment was to identify future strategic change opportunities throughout the organization for further analysis



3. Scope and Timing

- ◆ The table below shows key project milestone events and timing
- ◆ Specific task objectives and procedures performed are detailed within each individual report section

Timing	Key Milestone
January – February 2012	Defined Phase 2 Scope with MARTA <ul style="list-style-type: none"> • Fixed Tasks • 30-Day Strategic Assessment to Determine Variable Tasks
March 2012	Began Phase 2 work
March – April 2012	Conducted 30-Day Strategic Assessment - Interviewed key employees (including EMT) regarding strategic initiatives (Variable Tasks)
April 2012	Participated in APTA Peer Review Panel meeting. MARTA assembled a panel of peers to provide insight for specific transformational initiatives
April 2012	Presented status update and Variable Tasks to EMT
May 2012	Presented status update and Variable Tasks to Audit Committee
May – June 2012	Conducted follow up meetings (as applicable) with APTA peer review panel members
June 2012	Presented scope to Amalgamated Transit Union officials
July 2012	Presented status update to EMT
August 2012	Presented Draft Phase 2 Deliverables to MARTA
September 2012	Presented Final Phase 2 Deliverables to MARTA



4. Capital, Operations and Maintenance Gap Assessment

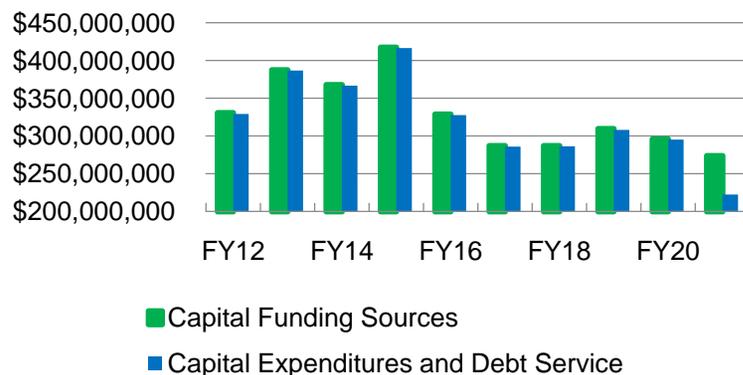
Approach and Assumptions

Objective: Review MARTA's documented estimated future capital, operations, and maintenance gaps and the assumptions/projections used to estimate future gaps

Procedures: KPMG performed the following procedures for the Capital and O&M Assessment:

- ◆ Conducted interviews with financial, capital and programmatic personnel
- ◆ Reviewed revenue estimates prepared for MARTA by an outside party and researched how projections are developed
- ◆ Reviewed budgets developed by MARTA departments and assumptions or metrics used to develop the budget

Capital Funding Sources vs. Expenditures, FY12-21



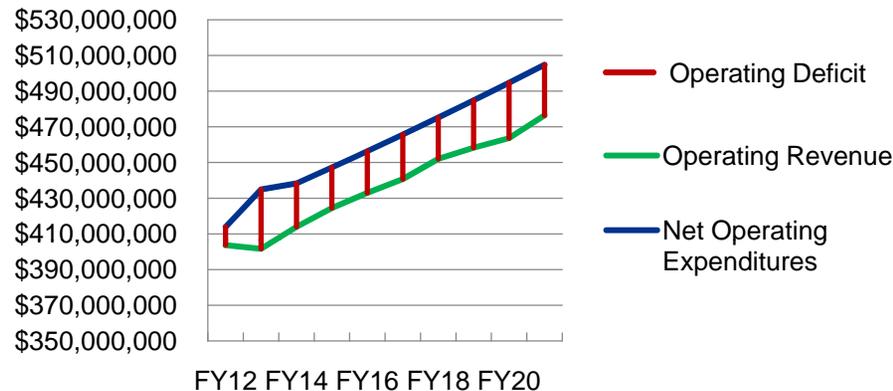
Capital Funding

- ◆ MARTA budgets capital projects to equal available capital funding. Based on forecasted funding levels, estimated useful life and original service date of major assets, there is an additional \$6 billion to \$7.1 billion in unfunded capital needs through FY21
- ◆ Capital expenditures decrease beginning in FY16 because of fewer cyclical projects currently planned due to funding gaps
- ◆ FY21 has apparent surplus capital funding due to the fact that FY21 Capital projects have not been fully allocated

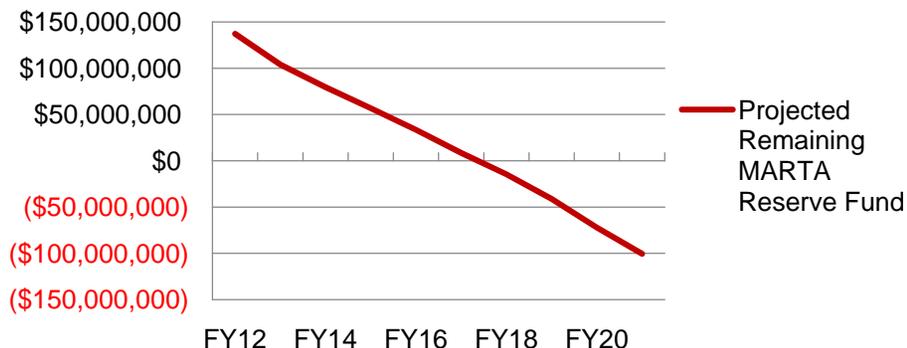
4. Capital, Operations and Maintenance Gap Assessment

Gap Assessment

Operating Revenue vs. Expenditures, FY12-21 (source: MARTA)



Projected Remaining MARTA Reserve Fund, FY12-21 (source: MARTA)



Revenue vs. Expenditures

- ◆ MARTA's projected operating expenditures will exceed revenues for next ten fiscal years based on steady state of current operations
- ◆ MARTA's projected operating revenue shortfall through FY16 is \$114 million
- ◆ MARTA's projected operating revenue shortfall through FY21 is \$248 million
- ◆ Projected revenues do not consider future federal funding uncertainties
- ◆ Projected expenditures include a 2% annual increase to adjust for inflation, but do not include other pay increases
- ◆ Projected funding gap remains relatively constant, averaging \$25 million annually
- ◆ If MARTA were to increase the annual salary wage base by 3%, the annual operating deficit would increase by approximately \$7 million

Reserve Fund

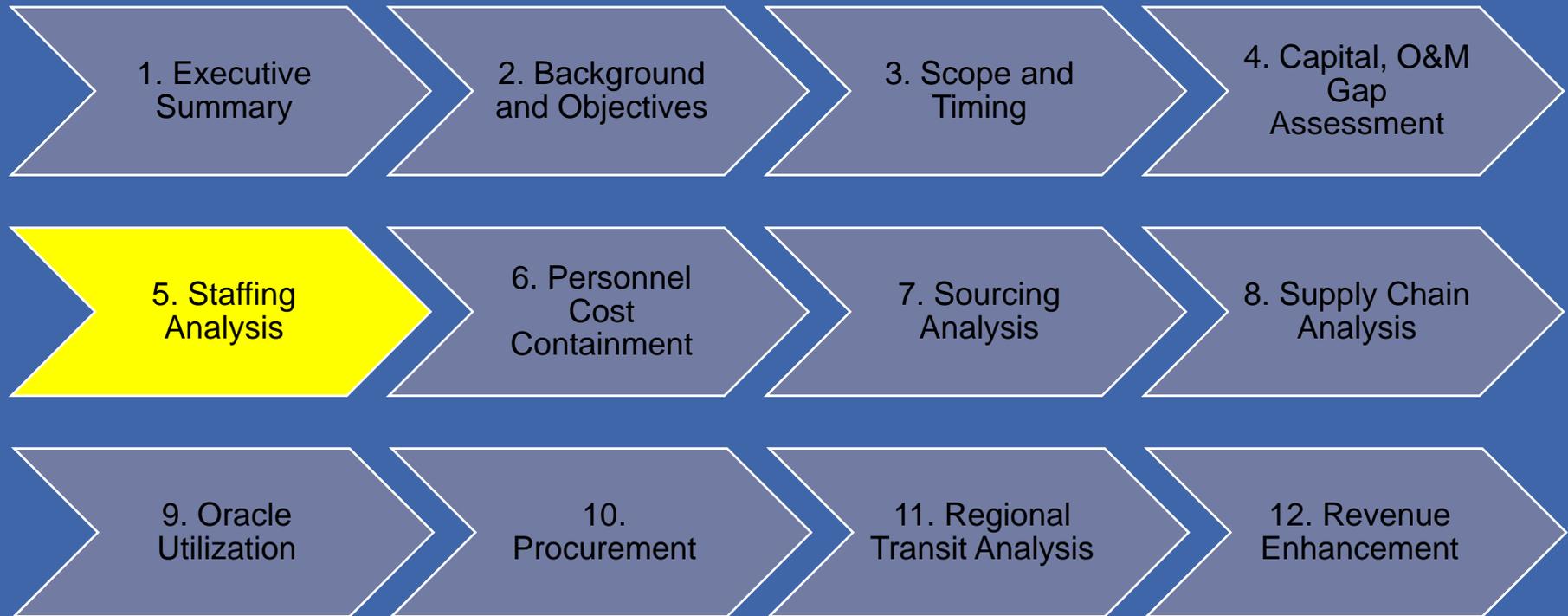
- ◆ MARTA Act requires reserves to equal 10% of previous year's operating revenue
- ◆ MARTA is projected to fall below the minimum reserve fund requirement in FY16 and exhaust its reserve fund by FY18

4. Capital, Operations and Maintenance Gap Assessment

Summary

Summary

- ◆ MARTA uses a comprehensive approach to budget development
- ◆ MARTA has an annual shortfall ranging between \$10 million and \$33 million. If MARTA were to increase the annual salary wage base by 3%, the annual operating deficit would increase by approximately \$7million
- ◆ The annual revenue shortfall does not reflect unfunded capital program needs in the rolling ten-year capital plan. Based on forecasted funding levels, estimated useful life and original service date of major assets, there is an additional \$6 billion to \$7.1 billion in unfunded capital needs through FY21
- ◆ MARTA's current economic model is not sustainable due to the revenue shortfall
- ◆ For long-term fiscal sustainability, MARTA must alter its revenue or funding sources or decrease its cost structure by a minimum of approximately \$25 million annually assuming steady state of current operations



5. Staffing Analysis

Approach and Assumptions

Objective: Phase 2 scope included an analysis of MARTA's back office staffing levels as compared to transit peer organizations

Procedures: The following procedures were performed for the Staffing Analysis:

- ◆ MARTA worked with APTA to select five transit agencies to serve as a peer review panel for a staffing analysis:
 - ◆ Bay Area Rapid Transit District (BART) – San Francisco, CA
 - ◆ Regional Transportation District (RTD) – Denver, CO
 - ◆ San Diego Metropolitan Transit System (San Diego) – San Diego, CA
 - ◆ Southeastern Pennsylvania Transportation Authority (SEPTA) – Philadelphia, PA
 - ◆ Utah Transit Authority (UTA) – Salt Lake City, UT

- ◆ KPMG prepared a standard data request template for the peer review panel to compare staffing levels with MARTA

- ◆ The data request template was designed to obtain staffing levels by functional categories similar to MARTA's structure. Peer data was collected by function for filled FTE positions only (no vacancies), and included both in-house and contracted services as reported at the end of the peer's FY2011

5. Staffing Analysis

Approach and Assumptions

Assumptions: KPMG made the following assumptions for the Staffing Analysis:

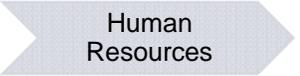
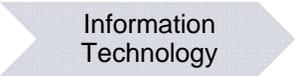
- ◆ All statistics and staffing figures used in this analysis were self-reported by MARTA's transit industry peers
- ◆ Data representing outliers were excluded when computing peer averages where necessary
- ◆ FTE percentages and counts have been rounded for presentation purposes

Next Steps: The following are next steps for MARTA

- ◆ The Staffing Analysis should be used as a guide to identify and prioritize issues for MARTA's consideration
- ◆ MARTA should conduct a staffing assessment for its direct operational functions (rail, bus, paratransit) using peers with comparable operations and vehicle types (mode, infrastructure, demographics, state of good repair ratings, levels of automation, etc)
- ◆ MARTA should conduct a staffing assessment for its police function using Tier 1 agency peers with comparable operations (crime rates, demographics, safety perception, patrol patterns, use of vehicles, etc.). This peer assessment should also determine the use of sworn officers compared to security guards
- ◆ MARTA should conduct a staffing assessment for its system safety function using agency peers with comparable operations and characteristics (legal environment, sovereign immunity status, etc.)

5. Staffing Analysis

Breakdown by Level

Level 1	Level 2	Level 3
 Back Office Support	 Business Support	Revenue Operations Contracts and Procurement Communication and External Affairs Transit System Planning Programs and Contract Management Accounting Administrative Services
	 Human Resources	Human Resources Information Systems (HRIS) Training Diversity and Equal Opportunity Labor Relations
	 Information Technology	IT Infrastructure IT Application IT Program Management Office
		Internal Audit Risk Management Marketing and Sales Legal Services Office of Management and Budget Treasury Federal and State Programs

5. Staffing Analysis

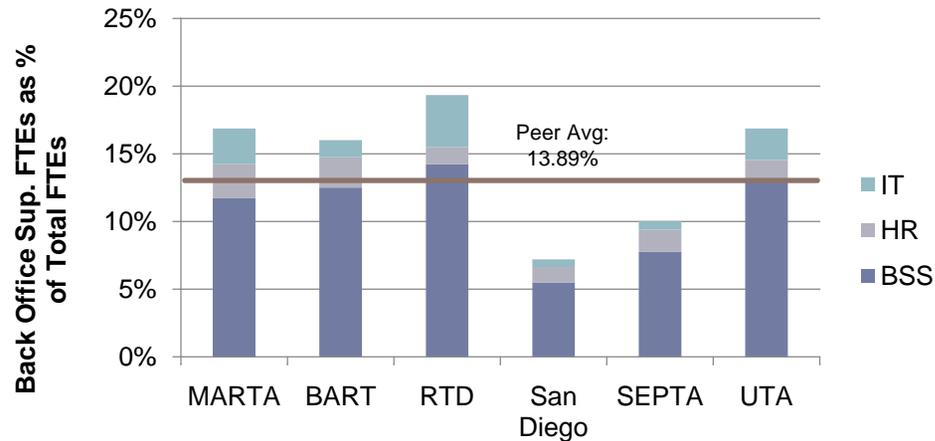
Summary – Back Office Support

Functional Area (Operational Functions Excluded)	% of Total FTE's		Variance	
	MARTA	Peer Avg	%	FTE's
MARTA is less than peer average (favorable):				
Treasury	0.2%	0.6%	-0.4%	(18.0)
Marketing & Sales	0.3%	0.7%	-0.4%	(19.1)
Transit System Planning	1.0%	1.3%	-0.3%	(14.4)
Communications & External Affairs	1.2%	1.6%	-0.4%	(19.4)
Legal Services	0.3%	0.4%	-0.1%	(6.1)
Management and Budget	0.2%	0.3%	-0.1%	(2.9)
Federal & State Programs	0.1%	0.2%	-0.1%	(2.4)
Labor Relations	0.1%	0.2%	-0.1%	(2.6)
Accounting	0.9%	0.9%	0.0%	(0.6)
Favorable Subtotal				(85.6)
MARTA is higher than peer average (unfavorable):				
Information Technology	2.6%	1.7%	0.9%	40.1
Revenue Operations	3.3%	1.1%	2.2%	98.9
Training	1.3%	0.5%	0.7%	32.2
Contracts & Procurement	2.0%	1.6%	0.4%	16.5
DEO	0.4%	0.2%	0.2%	9.1
Risk Management	0.4%	0.3%	0.1%	4.4
HRIS	0.8%	0.7%	0.1%	4.4
Internal Audit	0.4%	0.2%	0.2%	10.6
Programs and Contract Management	1.0%	1.0%	0.0%	1.0
Administrative Services	0.6%	0.6%	0.0%	0.3
Unfavorable Subtotal				217.5
Net Total				131.9

- ◆ We analyzed the variances between MARTA staffing levels and the peer averages for comparable back office support functions
- ◆ Unfavorable variances include Back Office Support functions (such as IT, Revenue Operations, Contracts & Procurement, etc.). Contributing factors may include; (1) manual work processes (2) utilization of technology (or lack thereof) (3) productivity of resources (4) statutory and local requirements
- ◆ To realize potential savings, MARTA should leverage the staffing analysis and further analyze variances among the peers

5. Staffing Analysis

Back Office Support

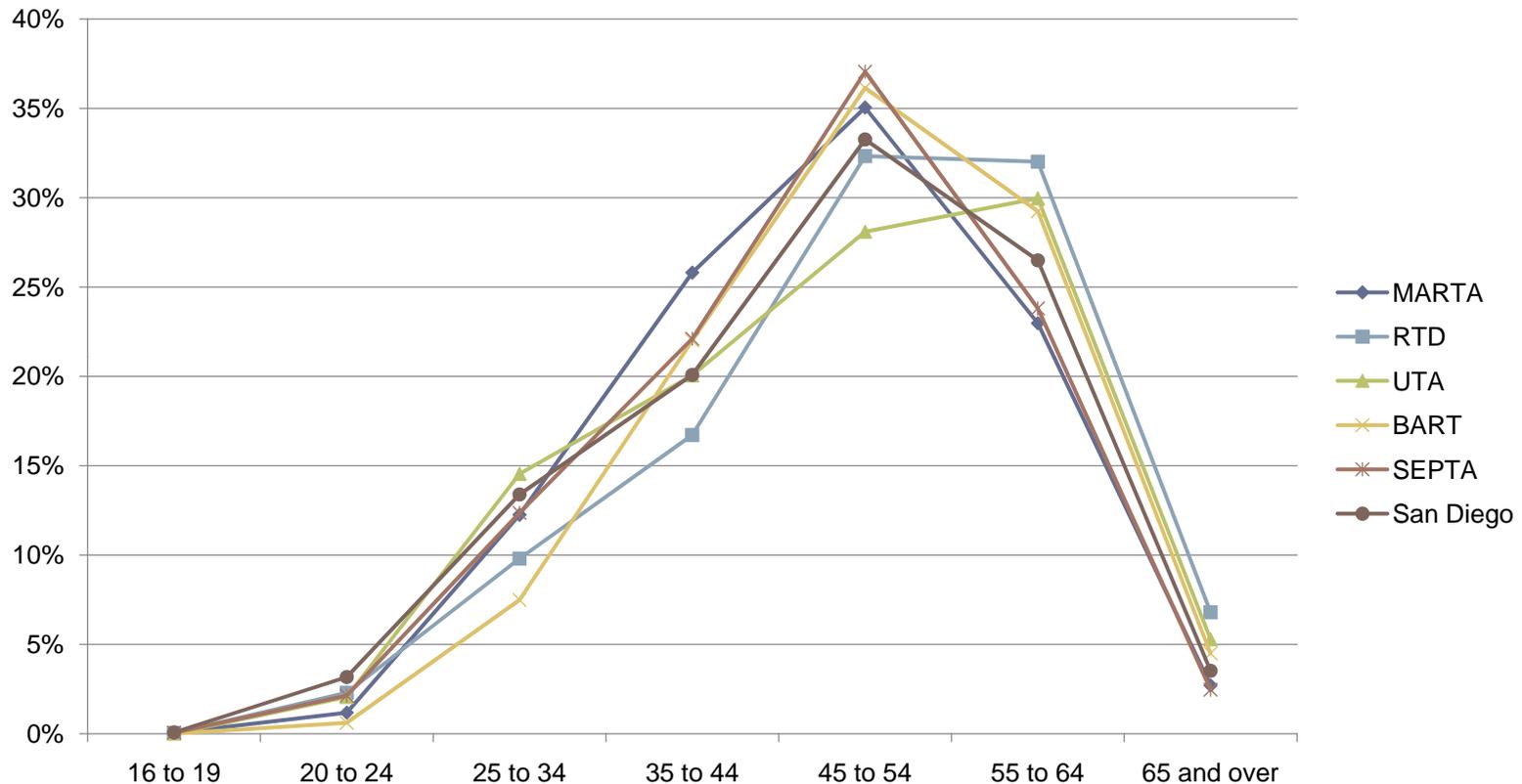


FTE's	MARTA	BART	RTD	San Diego	SEPTA	UTA
Back Office Support						
Business Support Services	516	356	304	155	821	271
Human Resources	111	64	27	33	174	29
Information Technology	116	36	82	16	66	48
Back Office Support Total	743	456	413	204	1,061	348
Organization Total	4,402	2,848	2,135	2,825	10,590	2,062
Back Office % of Total	16.88%	16.00%	19.34%	7.20%	10.02%	16.88%

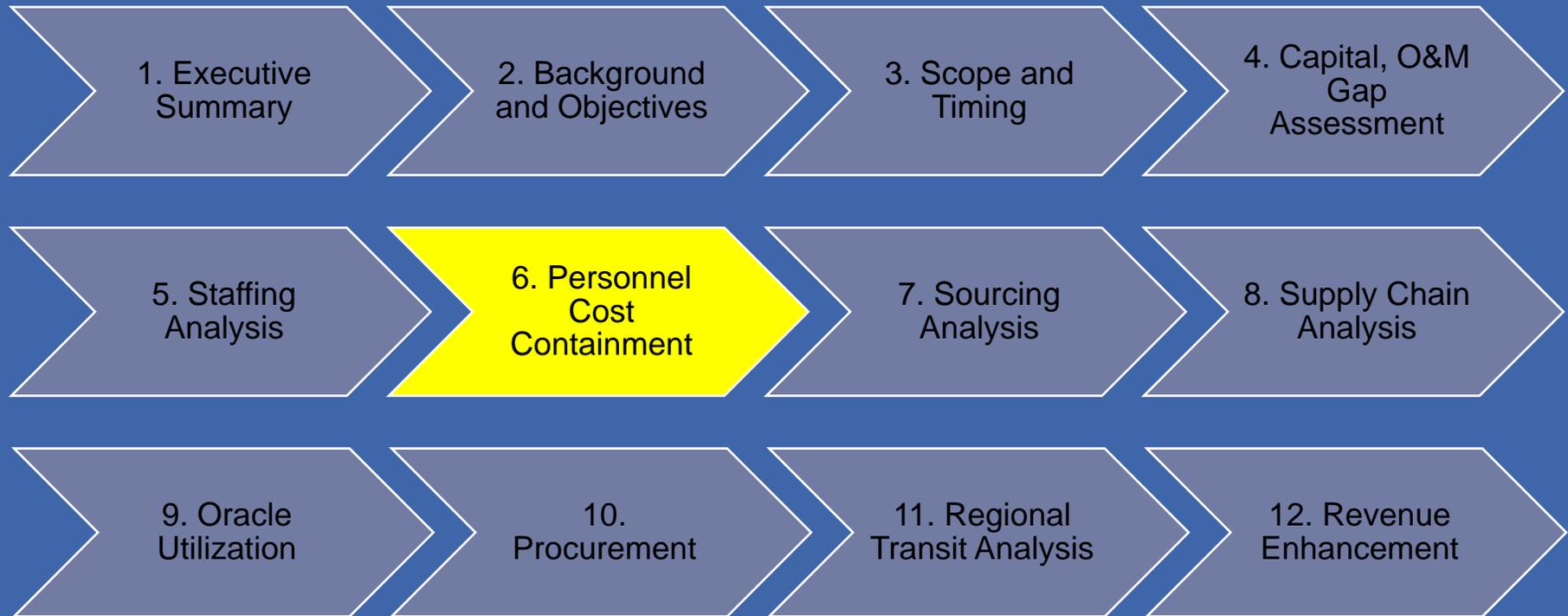
- ◆ Actual reported FTE counts are listed in the table above for MARTA and peers. Because the services and operations differ, FTE ratios (% of total) were developed to provide a more accurate comparison among the peers
- ◆ Overall, Back Office Support FTE's are 21% higher than the peer average (16.88 compared to 13.89). This difference of 2.99 represents 131 MARTA FTE's more than the peer average
- ◆ Business Support Services, Human Resources, and Information Technology were 1.10% (or 48 MARTA FTE's), .98% (or 43 MARTA FTE's), and .91% (or 40 MARTA FTE's) higher than the peer average, respectively
- ◆ Contributing factors may include: (1) manual work processes; (2) utilization of technology (or lack thereof); (3) productivity of resources; (4) statutory and local requirements

5. Staffing Analysis

Demographics - Distribution of Workforce by Age



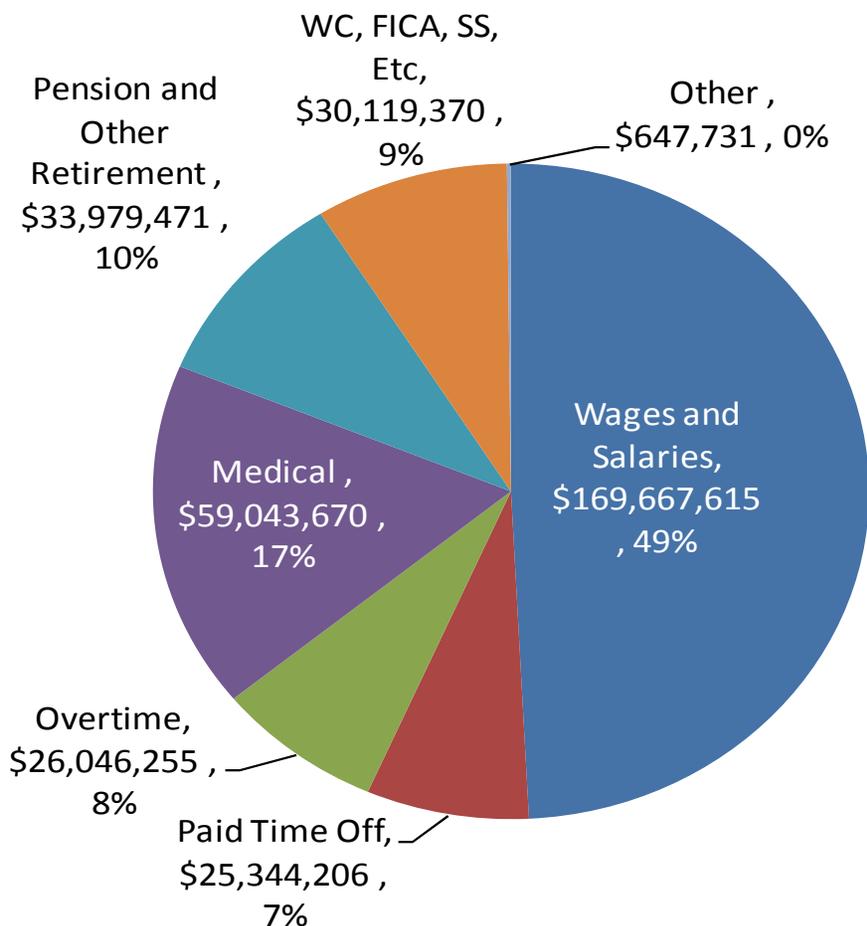
- ◆ Overall, the transit industry consists of an older workforce as compared to the average age of the workforce reported by the Bureau of Labor Statistics (BLS 2011)
- ◆ MARTA's workforce's age distribution appears consistent with the peers
- ◆ A transition toward the BLS average may have beneficial impacts to MARTA, such as healthcare and pension cost savings



6. Cost Containment Assessment of MARTA's Primary Cost Drivers

FY2011 Total Personnel Operating Costs: \$344.8 Million
FY2011 Total Personnel Costs are 77% of Total Operating Budget

Personnel Cost Types as a Percentage of Total Personnel Costs



MARTA has implemented multiple initiatives over the years to reduce personnel costs:

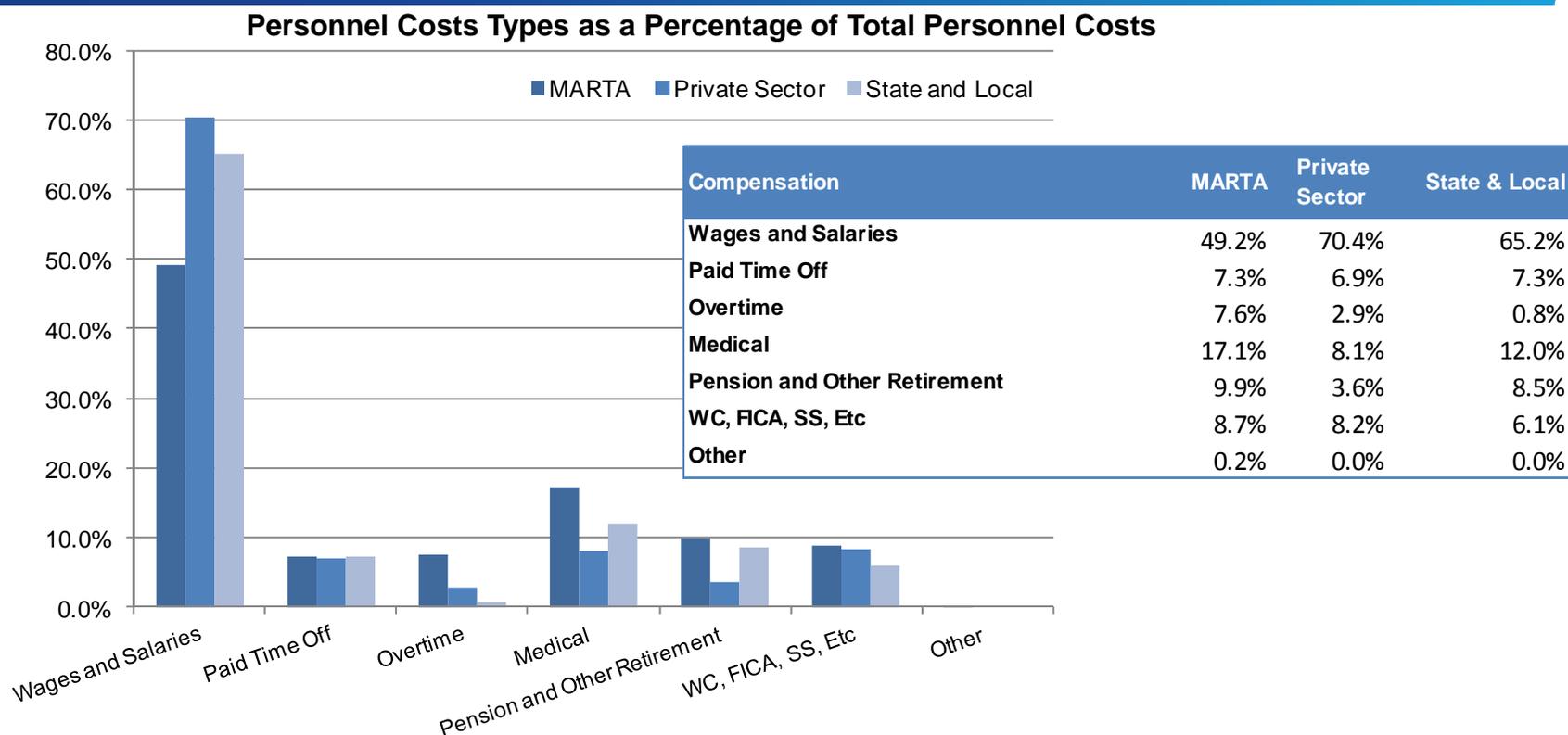
- ◆ Increasing represented and non-represented employee medical premium contributions
- ◆ Increased non-represented retiree medical premium contributions
- ◆ Increasing co-pay amounts

MARTA is currently pursuing initiatives to reduce non-represented retirement costs.

MARTA should continue to pursue significant personnel cost savings initiatives.

6. Cost Containment Assessment of MARTA's Primary Cost Drivers

Personnel Cost Comparison



- ◆ MARTA's Wages and Salaries as a percentage of Total Personnel Costs are lower than private sector and state and local averages
- ◆ MARTA's Medical, Pension and Other Retirement, and WC, FICA, SS costs as a percentage of Total Personnel Costs are higher than private sector and state and local averages
- ◆ KPMG compared MARTA's personnel cost types as a Percentage of Total Personnel Costs to multiple transit peers
 - ◆ MARTA's labor costs (wages and salaries, paid time off, and overtime) as a percentage of Total Personnel Costs are approximately 3.5% lower than peers
 - ◆ MARTA's fringe costs (Medical, Pension and Other Retirement, and WC, FICA, SS) as a percentage of Total Personnel Costs are approximately 3.5% higher than peers

6. Cost Containment Assessment: Healthcare Claims

FY2011 Medical Costs: \$59 Million

MARTA FY2011 medical premium costs averaged \$11,556 per employee, which is 18% higher than the national average of \$9,792 per employee.

Root Causes

1. MARTA medical premium costs increased 12.3% from 2011 to 2012, compared to the Atlanta average increase of 6.6% and the national average increase of 7.0%.
2. MARTA employees have four choices for healthcare. Participation in the Cigna HMO plan is 44.9%, Cigna POS is 47.8%, Cigna PPO (plan of highest cost to MARTA) is 2.4%, and Kaiser HMO (plan of lowest cost to MARTA) is 5.0%.
3. MARTA employees (active and retired participants in medical plans) contribute on average 10.2% of the premium for single coverage, compared to the national average contribution of 18%. MARTA's covered workers contribute on average 10.6% of the premium for family coverage, compared to the national average contribution of 28%.
4. MARTA's workforce is older than the national labor force population. 84% of MARTA's workforce is within the age range of 35 and 64 years, compared to 60% of the national labor force population.
5. Approximately 1/3 of MARTA's workforce has a sedentary job function, resulting in increased health risk factors.
6. MARTA's retiree medical benefits approximated \$9.6 million in 2011. MARTA's policy for retiree contribution to healthcare benefits results in 59% of retirees contributing nothing towards their medical premiums. Currently 3 of the 4 healthcare plans for retired represented employees do not require any retiree contributions.

Based on a analysis of medical premium costs and total participants, current medical benefits are costing MARTA \$8.9 million more annually than the national average.

Recommended Action

1. Restructure and/or negotiate healthcare plans that reduce direct costs to MARTA. This can include, as examples, adjusting plan design, reducing/eliminating spousal benefits, increasing employee contributions and reducing the number of healthcare plans available.
2. Develop a total compensation strategy that is attractive to a workforce representative of the average national labor force, which has lower risk. This includes shifting the balance of benefits to salary.
3. Develop hiring strategies which focus on ensuring applicant fitness for duty. Develop effective incentives for healthy lifestyle habits and choices. Continue offering fitness strategies and programs to employees.

6. Cost Containment Assessment: Retirement Costs

FY2011 Retirement Costs: \$34 Million

MARTA's retirement cost per hours worked is \$3.96, compared to the state and local government average of \$3.49 and the private sector average of \$1.02.

MARTA's pension costs are 9.9% of total personnel costs, compared to the state and local government average of 8.5% and the private sector average of 3.6%.

Root Causes

1. The vast majority of MARTA employees have been covered by defined benefit (DB) retirement programs. These DB plans have resulted in a volatile cost structure causing variability in the budgeting process. In 2011, MARTA contributed \$18.8M towards an underfunded legacy pension program for non-represented employees.
2. 98% of MARTA's 2011 retirement costs related to its DB plans (defined contribution plans represented the other 2%). The state and local government average for DB plans was 90.6% and the private sector average for DB plans was 41.7%.
3. MARTA retirement strategies are not consistent with private sector trends over the last three decades. Private sector participation in:
 - ❑ DB plans decreased from 38% to 20%
 - ❑ DC plans increased from 8% to 31%

Based on a analysis of MARTA retirement benefits and annual employee hours worked, current retirement programs cost MARTA \$22.0 million more annually than the national average including both public and private sector retirement programs.

New government pension accounting standards will require governments to prospectively change the way pension costs are incurred and pension liabilities are reported. Changes to discount rates requiring use of the high quality tax exempt borrowing rates for unfunded assets, limitations to amortization periods and limitations to smoothing provisions in actuarial gains and losses may result in governments recording and reporting additional pension expense.

Recommended Action

1. Restructure and/or negotiate pension plan options that reduce direct costs, limit financial risks and increase cost predictability to MARTA.
 - ❑ Shift employee retirement programs towards defined contribution plans.
 - ❑ Reduce the pension liability by freezing benefit accruals or adjusting factors determining benefit levels such as employee eligibility and use of sick leave in total credited service calculation.

6. Cost Containment Assessment: PTO and Attendance

FY2011 Total Paid Leave Costs: \$25 Million

FY2011 Total Attendance: Approximately 84%

MARTA paid leave is 7.51% of personnel costs, reasonably comparable to the state and local government average of 7.3% and the private sector average of 6.9%. However, attendance is unsatisfactorily low due to absences other than paid leave.

Root Causes

1. MARTA work rules do not effectively provide strategies for promoting satisfactory attendance levels. Labor agreement attendance and workers' compensation policies do not consistently define disciplinary actions that discourage absences. Interviews with management also indicated that behavioral tendencies within the organization's culture contribute to unsatisfactory attendance rates.
2. MARTA employees incurred approximately 692,000 absentee hours in 2011 not resulting from holiday, PTO, vacation, and sick leave. Absentee hours create a staffing need addressed through overtime hours or additional staffing. The 692,000 absentee hours represents the equivalent of 371 employees. Fringe benefit costs of 371 employees are approximately \$10.9 million.
3. MARTA time and attendance technology systems are disparate and do not consistently provide comprehensive and timely information to managers to understand, analyze, and take action for employee absenteeism.

Absentee hours create a staffing need addressed through overtime hours or additional staffing resulting in costs of approximately \$10.9 million.

Recommended Action

1. Promote organizational culture changes that place an emphasis on the importance of high performance, the linkage of individual roles to organizational performance, clear measures of performance and recognition of high performing individuals and teams.
2. Restructure work rules with a focus on improving attendance rates.
3. Negotiate labor policies for attendance that define disciplinary actions which more effectively discourage absenteeism. Negotiate labor policies that enable alternative duty and help reduce workers' compensation claims.
4. Further develop capabilities and processes for time and attendance technology systems and reports in order to provide management with comprehensive information for analyzing attendance patterns and variations on behavior.

6. Cost Containment Assessment: Workers' Compensation Claims

FY2011 Workers Compensation Cost: \$9.2 Million

MARTA's workers' compensation cost is 2.7% of personnel costs, compared to the state and local government average of 1.2% and the private sector average of 1.4%.

MARTA's workers' compensation cost per hours worked is \$1.07 compared to the state and local government average of \$0.50 and the private sector average of \$0.41.

Root Causes

1. MARTA does not have technology and reporting systems to provide comprehensive and accurate data for analyzing trends in workers' compensation claims. This reduces MARTA's ability to execute injury and claim prevention and return to work strategies.
2. The collective bargaining agreement includes work rules that do not effectively incentivize employees to stay at work and reduce absenteeism related to workers' compensation. Specifically:
 - ❑ Participation level for the modified duty program is limited, resulting in more employees not working yet collecting workers' compensation, (Item 34C, 47)
 - ❑ Terms for an injury on the job do not define disciplinary actions that focus on prevention of injuries – this leads to additional injuries on the job and the potential for workers compensation claims (Item 70-73)
3. MARTA's hiring processes do not consistently align fitness levels of recruits with job positions nor avoid common characteristics associated with workers' compensation claimants. For example, employees with obesity or back issues may not be best qualified for physically demanding positions. This increases the likelihood of injury on the job and claims.
4. Interviews with management indicated behavioral tendencies among employees to take excessive leave or submit excessive workers' compensation claims.

Based on an analysis of MARTA workers' compensation claims cost and annual hours worked, current claims are costing MARTA \$5.5 million more annually than the national average including both public and private sectors.

Recommended Action

1. Implement a new internal workers' compensation system and associated processes or consider outsourcing workers' compensation claims administration (See Sourcing Analysis) in order to :
 - ❑ Improve data reporting and analysis of workers' compensation claims
 - ❑ Free up internal resources to focus on root cause issues
 - ❑ Develop strategies to avoid claims, prevent injury and improve return to work programs
2. Continue the alternative duty program. Consistently establish effective disciplinary actions for non-compliance with terms.
3. Enhance pre-employment screening to help increase recruiting of individuals with appropriate fitness levels.
4. Consider realigning all return to work functions with Risk Management in order increase alignment of injury and claim analysis with return to work strategies.

6. Cost Containment Assessment: Collective Bargaining

Root Causes

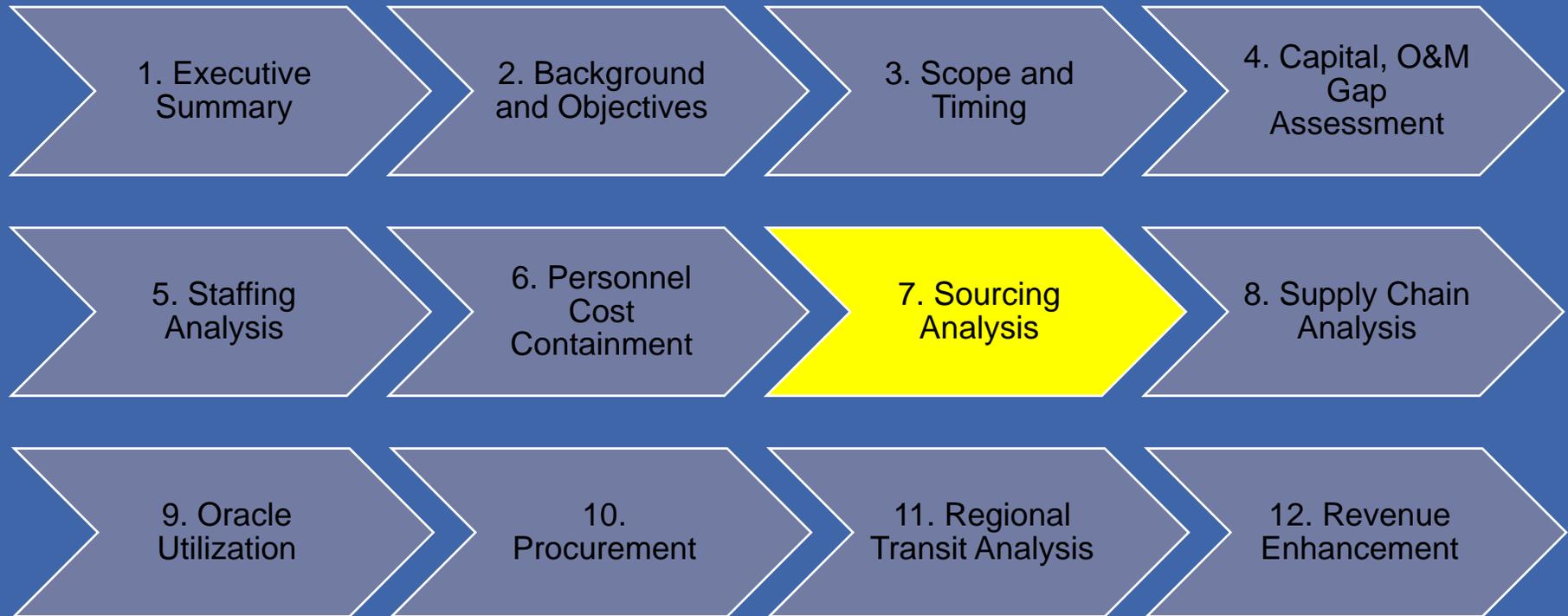
Represented employees comprise 64% of MARTA's workforce and are governed by terms included in MARTA's Labor Agreement. Section 13C of Federal Transit Law offers certain protection to transit employees affected by Federal transit funding.

Root Causes

1. Active represented employees contribute an average of 9.2% for medical premiums and retired represented employees contribute an average 0.3%. Both of these numbers are below the national average of 18% for employee cost contribution to single coverage medical plans and 28% for family coverage medical plans.
2. MARTA maintains an active DB pension program for represented employees, contributing to pension costs that are 74% higher than average private sector costs. Accumulated sick leave can be added to total credited service calculation for retirement benefits, further increasing pension costs. (See Labor Agreement Items 48 and 52).
3. Collective Bargaining Agreement attendance and workers' compensation policies do not consistently define disciplinary actions that discourage absences. (See Labor Agreement Items 43-52). Additionally, sick leave may be carried over year to year without limit, increasing MARTA's liabilities and discouraging timely use of paid leave.
4. Collective Bargaining Agreement includes terms that can discourage efforts to stay at work and limits participation in Return to Work programs. (See Labor Agreement Items 34C, 47, 44, 70-73).

Recommended Action

1. Negotiate labor policies which will contribute to MARTA cost-saving initiatives. Work with legal counsel to determine impact of contractual agreements and applicable federal transit laws. Change the mix of pay and benefits to better align to the market by:
 - ◆ Increasing base pay rates, and
 - ◆ Decreasing retirement benefits, and
 - ◆ Increasing retiree contributions to medical premiums to market average, and
 - ◆ Continuing to align represented employee contributions to medical premiums with non-represented employees, and
 - ◆ Terminating defined benefit pension plans and move to a defined contribution plan, and
 - ◆ Continuing the alternative duty program which requires employees injured on the job to return to productive work at the earliest and most appropriate time, and
 - ◆ Limiting carry-over of accrued sick leave.



7. Sourcing Analysis

Approach and Assumptions

Objective: Phase 2 scope included an analysis of MARTA's sourcing opportunities based on current costs and market prices for sourcing

Procedures: KPMG performed the following procedures for the Sourcing Analysis:

- ◆ KPMG identified market cost statistics for standard business functions
 - ◆ Market data includes publicly available data for private and public entities
 - ◆ Captive data includes KPMG client data and supplier provided data as applicable
- ◆ The Sourcing Analysis is meant to provide a high level roadmap. MARTA management should use the high level roadmap as a guide to identify issues for follow up and future discussion with sourcing vendors
- ◆ KPMG developed a functional time analysis for each department/function reviewed. KPMG designed the functional time analysis based on current MARTA work activities per department reviewed as well as how the market looks at standard business processes within each function. Management estimated the percentage of employee time spent per work activity. KPMG used this data to calculate an estimated personnel cost associated with each work activity
- ◆ Costs for the sourcing analysis included the following:
 - ◆ **Personnel costs** include an estimated 56% fringe benefit rate which includes retirement costs, medical costs, workers compensation and other employer paid taxes
 - ◆ **Other direct costs** include non-labor department/function operating costs. The analysis assumes that non-labor costs flow in proportion to the labor costs from the time analysis
 - ◆ **Indirect costs** include an allocation of supporting costs from other departments. MARTA does not prepare an organization-wide indirect cost allocation plan. Indirect costs are estimated at 20.79% of personnel costs based on a general understanding of MARTA's support departments
- ◆ Data is rounded for presentation purposes

7. Sourcing Analysis

Approach and Assumptions

Strategic initiatives have been evaluated according to the following factors:

- ◆ **Current Costs for Defined Opportunity** – Direct labor as determined by a functional time analysis completed by employees plus a percentage of non-labor operating costs
- ◆ **Comparison of Current Costs to Market Costs** – Market costs were identified for each functional area based upon KPMG proprietary data and other available information. The sourcing analysis includes the market average cost (sourced market comparison) for each function to compare to current MARTA operating costs and performance measures
- ◆ **Sourced Market Comparison** – Average cost and performance measures per function based upon market data representative of entities that source the task
- ◆ **Complexity** – Complexity of the function within MARTA's operating environment, viability of vendors in the marketplace, and impact on labor agreement
- ◆ **Investment Required** – Initial implementation and transition costs, sourcing agreement costs, and retained management costs
- ◆ **Projected 5 Year Savings** – Current operating costs less sourcing agreement costs and ongoing management costs
- ◆ **Recommended Action** – Potential next steps for aligning functions to MARTA cost-saving initiatives

7. Sourcing Analysis

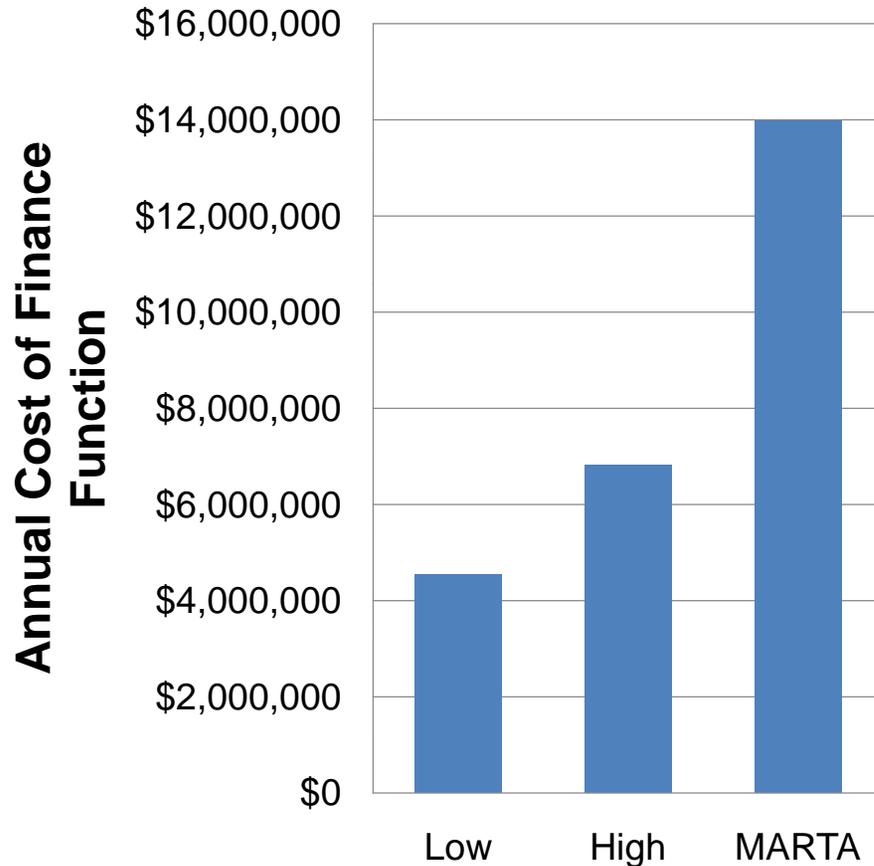
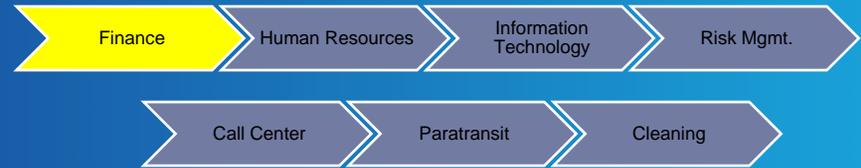
Strategic Initiatives

KPMG evaluated the following strategic initiatives:

- ◆ Finance
- ◆ Human Resources
- ◆ Information Technology
- ◆ Risk Management
- ◆ Customer Care Center
- ◆ Paratransit
- ◆ Cleaning

7. Sourcing Analysis

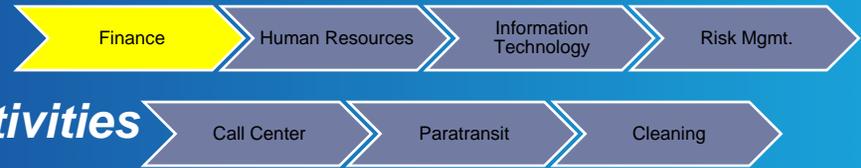
Total Finance Costs



- ◆ MARTA's FY2011 Finance costs were approximately \$14M
- ◆ Finance costs across industries typically range from 1% to 1.5% of annual revenue. With annual revenue of \$455M, Finance costs typically range from \$4.5M to \$6.8M
- ◆ MARTA has an opportunity to reduce Finance costs through sourcing. Based on KPMG's sourcing experience, we have prioritized two functions for outsourcing:
 - ◆ Accounts Payable
 - ◆ Payroll

7. Sourcing Analysis

Accounting and Finance- *Key Work Activities*



MARTA identified the following Finance activities in the functional time analysis. KPMG assessed the cost to perform internally compared to our knowledge of sourcing opportunities in the marketplace for each of these activities. KPMG selected two activities as candidates for sourcing that would provide a meaningful payback to MARTA.

- **Accounts Payables**
- **Travel and Expense Claim Reimbursement**
- **Customer/Contract Management**
- **Credit**
- **Customer Invoicing**
- **Accounts Receivables**
- **Collections**
- **Fixed Assets Accounting**
- **General Accounting**
- **Intercompany Accounting**
- **External and Statutory Reporting**
- **Cost and Inventory Accounting**
- **Project Accounting**
- **Treasury Management**
- **Cash Management**
- **Tax**
- **Risk Management**
- **Planning and Forecasting**
- **Management Forecasting**
- **Financial Analysis**
- **Financial Information Systems**
- **Payroll Services**

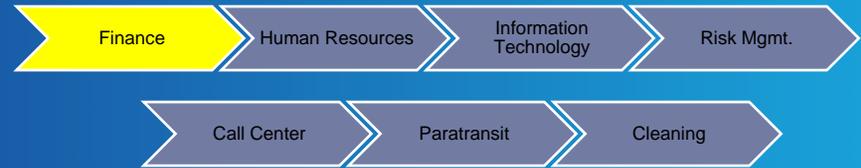
Reviewed MARTA Costs by Activity

Selected Activities for Further Analysis

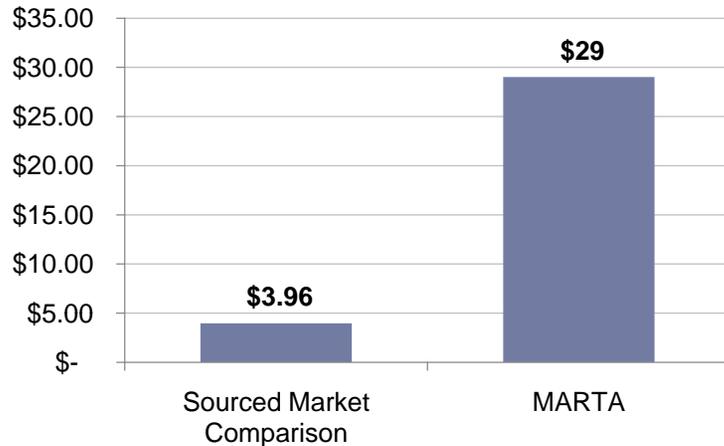
- **Accounts Payables**
- **Payroll Services**

7. Sourcing Analysis

Accounts Payable



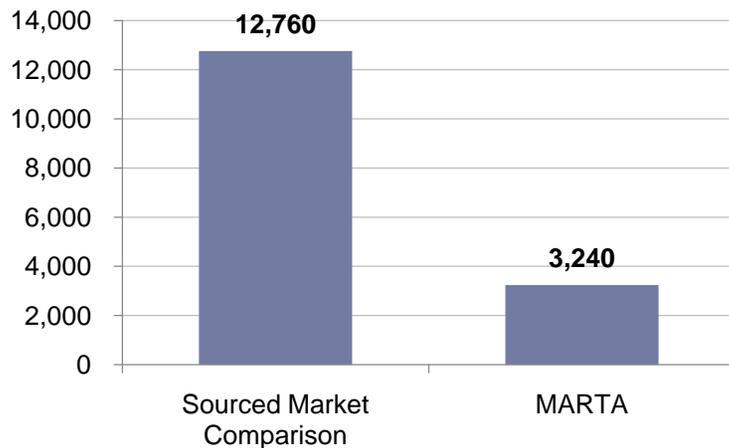
Cost Per Invoice



Operating Cost Per Invoice

- ◆ MARTA's Cost Per Invoice is approximately \$29 for accounts payable processing
- ◆ MARTA's Cost Per Invoice is 7 times higher than the sourced market cost per invoice

Invoices Per A/P FTE

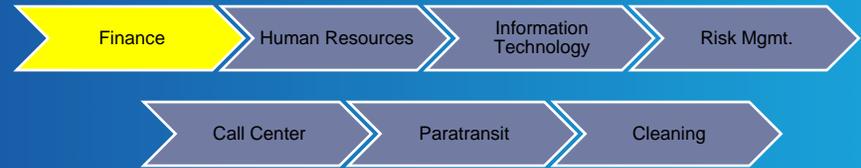


Invoices Per A/P FTE

- ◆ MARTA processes approximately 3,240 invoices Per FTE annually
- ◆ MARTA Invoices Per FTE is almost 4 times less than market average productivity

7. Sourcing Analysis

Accounts Payable



Complexity to Outsource is Low

- ◆ AP is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing AP will have minimal to no impact on MARTA's labor agreement

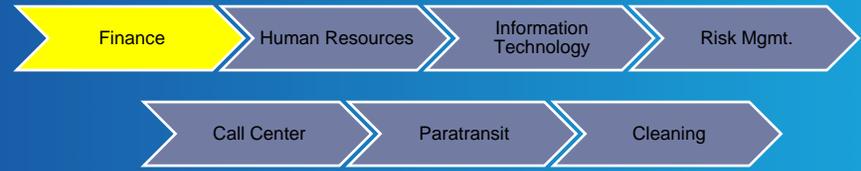
Recommended Actions

- ◆ MARTA should take action to explore outsourcing of its AP processing function:
 - Identify AP processing requirements
 - Identify leading market providers
 - Develop and issue RFP for AP processing
 - Realign AP management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$750,000
Subtotal 5-Year Current Costs (A)	\$3,750,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$410,000 to \$620,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$560,000
Subtotal 5-Year Outsourced Costs (B)	\$970,000 to \$1,180,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$2,570,000 to \$2,780,000
Estimated One-time Costs to Implement Outsourcing (D)	\$150,000
Return on Investment [(C-D)/D]	1610% to 1750%

7. Sourcing Analysis

Payroll Services



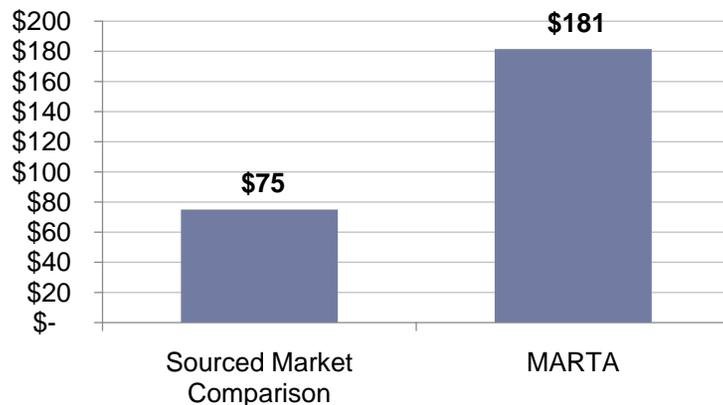
Total Cost Per Payroll Check



Cost Per Payroll Check

- ◆ MARTA's Cost Per Payroll Check is approximately \$6.47 for payroll processing
- ◆ MARTA's Cost Per Payroll Check is 2.18 times higher than the sourced market cost per payroll check

Total Cost Per Employee Served Annual

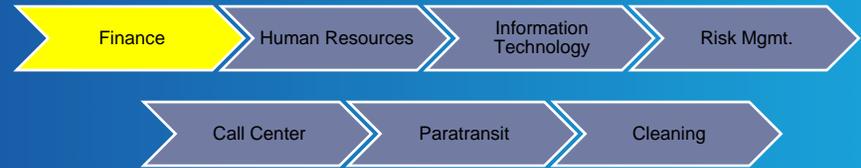


Total Payroll Cost per Employee Served - Annual

- ◆ MARTA operates Payroll at an Annual Per Employee cost of approximately \$181
- ◆ MARTA Annual Per Employee payroll cost is more than 130% higher than the sourced market comparison

7. Sourcing Analysis

Payroll Services



Complexity to Outsource is Low

- ◆ Payroll is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing Payroll will have minimal to no impact on MARTA's labor agreement

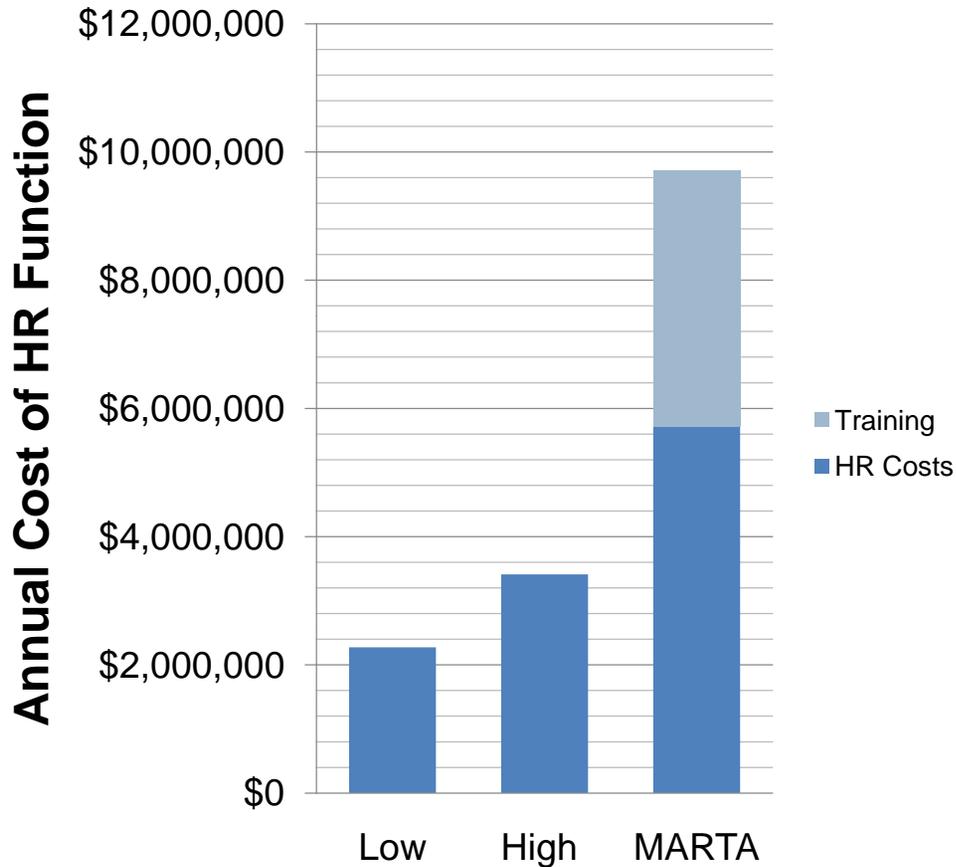
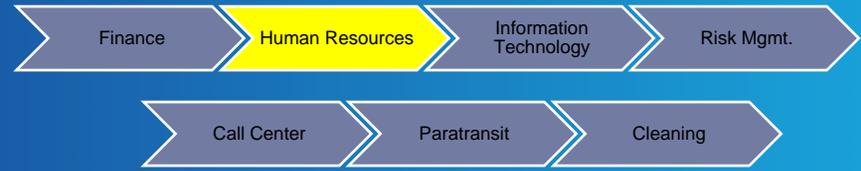
Recommended Actions

- ◆ MARTA should take action to explore outsourcing of its Payroll processing function:
 - Identify Payroll processing requirements
 - Identify leading market providers
 - Develop and issue RFP for Payroll processing
 - Realign Payroll management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$800,000
Subtotal 5-Year Current Costs (A)	\$4,000,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$1,470,000 to \$2,200,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$400,000
Subtotal 5-Year Outsourced Costs (B)	\$1,870,000 to \$2,600,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$1,400,000 to \$2,130,000
Estimated One-time Costs to Implement Outsourcing (D)	\$550,000
Return on Investment [(C-D)/D]	150% to 290%

7. Sourcing Analysis

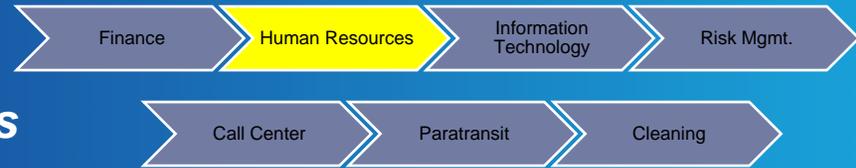
Total Human Resources Costs



- ◆ MARTA's FY2011 HR costs were approximately \$9.7M
- ◆ HR costs across industries typically range from 0.5% to 0.75% of annual revenue. With annual revenue of \$455M, HR costs typically range from \$2.3M to \$3.4M
- ◆ MARTA has an opportunity to reduce Human Resources costs through sourcing. Based on KPMG's sourcing experience, we have prioritized three functions for outsourcing:
 - ◆ Benefits Administration
 - ◆ Recruiting, Staffing, and Resourcing
 - ◆ Employee Data and Records Management

7. Sourcing Analysis

Human Resources - *Key Work Activities*



MARTA identified the following Human Resources activities in the functional time analysis. KPMG assessed the cost to perform internally compared to our knowledge of sourcing opportunities in the marketplace for each of these activities. KPMG selected three activities as candidates for sourcing that would provide a meaningful payback to MARTA.

- **Compensation and Rewards**
- **Benefits Administration**
- **Organizational Development**
- **Performance Management**
- **Learning**
- **Employee Development**
- **Employee Data and Records Management**
- **Support Services**
- **Demand Planning and Analytics**
- **Recruiting, Staffing, & Resourcing**
- **HR Strategy**
- **Labor Relations**
- **Employee Communications**
- **Reporting**

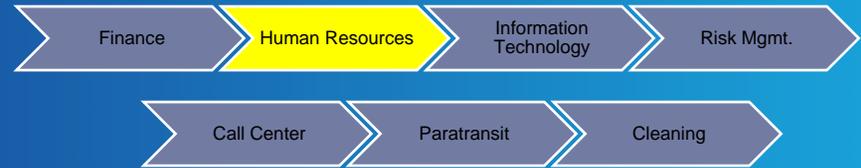
Reviewed MARTA Costs by Activity

Selected Activities for Further Analysis

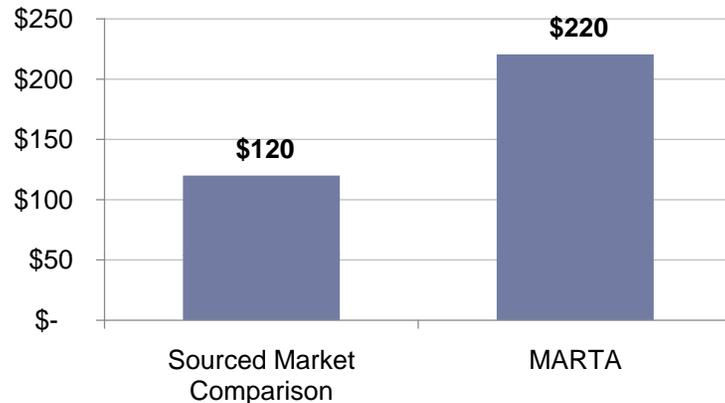
- **Benefits Administration**
- **Employee Data and Records Management**
- **Recruiting, Staffing & Resourcing**

7. Sourcing Analysis

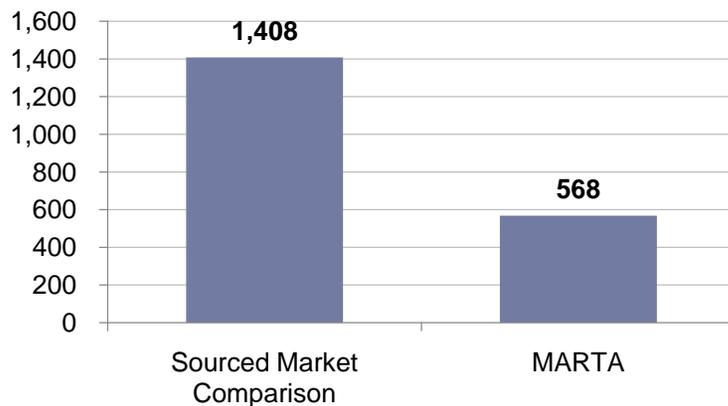
Benefits Administration



Ben. Admin. Cost Per Employee Supported



Employees Supported By Ben. Admin. FTE's



Benefit Administration Cost per Employee Supported

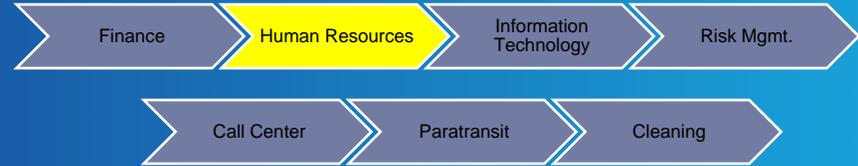
- ◆ MARTA's Cost Per Employee Supported is approximately \$220 for Benefit Administration
- ◆ MARTA's Cost Per Employee Supported is 83% higher than the sourced market cost per employee supported

Employee Supported by Benefits Administration FTEs

- ◆ MARTA operates Benefits Administration with approximately 568 Employees Supported per Benefits Administration FTE
- ◆ MARTA Annual Employees supported per FTE is 3 times less than the sourced market comparison

7. Sourcing Analysis

Benefits Administration



Complexity to Outsource is Low

- ◆ Benefits Administration is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing Benefits Administration will have minimal to no impact on MARTA's labor agreement

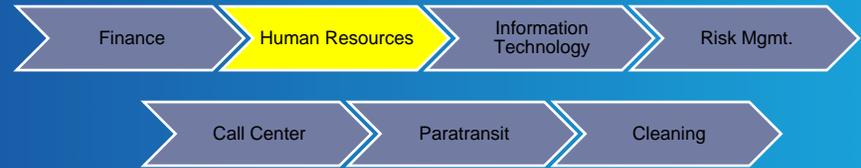
Recommended Actions

- ◆ MARTA should take action to explore outsourcing of its Benefits Administration function:
 - Identify Benefits Administration requirements
 - Identify leading market providers
 - Develop and issue RFP for Benefits Administration processing
 - Realign Benefits Administration management responsibilities to vendor management

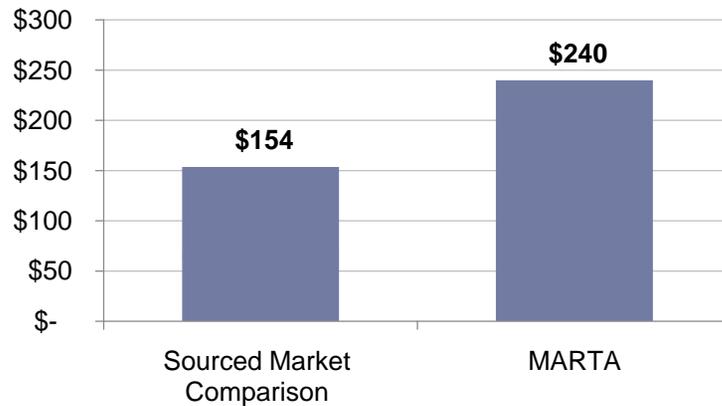
Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$970,000
Subtotal 5-Year Current Costs (A)	\$4,850,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$2,110,000 to \$3,170,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$240,000
Subtotal 5-Year Outsourced Costs (B)	\$2,350,000 to \$3,410,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$1,440,000 to \$2,500,000
Estimated One-time Costs to Implement Outsourcing (D)	\$790,000
Return on Investment [(C-D)/D]	80% to 220%

7. Sourcing Analysis

Recruiting and Staffing



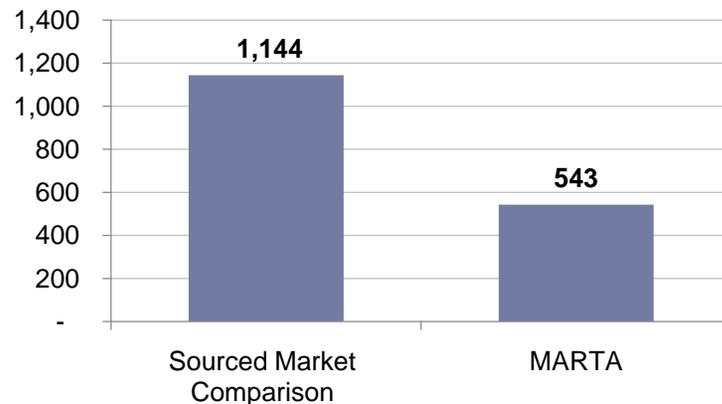
Recruiting Process Cost Per Employee Supported



Recruiting Process Cost per Employee Supported

- ◆ MARTA's Cost Per Employee Supported is approximately \$240 for Recruiting
- ◆ MARTA's Cost Per Employee Supported is 56% higher than the sourced market cost per employee supported

Employees Supported by Recruiting FTE's

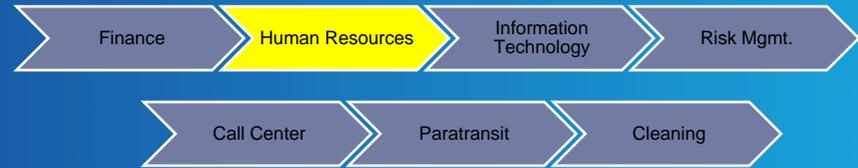


Employees Supported by Recruiting FTE's

- ◆ MARTA operates Recruiting with approximately 543 per Recruiting FTE
- ◆ MARTA Annual Employees supported per FTE is 2 times less than the sourced market comparison

7. Sourcing Analysis

Recruiting and Staffing



Complexity to Outsource is Low

- ◆ Recruiting and Staffing is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing Recruiting and Staffing will have minimal to no impact on MARTA's labor agreement

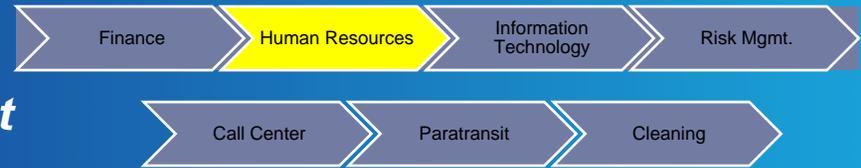
Recommended Actions

- ◆ MARTA should take action to explore outsourcing of its Recruiting and Staffing function:
 - Identify Recruiting and Staffing requirements
 - Identify leading market providers
 - Develop and issue RFP for Recruiting and Staffing operations
 - Refine cost benefit analysis to determine viability of outsourcing
 - Realign Recruiting and Staffing management responsibilities to vendor management

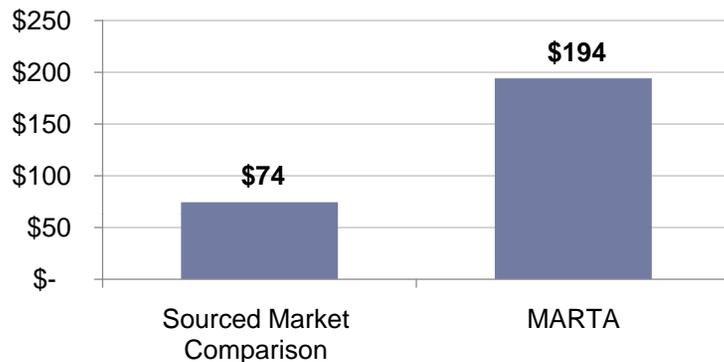
Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$1,060,000
Subtotal 5-Year Current Costs (A)	\$5,300,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$2,700,000 to \$4,060,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$800,000
Subtotal 5-Year Outsourced Costs (B)	\$3,500,000 to \$4,860,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$440,000 to \$1,800,000
Estimated One-time Costs to Implement Outsourcing (D)	\$1,010,000
Return on Investment [(C-D)/D]	-60% to 80%

7. Sourcing Analysis

Employee Records & Data Management



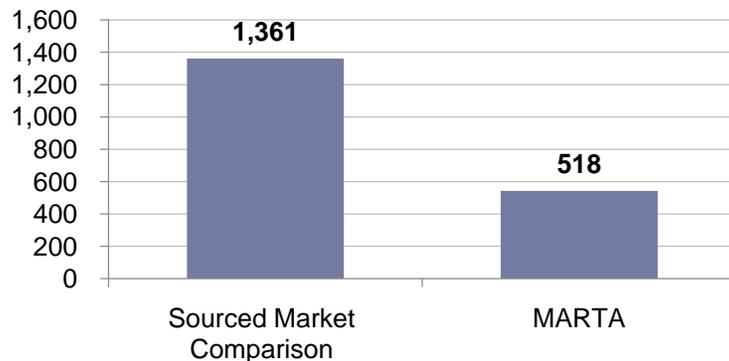
Employee Records and Data Mgmt. Cost Per Employee Supported



Employee Records and Data Management Cost Per Employee Supported

- ◆ MARTA's Cost Per Employee Supported is approximately \$194 for Employee Records and Data Management
- ◆ MARTA's Cost Per Employee Supported is 2.6 times higher than the sourced market cost per employee supported

Employees Supported by Employee Record and Data Mgmt. FTE

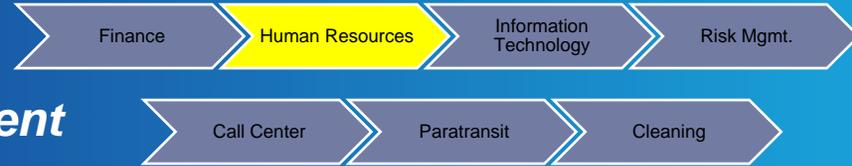


Employees Supported by Employee Records and Data Management FTE

- ◆ MARTA operates Employee Records and Data Management with approximately 518 Employees Supported per Employee Records and Data Management FTE
- ◆ MARTA Annual Employees supported per FTE is 2 times less than the sourced market comparison

7. Sourcing Analysis

Employee Data and Records Management



Complexity to Outsource is Low

- ◆ Employee Data and Records Management is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing Employee Data and Records Management will have minimal to no impact on MARTA's labor agreement

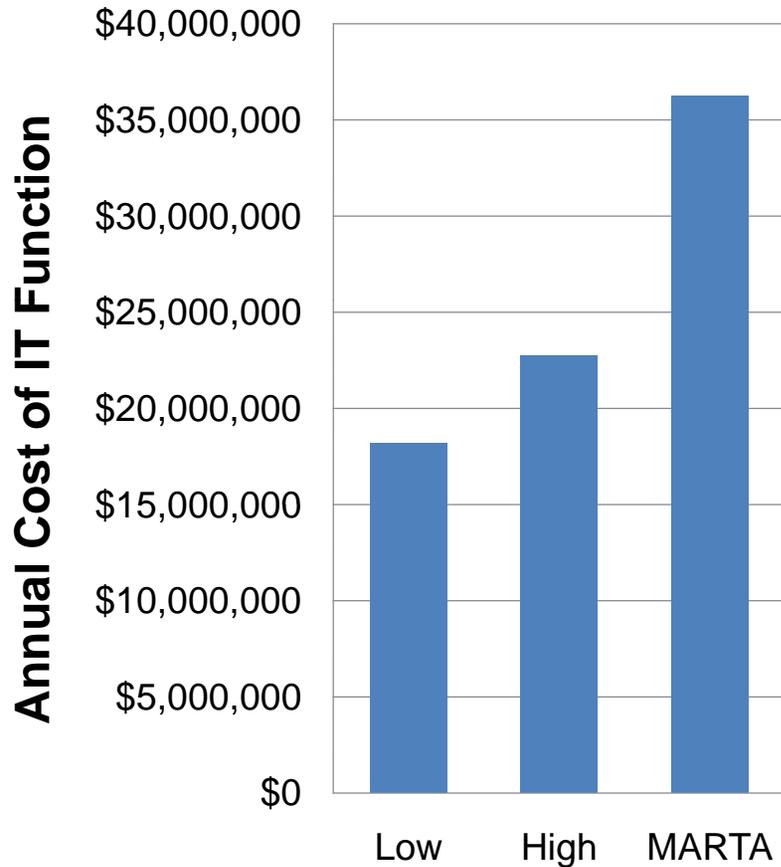
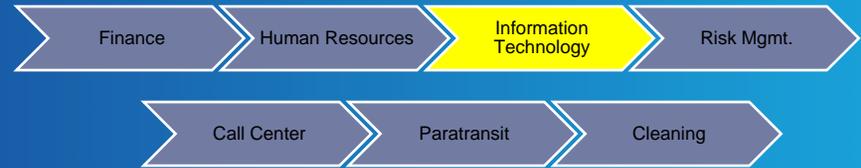
Recommended Actions

- ◆ MARTA should take action to further explore the outsourcing of its Employee Records and Data Management function:
 - Identify Employee Data and Records Management requirements
 - Identify leading market providers
 - Develop and issue RFP for Employee Data and Records Management
 - Realign Data Records and Management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$850,000
Subtotal 5-Year Current Costs (A)	\$4,250,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$1,310,000 to \$1,970,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$640,000
Subtotal 5-Year Outsourced Costs (B)	\$1,950,000 to \$2,610,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$1,640,000 to \$2,300,000
Estimated One-time Costs to Implement Outsourcing (D)	\$490,000
Return on Investment [(C-D)/D]	230% to 370%

7. Sourcing Analysis

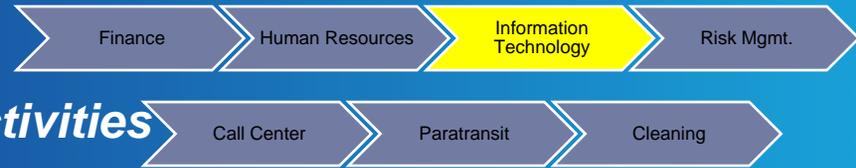
Total Information Technology Costs



- ◆ MARTA's FY2011 IT costs were approximately \$36 million
- ◆ IT costs across industries typically range from 4% to 5% of annual revenue. With annual revenue of \$455M, IT costs typically range from \$18M to \$23M
- ◆ Many of MARTA's supporting IT systems and infrastructure are dated
- ◆ MARTA has an opportunity to reduce IT costs through sourcing. Based on KPMG's sourcing experience, we have prioritized three functions for outsourcing:
 - ◆ Telephony
 - ◆ Service Desk
 - ◆ End-User Computer Support

7. Sourcing Analysis

Information Technology – Key Work Activities



MARTA identified the following Information Technology activities in the functional time analysis. KPMG assessed the cost to perform internally compared to our knowledge of sourcing opportunities in the marketplace for each of these activities. KPMG selected three activities as candidates for sourcing that would provide a meaningful payback to MARTA.

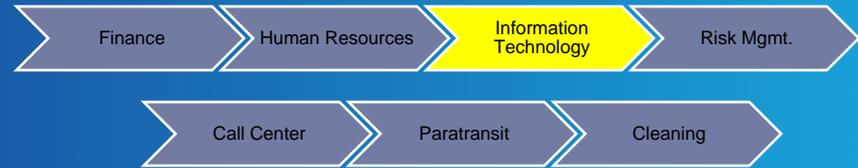
- **Telephony**
- **Service Desk**
- **End-user Computer Support**
- **End-user Mobile Devices**
- **Data Center (Mainframe)**
- **Data Center (Server)**
- **Data Center (Storage)**
- **Applications Maintenance**
- **Applications Development**
- **Applications Licenses**

Reviewed MARTA Costs by Activity
Selected Activities for Further Analysis

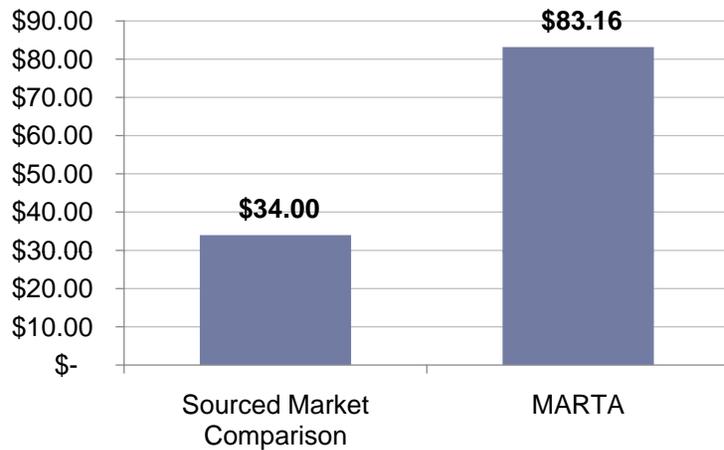
- **Telephony**
- **Service Desk**
- **End-User Computer Support**

7. Sourcing Analysis

Telephony



Cost Per Month Per Voice Jack

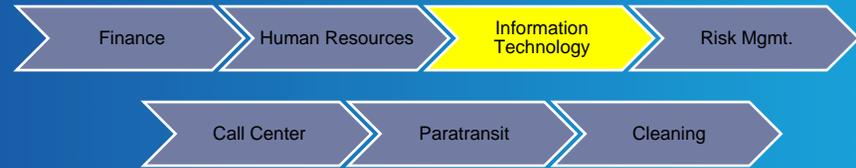


Cost Per Month Per Voice Jack

- ◆ MARTA's Cost Per Month Per Voice Jack is approximately \$83.16 for telephony support
- ◆ MARTA's telephony data includes wayside phones, PBX desktop phones, station phones, elevator phones, call boxes, and public announcement systems
- ◆ MARTA's existing telephony is supported by dated legacy infrastructure
- ◆ MARTA's Cost Per Month Per Voice Jack is more than 2 times higher than the sourced market Cost Per Month Per Voice Jack

7. Sourcing Analysis

Telephony



Complexity to Outsource is Medium

- ◆ Telephony is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing telephony would impact MARTA's labor agreement

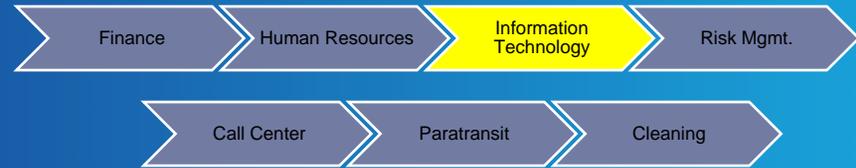
Recommended Actions

- ◆ MARTA should take action to explore outsourcing of its telephony function:
 - Identify telephony requirements
 - Identify leading market providers
 - Work with legal counsel to determine impact of contractual agreements and applicable federal transit laws on sourcing and, if applicable, develop and issue RFP for telephony services
 - Realign telephony management responsibilities to vendor management

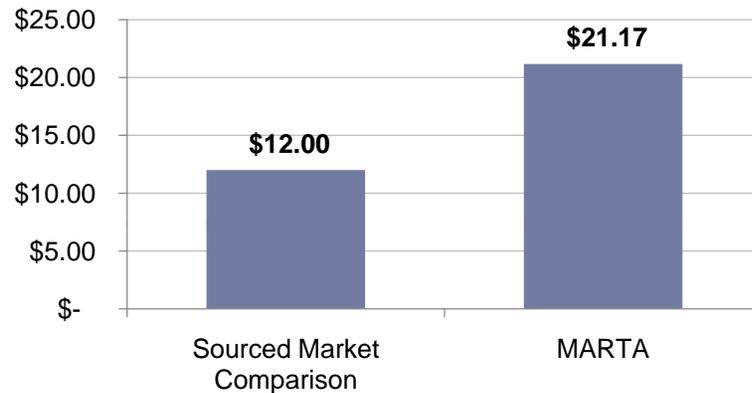
Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$5,390,000
Subtotal 5-Year Current Costs (A)	\$26,950,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$8,810,000 to \$13,220,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$4,040,000
Subtotal 5-Year Outsourced Costs (B)	\$12,850,000 to \$17,260,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$9,690,000 to \$14,100,000
Estimated One-time Costs to Implement Outsourcing (D)	\$3,310,000
Return on Investment [(C-D)/D]	190% to 330%

7. Sourcing Analysis

Service Desk



Cost Per Month Per Employee Supported

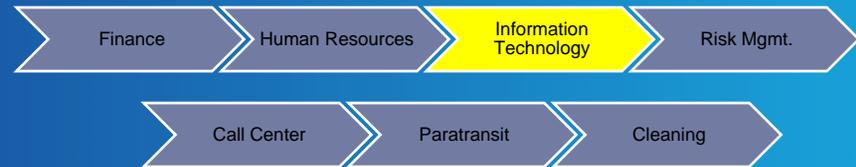


Cost Per Month Per Employee Supported

- ◆ MARTA's Cost Per Month Per Employee Supported is approximately \$21.17 for service desk support
- ◆ MARTA's Service Desk data includes Level 1 help desk function, including ticket resolution systems and knowledge management systems and associated licensing fees
- ◆ MARTA's Cost Per Month Per Employee Supported is 1.8 times higher than the sourced market Cost Per Month Per Employee Supported

7. Sourcing Analysis

Service Desk



Complexity to Outsource is Low

- ◆ Service desk support is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing service desk support will have minimal to no impact on MARTA's labor agreement

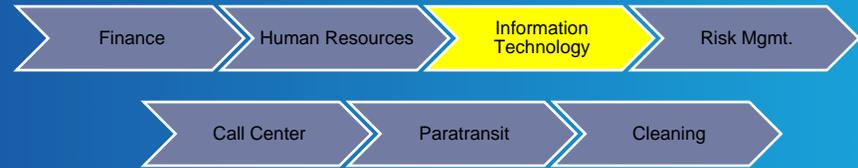
Recommended Actions

- ◆ MARTA should take action to explore outsourcing of its service desk support:
 - Identify service desk support requirements
 - Identify leading market providers
 - Develop and issue RFP for service desk support
 - Realign service desk management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$1,270,000
Subtotal 5-Year Current Costs (A)	\$6,350,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$2,880,000 to \$4,320,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$950,000
Subtotal 5-Year Outsourced Costs (B)	\$3,830,000 to \$5,270,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$1,080,000 to \$2,520,000
Estimated One-time Costs to Implement Outsourcing (D)	\$1,080,000
Return on Investment [(C-D)/D]	0% to 130%

7. Sourcing Analysis

End User Computer Support



Cost Per Month Per Computer Supported

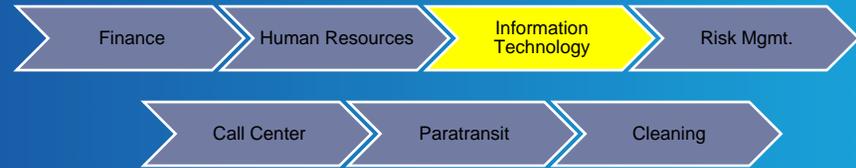


Cost Per Month Per Computer Supported

- ◆ MARTA's Cost Per Month Per Computer Supported is approximately \$156.27 for end user computer support
- ◆ MARTA's End User Computer Support data includes device costs (towers, desktops, laptops, notebooks), LAN/WAN (routers, switches, hubs and firewalls), data circuit costs, e-mail, desktop software, and printers/peripherals
- ◆ MARTA's Cost Per Month Per Computer Supported is 2 times higher than the sourced market Cost Per Month Per Computer Supported

7. Sourcing Analysis

End User Computer Support



Complexity to Outsource is Low to Medium

- ◆ End user computer support is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing end user computer support will have minimal to no impact on MARTA's labor agreement

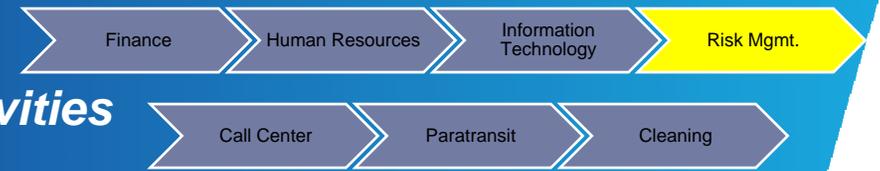
Recommended Actions

- ◆ MARTA should take action to explore outsourcing of its end user computer support:
 - Identify end user computer support requirements
 - Identify leading market providers
 - Develop and issue RFP for end user computer support
 - Realign end user computer support management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$5,170,000
Subtotal 5-Year Current Costs (A)	\$25,850,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$8,810,000 to \$13,220,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$3,880,000
Subtotal 5-Year Outsourced Costs (B)	\$12,690,000 to \$17,100,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$8,750,000 to \$13,160,000
Estimated One-time Costs to Implement Outsourcing (D)	\$3,310,000
Return on Investment [(C-D)/D]	160% to 300%

7. Sourcing Analysis

Office of Risk Management – Key Work Activities



MARTA identified the following Risk Management activities in the functional time analysis. KPMG assessed the cost to perform internally compared to our knowledge of sourcing opportunities in the marketplace for each of these activities. KPMG selected one activity as a candidate for sourcing that would provide a meaningful payback to MARTA.

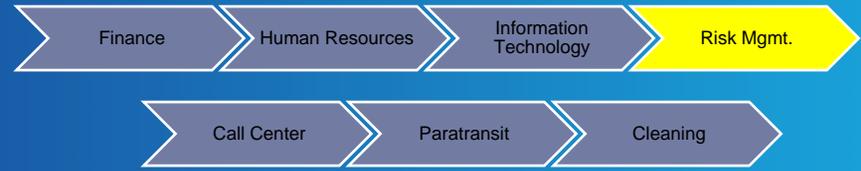
- **Liability Claims Administration**
- **Workers Compensation Claims Administration**
 - **Insurance/Safety**
 - **Filing & Data Maintenance**

Reviewed MARTA Costs by Activity
Selected Activities for Further Analysis

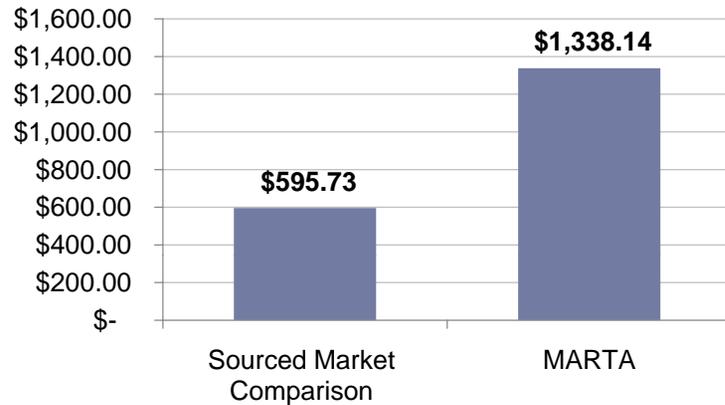
- **Workers Compensation Claims Administration**

7. Sourcing Analysis

Workers Compensation Claims Administration Costs



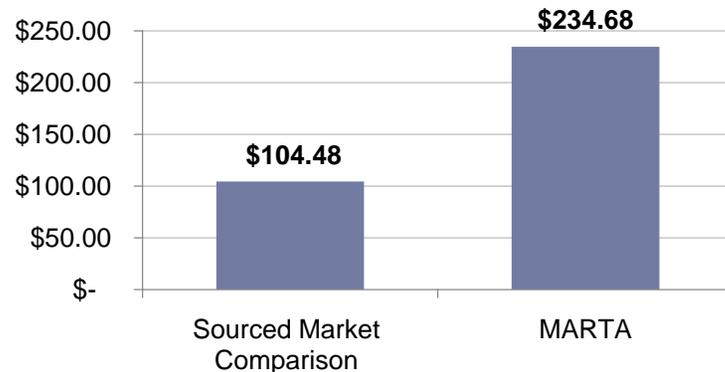
Administrative Cost per Workers Compensation Claim



Administrative Cost Per Claim

- ◆ MARTA's workers compensation administrative Cost Per Claim received per year is \$1,338.14
- ◆ Administrative Cost per claim is more than double our sourced market comparison

Workers Compensation Administrative Cost Per Employee Per Year

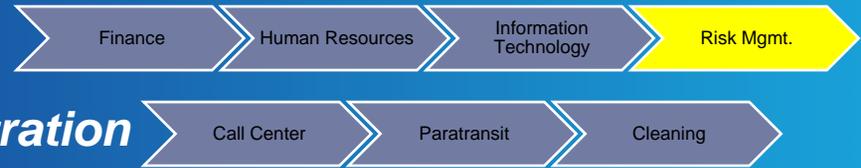


Administrative Cost Per Employee Per Year

- ◆ MARTA's workers compensation administrative costs Per Employee Per Year is \$234.68
- ◆ Per Employee Per Year costs are approximately 125% higher than our sourced market comparison

7. Sourcing Analysis

Workers Compensation Claims Administration



Complexity to Outsource is Low to Medium

- ◆ Workers Compensation Claims Administration is a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing Workers Compensation Claims Administration will have minimal to no impact on MARTA's labor agreement
- ◆ Sourcing will require a fairly significant transition effort as data is migrated from the current internal risk management system to a vendor system

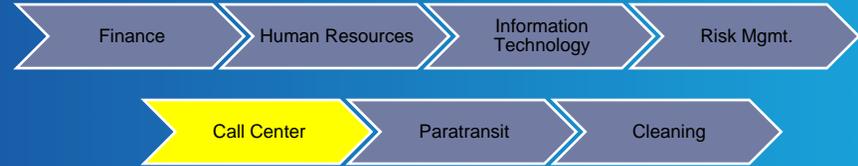
Recommended Actions

- ◆ MARTA should explore the outsourcing of the Workers Compensation Claims: Administration function:
 - Identify Workers Compensation Claims Administration requirements
 - Identify leading market providers
 - Develop and issue RFP for Workers Compensation Claims Administration
 - Realign Workers Compensation Claims Administration management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$1,030,000
Subtotal 5-Year Current Costs (A)	\$5,150,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$1,840,000 to \$2,760,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$770,000
Subtotal 5-Year Outsourced Costs (B)	\$2,610,000 to \$3,530,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$1,620,000 to \$2,540,000
Estimated One-time Costs to Implement Outsourcing (D)	\$690,000
Return on Investment [(C-D)/D]	130% to 270%

7. Sourcing Analysis

Customer Care – Key Activities



MARTA identified the following Customer Care activities in the functional time analysis. KPMG assessed the cost to perform internally compared to our knowledge of sourcing opportunities in the marketplace for each of these activities. KPMG selected two activities as candidates for sourcing that would provide a meaningful payback to MARTA.

Customer Care consists of two units:

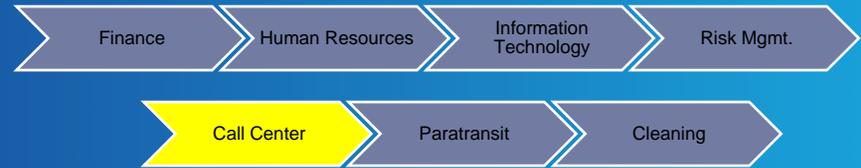
- ◆ Customer Information Center (CIC)
 - Provides trip planning, general Breeze Card information, and switchboard functions
 - Calls average approximately 1 minute
 - The CIC receives on average 550,000 calls per year
- ◆ Customer Service Center (CSC)
 - Handles complaints, commendations, Breeze Card transactions, and referrals
 - Calls are longer averaging more than 2 minutes per call
 - The CSC receives on average 125,000 calls per year

Reviewed MARTA Costs by Activity
Selected Activities for Further Analysis

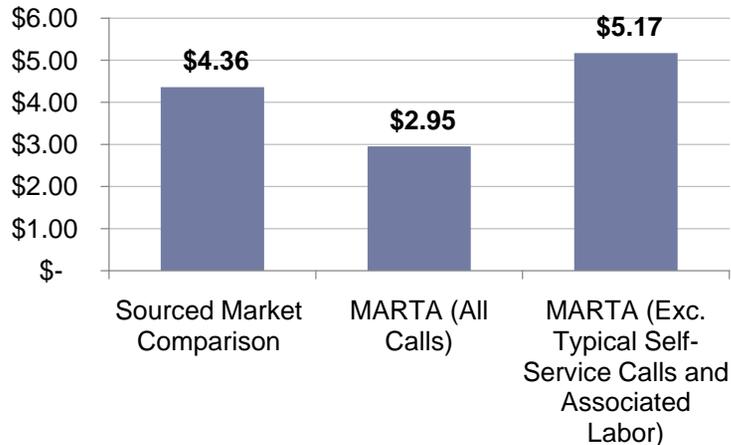
- **Customer Information Center**
- **Customer Services Center**

7. Sourcing Analysis

Customer Information Center (CIC)



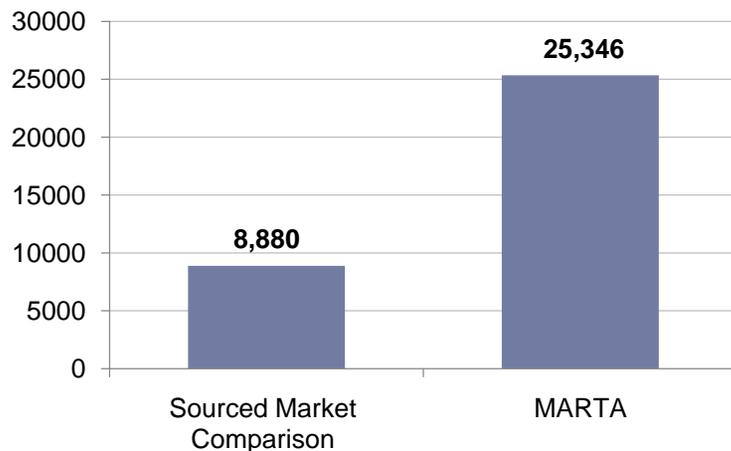
Cost Per Call Answered (CIC)



Cost Per Call (CIC)

- ◆ MARTA's labor CIC Cost Per Call Answered is approximately \$2.95 for CIC call handling
- ◆ MARTA's CIC Cost Per Call Answered includes approximately 80% of calls that are short in duration and simple to answer (e.g. bus schedule information)
- ◆ Approximately 80% of current CIC calls and associated labor could be directed to customer self service information
- ◆ MARTA's pro forma labor CIC Cost Per Call Answered (adjusting for eliminating calls that could be handled on a self service basis) is approximately \$5.17

Annual Calls Per Call Rep (CIC)

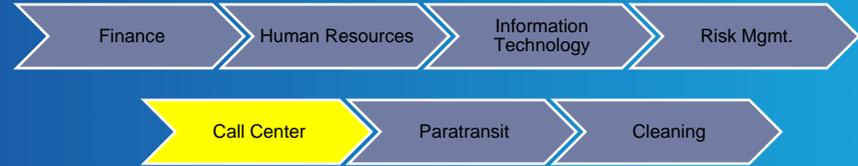


Annual Calls Per Call Representative (CIC)

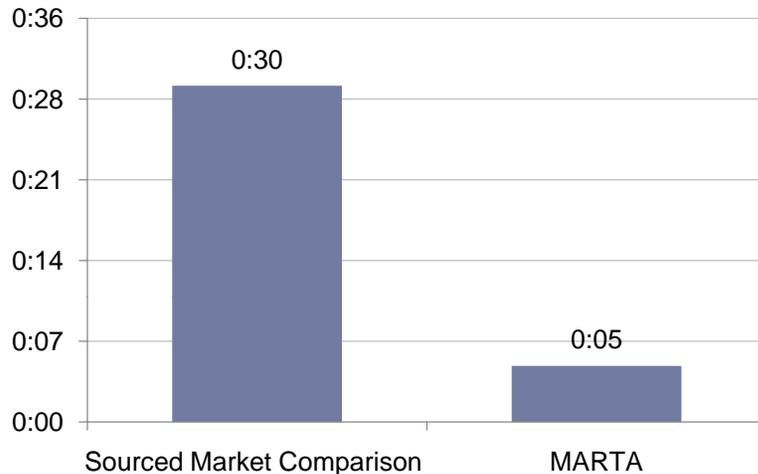
- ◆ MARTA handles approximately 25,346 calls Per Call Rep annually
- ◆ MARTA Annual Calls Per Call Rep is more than 2.5 times the sourced market comparison
- ◆ The large number of calls being handled Per Call Rep reflects short call duration and ability to quickly resolve reason for call
- ◆ Many calls could be addressed by existing customer self service tools (current online and Interactive Voice Response systems and future GPS tools) with appropriate changes to customer behavior

7. Sourcing Analysis

Customer Information Center (CIC)



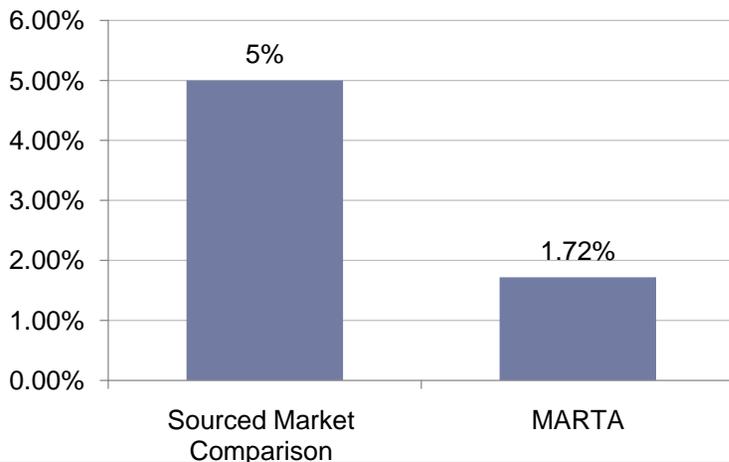
Avg. Time to Answer Call (CIC)



Average Time to Answer Call (CIC)

- ◆ Private and public sectors typically quantify Average Time to Answer by measuring the percentage of calls (target of 90%) answered within 30 seconds
- ◆ MARTA currently quantifies Average Time to Answer by measuring average customer call wait time
- ◆ MARTA's Average Time to Answer is low indicating potential CIC overstaffing
- ◆ The short Average Time to Answer is incentivizing customers to use the CIC when customers could utilize self service tools to address most needs

Call Abandonment Rate (CIC)

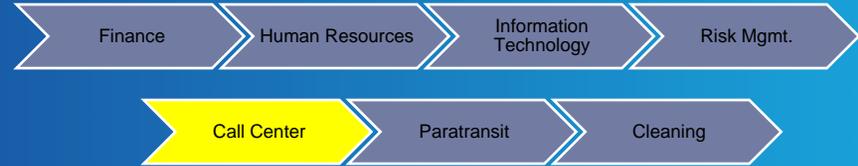


Call Abandonment Rate (CIC)

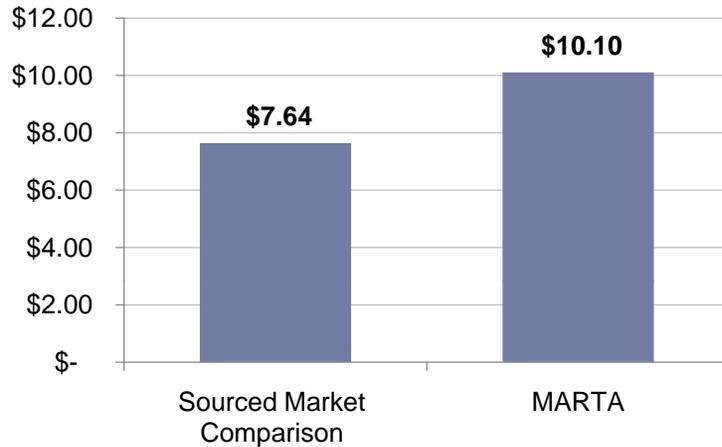
- ◆ Private and public sectors typically measure Call Abandonment Rate by measuring the number of calls abandoned by the caller after the caller selected the option to speak to a live agent (typical target is less than or equal to 5%)
- ◆ MARTA's current Call Abandonment Rate target is less than 2%
- ◆ MARTA's Call Abandonment Rate is lower than the sourced market Call Abandonment Rate again indicating potential CIC overstaffing

7. Sourcing Analysis

Customer Service Center (CSC)



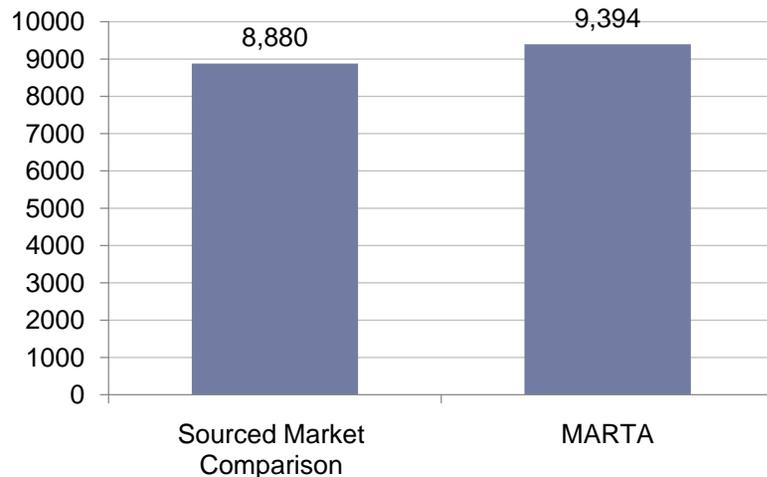
Cost Per Call Answered CSC



Cost Per Call (CSC)

- ◆ MARTA's CSC Cost Per Call Answered is approximately \$10.10 for CSC call handling
- ◆ MARTA's CSC Cost Per Call is approximately 25% higher than the sourced market CSC Cost Per Call Answered

Annual Calls Per Call Rep. (CSC)

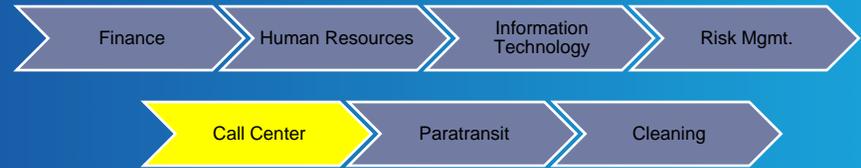


Annual Calls Per Call Representative (CSC)

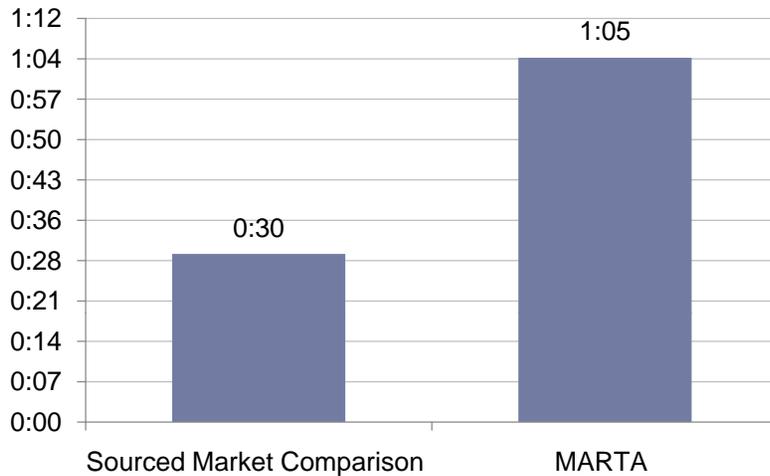
- ◆ MARTA handles approximately 9,394 Calls Per Call Rep annually
- ◆ MARTA Calls Per Call Rep is comparable to the market average productivity

7. Sourcing Analysis

Customer Service Center (CSC)



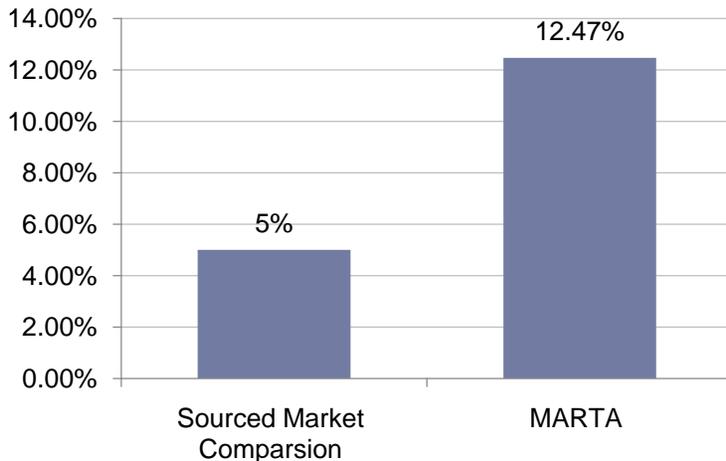
Avg. Time to Answer Call (CSC)



Average Time to Answer Call (CSC)

- ◆ Private and public sectors typically quantify Average Time to Answer by measuring the percentage of calls (target of 90%) answered within 30 seconds
- ◆ MARTA currently quantify Average Time to Answer by measuring average customer call wait time
- ◆ MARTA's Average Time to Answer is approximately 2 times more than the sourced market Average Time to Answer Call indicating potential CSC understaffing

Call Abandonment Rate (CSC)

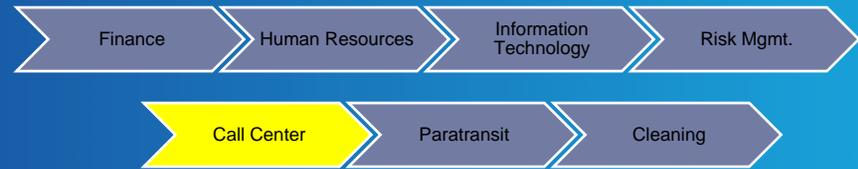


Call Abandonment Rate (CSC)

- ◆ Private and public sectors typically measure Call Abandonment Rate by measuring the number of calls abandoned by the caller after the caller selected the option to speak to a live agent (typical target is less than or equal to 5%)
- ◆ MARTA's current Call Abandonment Rate is approximately 12.47%
- ◆ MARTA's Call Abandonment Rate is higher than the sourced market Call Abandonment Rate again indicating potential CSC understaffing

7. Sourcing Analysis

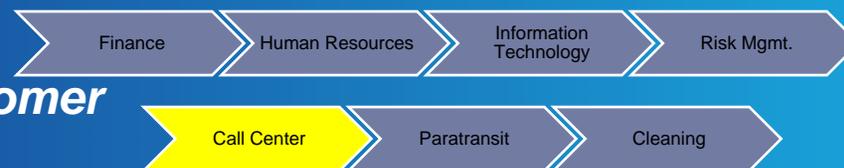
Customer Care Center



- ◆ MARTA appears to have excess labor capacity on the CIC
- ◆ MARTA appears to have insufficient labor capacity on the CSC
- ◆ MARTA customers have multiple options for customer service and are using the most expensive option to MARTA
- ◆ MARTA should explore combining its two call centers
- ◆ MARTA should develop a strategy aimed at greatly reducing and/or eliminating the calls that are handled by the CIC. Most calls can or should be handled through customer self service including internet solutions and automated voice response. Currently, MARTA has these capabilities, but should explore improved use of the data through integration and promoted customer use

7.Sourcing Analysis

Combine CIC & CSC into a single Customer Care Center & Explore Outsourcing



Complexity to Outsource is Medium

- ◆ Customer Information and Service Centers are standard business functions
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing or eliminating the CIC would impact MARTA's labor agreement

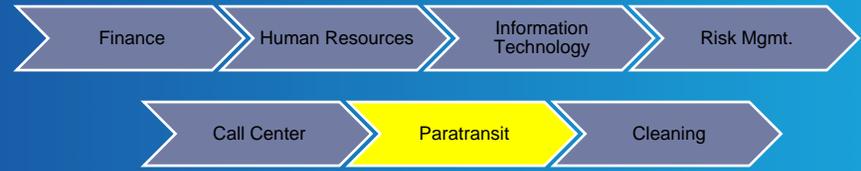
Recommended Actions

- ◆ MARTA should take action to further explore consolidating and outsourcing of the CIC and CSC functions
 - Identify CIC and CSC requirements
 - Move 80% of the current CIC calls to customer self-service
 - Move the remaining 20% of CIC calls to a single customer center with the CSC calls
 - Identify leading market providers
 - Work with legal counsel to determine impact of contractual agreements and applicable federal transit laws on consolidating and sourcing and, if applicable, develop and issue RFP for CIC and CSC services
 - Realign CIC and CSC management responsibilities to vendor management

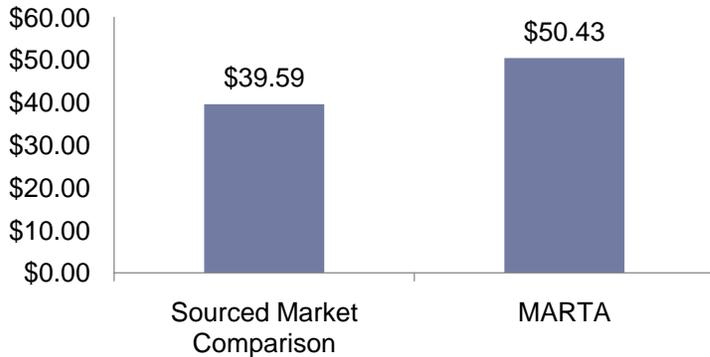
Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$2,697,089
Subtotal 5-Year Current Costs (A)	\$13,500,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$6,640,000 to \$9,950,000
Estimated Ongoing 5-Year Retained Costs to Manage Outsourcing	\$1,010,000
Subtotal 5-Year Outsourced Costs (B)	\$7,650,000 to \$10,960,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$2,540,000 to \$5,850,000
Estimated One-time Costs to Implement Outsourcing (D)	\$1,490,000
Return on Investment [(C-D)/D]	70% to 290%

7. Sourcing Analysis

Paratransit



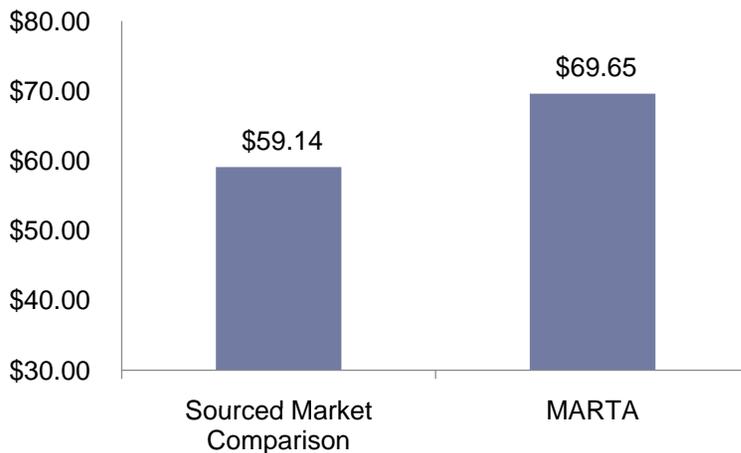
Cost Per Trip



Cost Per Trip

- ◆ MARTA's Cost Per Trip is \$50.43 for Paratransit Services
- ◆ MARTA's Cost Per Trip is 27% higher than the sourced market cost

Cost Per Revenue Hour

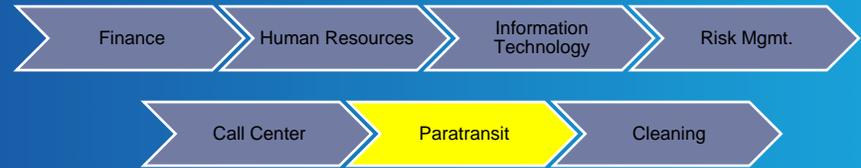


Cost Per Revenue Hour

- ◆ MARTA's Cost Per Revenue Hour is \$69.65 for Paratransit Services
- ◆ MARTA's Cost Per Revenue Hour is 17.7% higher than the sourced market cost

7. Sourcing Analysis

Paratransit



Complexity to Outsource is Medium

- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Many peer agencies outsource some or all of their paratransit service
- ◆ Sourcing Paratransit services would impact MARTA's labor agreement

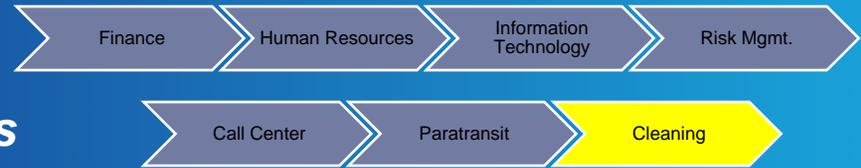
Recommended Actions

- ◆ MARTA should take action to further explore the outsourcing of its Paratransit services:
 - Identify Paratransit requirements
 - Identify leading market providers
 - Work with legal counsel to determine impact of contractual agreements and applicable federal transit laws on sourcing and, if applicable, develop and issue RFP for paratransit services
 - Refine cost benefit analysis to determine viability of outsourcing
 - Realign Paratransit management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$25,400,000
Subtotal 5-Year Current Costs (A)	\$127,000,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$68,310,000 to \$126,640,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$15,750,000
Subtotal 5-Year Outsourced Costs (B)	\$84,060,000 to \$142,390,000
Projected 5-Year Savings by Outsourcing (C=A-B)	-\$15,390,000 to \$42,940,000
Estimated One-time Costs to Implement Outsourcing (D)	\$1,440,000
Return on Investment [(C-D)/D]	-1170% to 2880%

7. Sourcing Analysis

Cleaning Services – Key Work Activities



MARTA identified the following Custodial activities in the functional time analysis. KPMG assessed the cost to perform internally compared to our knowledge of sourcing opportunities in the marketplace for each of these activities. KPMG selected six activities as candidates for sourcing that would provide a meaningful payback to MARTA.

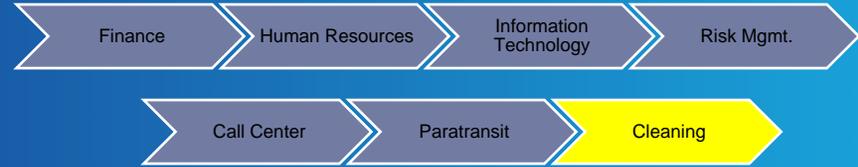
- **Facilities Cleaning**
- **Bus Cleaning**
- **Rail Car Cleaning**
- **Mobility Cleaning**
- **Station Cleaning**
- **Landscaping**
- **Shop Cleaning**
- **Headquarters Cleaning**



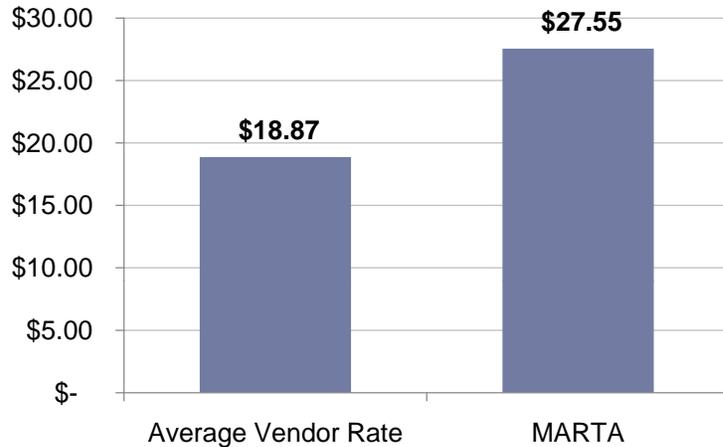
- **Facilities Cleaning**
- **Bus Cleaning**
- **Rail Car Cleaning**
- **Mobility Cleaning**
- **Station Cleaning**
- **Headquarters Cleaning**

7. Sourcing Analysis

Cleaning Services



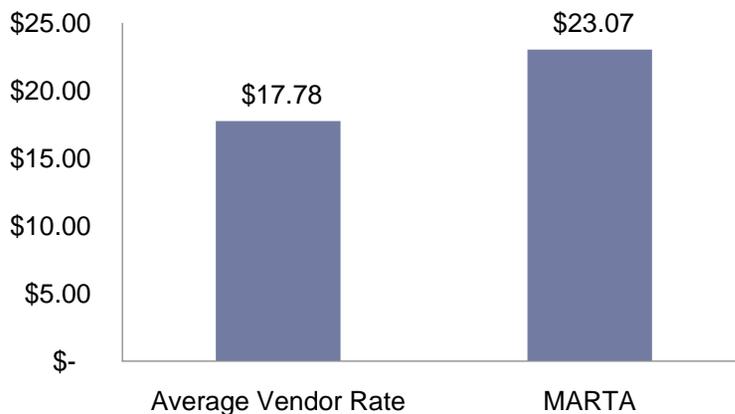
Average Cleaning Hourly Rate



Cleaning Hourly Rate

- ◆ MARTA's hourly cost for cleaning services is approximately \$27.55
- ◆ MARTA's hourly cost for cleaning services is 46% higher than the Average Vendor Rate

Station Cleaning Hourly Rate

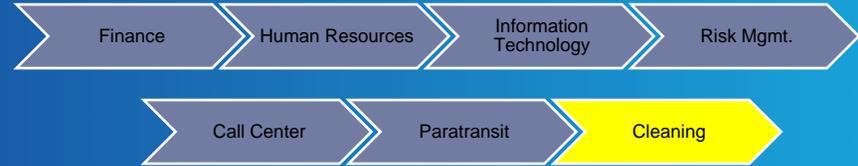


Station Cleaning

- ◆ To demonstrate a market comparison for 1 of the 6 functions, we compared internal station cleaning rates to vendor provided station cleaning rates
- ◆ Rail station cleaning is the largest cost among MARTA cleaning functions, accounting for approximately half of cleaning costs
- ◆ MARTA's hourly rate for rail station cleaning is approximately 30% higher than the average vendor rate

7. Sourcing Opportunities

Cleaning Services



Complexity to Outsource is Medium

- ◆ Custodial Services are a standard business function
- ◆ Vendors are readily available in the market and offer competitive pricing
- ◆ Sourcing Custodial services would impact MARTA's labor agreement

Recommended Actions

- ◆ MARTA should take action to further explore the outsourcing of its cleaning services:
 - Identify cleaning requirements and appropriate wayside training/certification
 - Identify leading market providers
 - Work with legal counsel to determine impact of contractual agreements and applicable federal transit laws on sourcing and, if applicable, develop and issue RFP for cleaning services
 - Realign cleaning management responsibilities to vendor management

Financial Analysis	Range
Current Costs:	
Estimated Current Annual Costs	\$17,860,000
Subtotal 5-Year Current Costs (A)	\$89,300,000
Outsourced Costs:	
Estimated 5-Year Costs for Outsourcing Agreement	\$38,000,000 to \$58,250,000
Estimated Ongoing 5-Year Costs to Manage Outsourcing	\$1,750,000
Subtotal 5-Year Outsourced Costs (B)	\$39,750,000 to \$60,000,000
Projected 5-Year Savings by Outsourcing (C=A-B)	\$29,300,000 to \$49,550,000
Estimated One-time Costs to Implement Outsourcing (D)	\$750,000
Return on Investment [(C-D)/D]	3810% to 6510%

7. Sourcing Opportunities

Next Steps

Potential Benefits

- ◆ MARTA should further explore the identified sourcing opportunities to realize the following potential benefits:
 - ◆ Ability to focus resources on core competencies
 - ◆ Reduce costs
 - ◆ Improve productivity
 - ◆ Avoid or reduce certain capital/technology investment
- ◆ MARTA's current economic model is structurally unsustainable with costs projected to be greater than revenue for each year through 2021. MARTA must make significant and fundamental changes to operations to avoid across the board cuts that will adversely affect operational and customer service

Sourcing Strategy

- ◆ MARTA should develop a strategy and roadmap for evaluating and implementing sourcing initiatives
 - ◆ Determine internal feasibility of sourcing the function
 - ◆ Assess internal risk/reward in moving the function to an outside vendor
 - ◆ Finalize scope and objectives for sourcing opportunities
 - ◆ Finalize strategy and timeline for sourcing opportunities (order of the sourcing, existing contracts, interaction between initiatives, etc.)
 - ◆ Finalize financial business case based upon projected target operating model
 - ◆ Develop change management plan
 - ◆ Develop transition strategy
 - ◆ Finalize the sourcing implementation roadmap
- ◆ MARTA should link the developed sourcing implementation plan to annual budgeting processes
- ◆ MARTA should manage the sourcing implementation plan and regularly monitor progress towards plan goals

7. Sourcing Opportunities

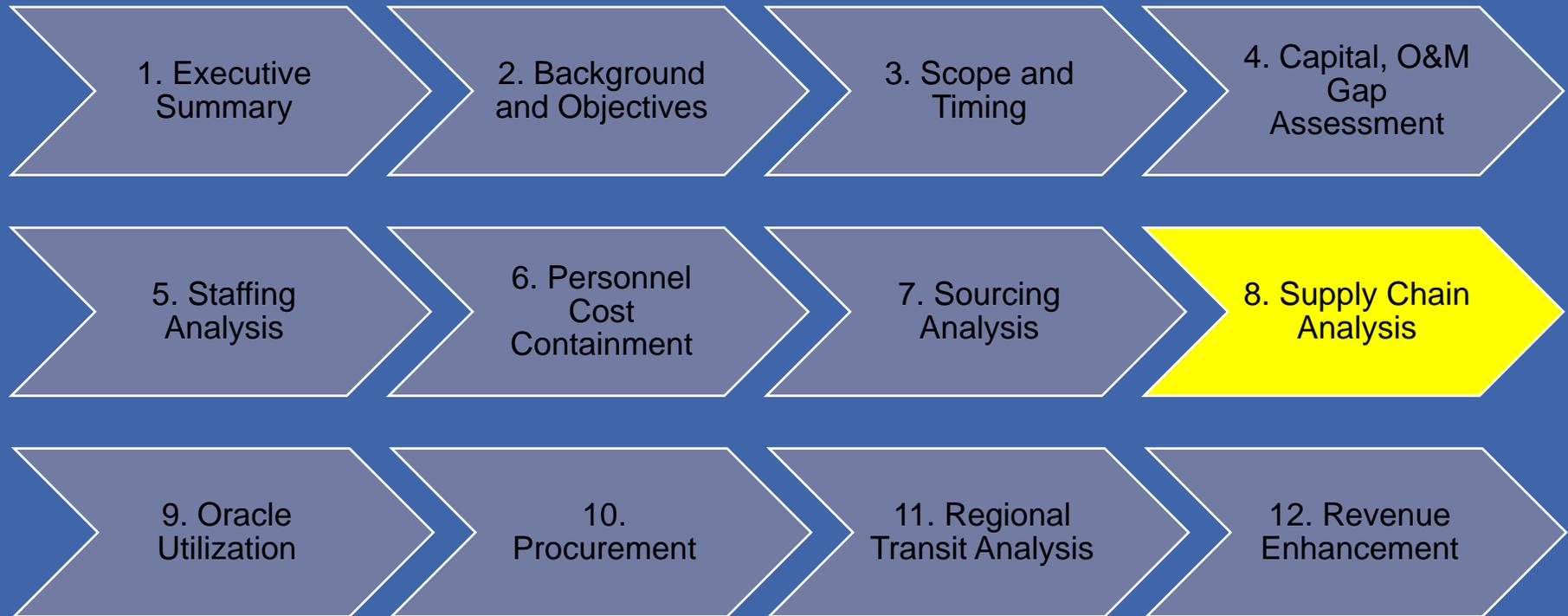
Next Steps

Sourcing Prioritization

- ◆ As part of the sourcing implementation roadmap, MARTA should develop its prioritization of sourcing opportunities
- ◆ There are multiple approaches to prioritizing MARTA's sourcing opportunities. The prioritization should be linked to MARTA's key organizational objectives for sourcing
- ◆ MARTA should identify and consider the length of time required for each opportunity to transition to a sourcing vendor
- ◆ If MARTA prioritized sourcing opportunities by potential savings, MARTA could start by exploring the Cleaning and Paratransit opportunities
- ◆ If MARTA prioritized sourcing opportunities by low complexity, MARTA could start by exploring the Finance, HR, certain IT, and Risk Management opportunities
- ◆ MARTA should evaluate many of the back office sourcing opportunities (Finance, HR, IT, and Risk Management) together, as individual sourcing vendors can deliver multiple services

Execute Against Sourcing Implementation Roadmap

- ◆ Once finalized, MARTA should execute against the sourcing implementation roadmap to begin obtaining solutions
 - ◆ Confirm the business requirements and business case
 - ◆ Initiate communications and change management plans
 - ◆ Determine and execute RFP strategy
 - ◆ Finalize MARTA and sourcing vendors joint solutions
 - ◆ Select sourcing approach and vendor
 - ◆ Develop and finalize governance approach for managing sourcing vendor
 - ◆ Initiate transition plans and assess transition readiness
 - ◆ Begin transitioning responsibilities to sourcing provider



8. Supply Chain Assessment

Objective: Review MARTA's supply chain business processes and strategies

Procedures: KPMG performed the following procedures for the Supply Chain Assessment:

- ◆ Conducted interviews with procurement and maintenance personnel
- ◆ Reviewed inventory, purchasing, and usage data
- ◆ Gained insight into the following Supply Chain functions:
 - Administration
 - Contracting / Procurement
 - Operational controls
 - Information Systems
 - Maintenance
 - Maintenance, repair, & overhaul operations
 - Forecasting, planning, & control
 - Stores
 - Stores / spares management
 - Inventory Management
 - Capabilities & capacities

8. Supply Chain Assessment

Observations

Administration

- The MARTA Office of Contracts and Procurement (C&P) is responsible for the purchase, fulfillment, and replenishment of inventory to the stores. C&P measures and monitors inventory use and levels
- C&P has the authority to monitor new purchase orders and requisitions but does not have the authority to determine if inventory is surplus for disposition purposes
- C&P has implemented processes and controls to identify and reduce its inventory
 - MARTA recently implemented Oracle's Purchasing and Inventory modules. MARTA uses Oracle to monitor and set replenishment levels, min/max order quantities, review requisitions and purchase orders, and uses historical store consumption data to forecast future inventory requirements
 - Oracle calculates a reorder point using the Economic Order Quantity model with Reorder Point Planning set for two months usage of parts on hand
 - C&P is currently working with Bus and Rail Maintenance to identify and reduce inactive inventory on-hand. Inventory has reduced 13% since July 2009
- In the past, certain contracts involving the procurement of capital assets (primarily rolling stock and systems) contained terms that required MARTA to buy bundled parts rather than allowing MARTA to buy only parts required for maintenance. This bundling practice contributed to increased inventory levels, including excess inventory
- Since 2009, capital and operating contracts are reviewed by the Materials Project Manager to limit the procurement of bundled parts
- Informal communication processes in place between maintenance and operations limit visibility of operational issues and contribute to unnecessary inventory balances
- Informal disposition strategies and limited resources contribute to non-optimized dollar return on identified obsolete inventory

8. Supply Chain Assessment

Observations

Maintenance – General

- The Bus and Rail Maintenance departments can be considered the “customer” for MARTA inventory and are responsible for bus and rail service levels
- The Bus and Rail Maintenance departments are responsible for identifying inactive, obsolete, and insurance contingency items that may lead to increased inventory and carrying costs based upon perceived need and not upon usage
- MARTA has created a collaborative working session between C&P and the Bus and Rail Maintenance departments to proactively identify obsolete inventory
- C&P and the Bus and Rail Maintenance departments should continue to formalize meetings with agreed upon performance metrics and accountability for inventory levels and associated carrying costs
- MARTA’s Bus and Rail Maintenance departments utilize Oracle FA Suites Asset Management software that integrates with Oracle’s Inventory and Purchasing applications to generate work orders, requisitions (back orders), and manage its service parts inventory

8. Supply Chain Assessment

Observations

Maintenance – Rail

- Rail Maintenance service part purchases include:
 - Unpredicted repairs
 - Rebuilds
 - Scheduled maintenance through the Lifecycle program. The Lifecycle program uses the concept of mean time to failure to assist in planning requirements
- Rail and Linear Maintenance account for 76% of inactive inventory. The age of MARTA's Rail fleet is a contributing factor to the high levels of Rail and Linear Maintenance Inventory
 - Limited availability of parts suppliers
 - Increased repair frequency
- Kits utilized for the L-care program are ordered and packaged from the supplier
- One vendor, Wabtech, accounts for 19% of the active and inactive parts value for Rail, suggesting that it would make a possible candidate for a Vendor Managed Inventory (VMI) program for MARTA. Wabtech's prominence as a parts supplier is due to recent acquisitions of other suppliers by Wabtech

8. Supply Chain Assessment

Observations

Maintenance – *Bus*

- Bus Maintenance service part purchases include:
 - Unpredicted repairs
 - Rebuilds
 - Scheduled maintenance through the Lifecycle program (mid-life of 6 years and routine maintenance). The Lifecycle program uses the concept of mean time to failure to assist in planning requirements
- The average age of the Bus fleet is 10 years. The Bus fleet's lower average age increases standardization and availability of parts. Accordingly, Bus Maintenance Inventory only accounts for 14% of the inactive value
- For mid-life and routine maintenance, parts are kitted, or grouped together by MARTA before going to maintenance. The use of kits for mid-life and routine maintenance is a positive preventative maintenance practice that helps reduce unpredicted repairs
- Bus Maintenance has determined that any inventory more than 6 years old with a specific purpose is obsolete and is in the process of minimizing inactive inventory stock

8. Supply Chain Assessment

Observations

Stores/Inventory

- The Purchasing department manages the storeroom inventory using the Oracle Inventory module. Purchasing uses historical consumption data to forecast the inventory replenishment requirements for the stores
- The total inventory managed by Purchasing is approximately \$28.7 Million. Rail, Linear, and Bus maintenance inventory account for 90% of total inventory (\$25.9 Million)
- MARTA classifies inventory as:
 - **Active** – inventory less than 3 years old
 - **Inactive** – inventory greater than 3 years old

Active Inventory

- Active inventory accounts for 71% (\$20.3M) of total MARTA inventory (\$28.7M)
- Rail accounts for 55%, Bus accounts for 24%, and Linear accounts for 11% of active inventory
- 33% of active inventory had no consumption in last 12 months
- 44% of active inventory parts have a lead time between 0 to 1 month, indicating the potential opportunity to decrease inventory on hand
- Initial analysis showed potential excess inventory on hand compared with consumption for each item stocked at a store

8. Supply Chain Assessment

Observations

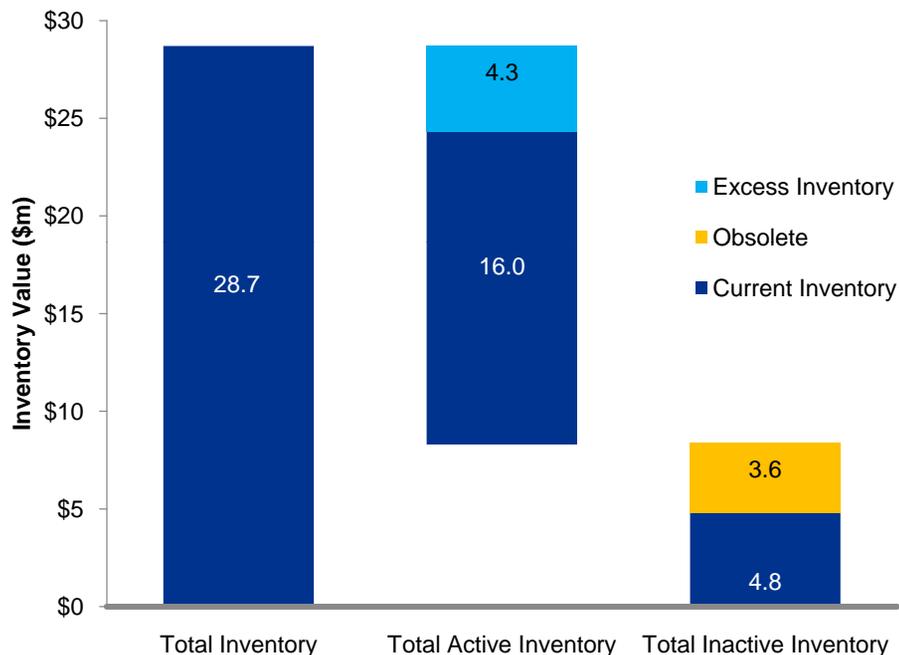
Stores/Inventory

Inactive Inventory

- Inactive inventory accounts for 29% (\$8.4M) of total MARTA inventory (\$28.7M)
- Rail accounts for 42%, Bus accounts for 14%, Linear accounts for 34%, and All Other items account for 10% of inactive inventory
- MARTA policy of classifying inactive inventory as any inventory that has not been used in the last 3 years could contribute to increased levels of inventory, including excess and obsolete
- Inactive inventory includes \$3.6M of obsolete inventory
- Almost all of the inactive inventory resides in three of eight storerooms
 - Armour Yard and Avondale Yard – *Rail*
 - Browns Mill Yard – *Heavy bus repair and body shop*
- Obsolete parts are stored with active parts, leading to inefficiencies in store-room operations from space, pick, and location need. Some identified obsolete parts are being centrally located to single stores that have the greatest inventory volume
- 18% of parts/items contribute to 80% (\$6.7M) of inactive inventory (\$8.4M). These parts are primarily rail parts and may be difficult to obtain in open market
- Only \$37,000 worth of POs were placed against inactive inventory, indicating that tight controls are in place over replenishment at stores

8. Supply Chain Assessment Observations

Inventory analysis summary by type of inventory



Total Inventory

- ◆ Total current inventory on hand: \$28.7M
 - ◆ \$20.3M is marked active inventory
 - ◆ \$8.4M is marked inactive inventory
- ◆ Opportunity exists for impacting \$4.49M-\$4.93M of current inventory by accelerating and implementing formal disposition strategies and reviewing inventory replenishment policies
- ◆ MARTA should align its inventory levels to any future Rail Fleet Plans
- ◆ Out of 637 suppliers, 3 suppliers (Wabtech, New Flyer and Bombardier) collectively account for 34% of total inventory on hand, suggesting potential opportunities for VMI

Active Inventory

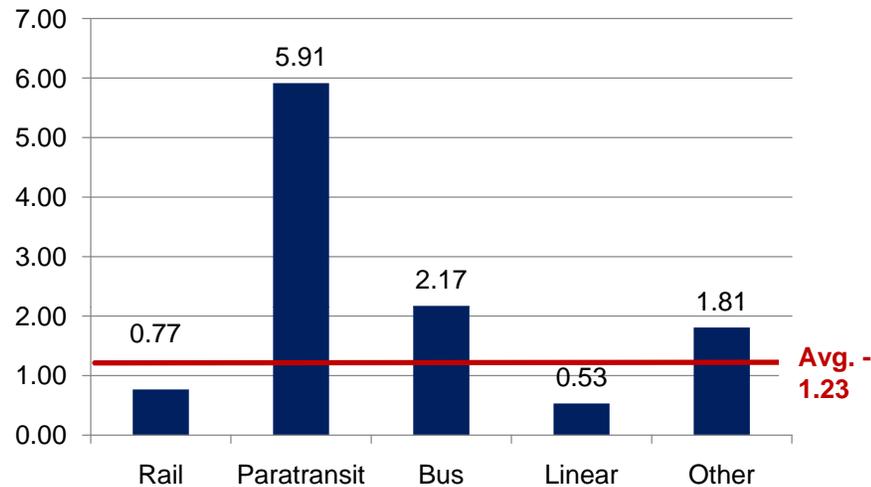
- ◆ \$4.4M of inventory was marked excess based on preliminary analysis of MARTA inventory
- ◆ Excess (active) inventory may be reduced by reviewing inventory policies, with potential savings of \$0.89M to \$1.33M

Inactive Inventory

- ◆ Opportunity exists to dispose of \$3.6M of obsolete inventory identified through recent initiatives conducted by MARTA's supply chain team

8. Supply Chain Assessment Observations

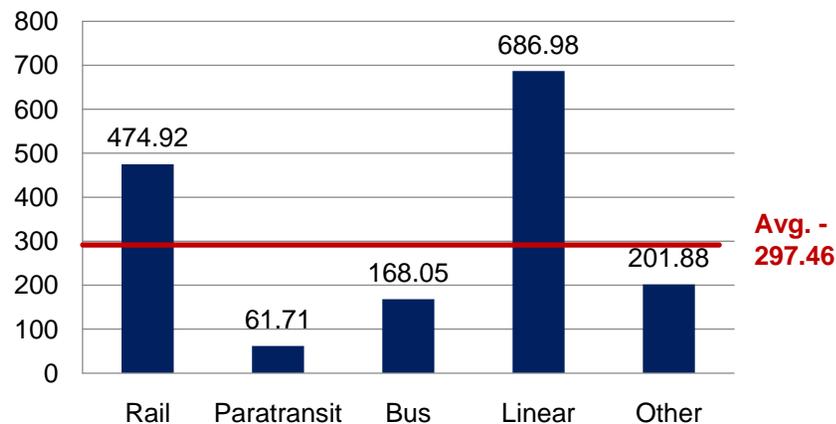
Active Inventory Turns



Active Inventory Turns

- ◆ MARTA's active inventory turnover rate is low, at an average of 1.23
- ◆ Rail and Linear have the lowest turnover rates, in part because MARTA holds inventory to support its aging rail system infrastructure
- ◆ Paratransit has the highest turnover rate, in part because of its relatively new fleet and standardization of parts

Average Days to Use Active Inventory



Time to Inventory Turnover

- ◆ MARTA inventory turnover is high, taking 297.46 days on average to turnover
- ◆ Rail and Linear inventory have the longest turnover period, while Paratransit has the shortest

8. Supply Chain Assessment

Recommendations

Recommended Actions

- ◆ MARTA should take action to explore leveraging Vendor Managed Inventory (VMI) for part or all of its inventory:
 - Identify inventory management requirements – because MARTA operates 3 major transit modes with differing parts, more than 1 VMI contractor may be needed
 - Identify leading market providers
 - Develop and issue RFP for inventory management
 - Realign inventory management responsibilities to vendor management
- ◆ VMI can help MARTA shift from a “Just in Case” inventory strategy to a “Just in Time” inventory strategy
- ◆ VMI can potentially offer savings in cost of parts, obsolescence, warehouse expense, physical handling, capital utilization, and administration
- ◆ Typical VMI savings can range from 10-20% of current costs

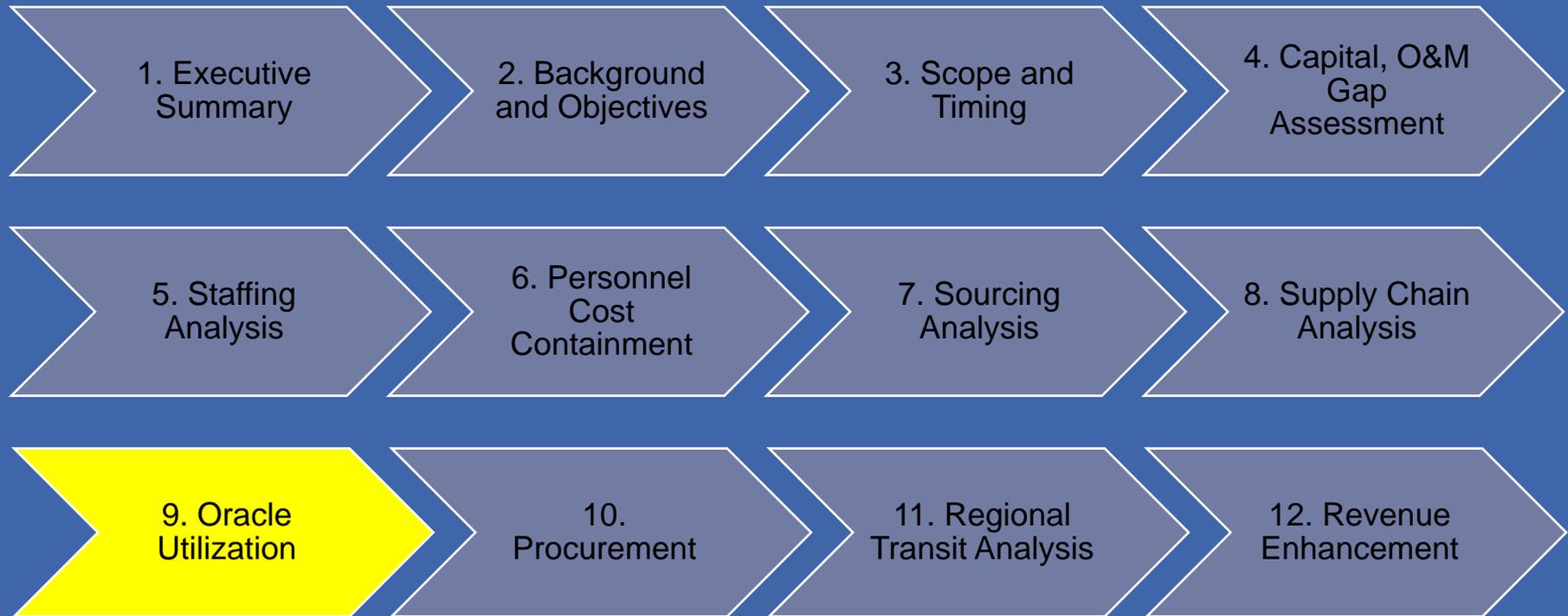
Financial Analysis	Range
Current Costs:	
Estimated Current Labor Costs	\$5,360,000
FY12 Inventory Spend	\$21,970,000.00
Total Annual Inventory Spend and Operating Costs (A)	\$27,330,000.00
Estimated VMI Savings:	
10-20% of Annual Inventory Spend and Operating Costs (A)	\$2,733,000 to \$5,466,000

8. Supply Chain Assessment

Recommendations

Recommended Actions (continued)

- ◆ Create formal disposition strategy, accelerate current dispositions, and consider engaging a third party disposition contractor
- ◆ The formal disposition strategy should be based on a formalized usage criteria and not individual departmental perceived need
- ◆ Review inactive inventory and determine potential use, condition, actual quantity, etc.
- ◆ Separate the aging, excess, or obsolete items from parts inventory
- ◆ Identify and manage excess inventory levels
- ◆ Ensure that annual and periodic maintenance plans are inputs for inventory plans
- ◆ Inventory should align and support MARTA's fleet plan
- ◆ Continue to issue contracts for capital items without clauses requiring purchase of bundled parts



9. Oracle Utilization

Full suites of planned Oracle implementations were delayed over the years due to financial constraints

Objective: Assess opportunities in MARTA's current Oracle environment to reduce manual/paper processes by:

- ◆ Enhancing usage of existing MARTA Oracle functionality, or
- ◆ Purchasing and implementing additional Oracle functionality

Procedures: KPMG performed the following procedures for the Oracle Utilization analysis:

- ◆ Interviewed MARTA management and staff to:
 - ◆ Understand MARTA's current Oracle environment and usage
 - ◆ Understand current labor hours for performing certain manual/paper processes
- ◆ Worked with IT personnel to understand current Oracle enhancement or future implementation costs

Definitions:

- ◆ **Department/Business Process** – MARTA business unit responsible for specific process described
- ◆ **Application** – Oracle application for potential enhancement/implementation
- ◆ **Application Description** – Describes Oracle application for implementation
- ◆ **Usage Enhancement** – Upgrade or change existing MARTA Oracle functionality
- ◆ **Estimated Enhancement Costs** – Costs to upgrade or change existing MARTA Oracle functionality (including license, application/enhancement implementation and support costs)
- ◆ **Estimated Application Implementation Costs** – Costs to purchase and implement additional Oracle functionality
- ◆ **Estimated Annual Support Costs** – Costs to support additional Oracle functionality post implementation
- ◆ **Estimated FTE/Monetary Benefit for Realignment** – Expected FTE count and associated labor costs that may be realigned through enhancement or implementation
- ◆ **ROI** – Estimated number of years for return on investment

9. Oracle Utilization

Enhancing usage of existing MARTA Oracle functionality

The table below shows enhancements to existing MARTA Oracle functionality that will likely result in increased process efficiency and associated cost savings.

Department and Business Process	Application	Usage Enhancement	Estimated Enhancement Cost	FTE/Costs		Estimated FTE/Monetary Benefit for Realignment	ROI
				As Is	To Be		
Contracts and Procurement & Materials <i>Purchase Order Processing</i>	Purchasing	Enable application to further automate “procure to pay” business processes	\$59,156	22 FTE \$2,246,248	17 FTE \$1,738,532	5 FTE or \$507,716	0 years
Contracts and Procurement & Materials <i>Requisition Request and Management</i>	iProcurement	Enable self-service requisitioning application to further automate employee purchasing across the organization	\$59,156	14 FTE \$854,085	7 FTE \$566,239	7 FTE or \$287,846	0 years

9. Oracle Utilization

Purchasing and implementing additional Oracle functionality

The table below shows additional Oracle applications for purchase and implementation that will likely result in increased process efficiency and associated cost savings.

Department and Business Process	Application	Application Description	Estimated Application Implementation Cost	Estimated Annual Support Cost	FTE/Costs		Estimated FTE/Monetary Benefit for Realignment	ROI
					As Is	To Be		
Human Resources <i>Recruiting</i>	iRecruitment* <i>*This application could be an alternative to sourcing the recruiting function</i>	The iRecruitment application is a full-cycle recruiting solution focused on the manager-recruiter-candidate hiring relationship that fully automates the entire recruitment process	\$918,089	\$50,000	9 FTE \$751,106	6 FTE \$501,626	3 FTE or \$249,480	4 years

9. Oracle Utilization

Purchasing and implementing additional Oracle functionality

The table below shows additional Oracle applications for purchase and implementation that will likely result in increased process efficiency and associated cost savings. *(continued from previous page)*

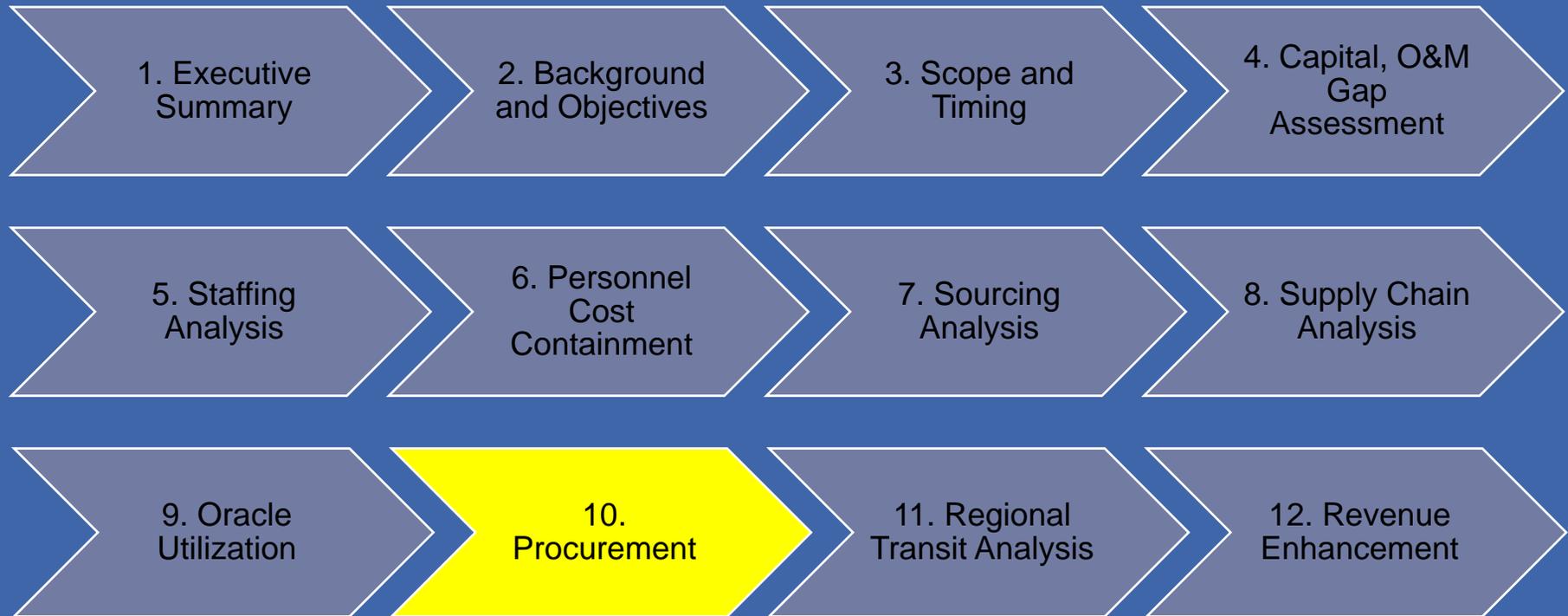
Department and Business Process	Application	Application Description	Estimated Application Implementation Cost	Estimated Annual Support Cost	FTE/Costs		Estimated FTE/Monetary Benefit for Realignment	ROI
					As Is	To Be		
Human Resources <i>Employee Data Access</i>	Self Service	The Self Service application allows employees to update and use employee-specific information, online via a browser, that is personalized to an individual's role, experience, work content, language, and information needs	\$1,414,566	\$100,000	6 FTE \$499,911	4 FTE \$375,777	2 FTE or \$124,134	12 years

9. Oracle Utilization

Purchasing and implementing additional Oracle functionality

The table below shows additional Oracle applications for purchase and implementation that will likely result in increased process efficiency and associated cost savings. *(continued from previous page)*

Department/ Business Process	Application	Application Description	Estimated Application Implementation Cost	Estimated Annual Support Cost	FTE/Costs		Estimated FTE/Monetary Benefit for Realignment	ROI
					As Is	To Be		
Human Resources <i>Training</i>	iLearning	The iLearning application provides a complete infrastructure for organizations to manage, deliver, and track training for online and classroom based environments	\$96,344	\$46,313	54 FTE \$4,499,253	44 FTE \$3,729,405	10 FTE or \$769,848	0 years



10. Procurement

Strategic Transformation Initiatives- Procurement Process

Objective: Phase 2 scope included a high-level review of MARTA's procurement lifecycle.

Procedures: KPMG performed the following procedures for the review of the procurement lifecycle:

- Conducted interviews with procurement personnel
- Reviewed governing regulations and policies
- Reviewed any operational changes made after or as a result of Phase 1
- Discussed the potential impact of MARTA sourcing activities on procurement and contract management functions

10. Procurement

Strategic Transformation Initiatives- Procurement Process

◆ **Observations**

1. MARTA procurement staff perform works activities that can be further automated such as data input, process routing, data validation, reporting and analytics, contract development, and vendor database management.
2. Procurement processes requiring manual data entry or duplicative tasks increase the risk of human error. For example, new vendors enter company contact information for receiving payment into an online portal. However, C&P manually reenters this information into Oracle. Where data validation processes are also manual, the risk of error is magnified.
3. Lack of technology to integrate processes limits MARTA's ability to generate valuable management reports accurately and timely.

- ### ◆ **Summary** – Manual procurement processes within MARTA contribute to high personnel costs, increased risk of error, and challenges for reporting and analytics. As MARTA increases sourcing activities, weaknesses in the contract management function in C&P and project management in user departments will be further magnified. MARTA should prioritize efforts to automate procurement processes.

10. Procurement

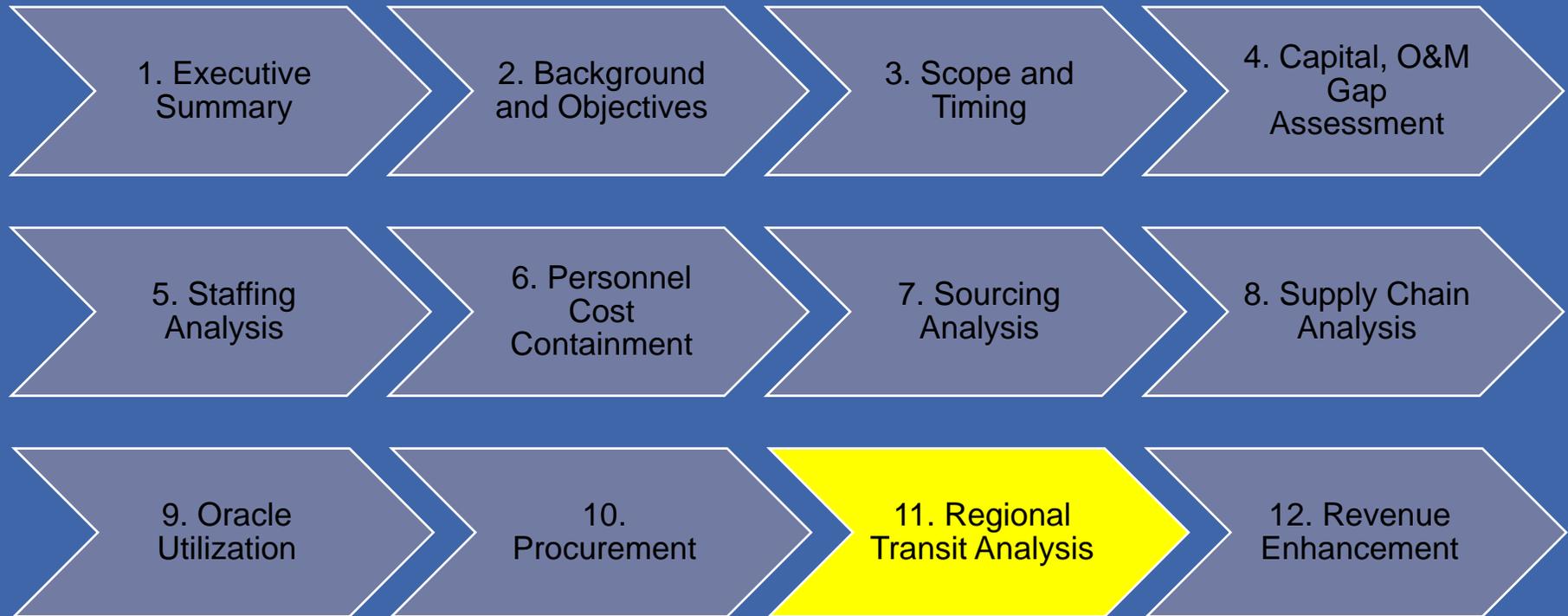
Strategic Transformation Initiatives -Procurement Governance

◆ Observations

1. The MARTA Act requires Board approval for acquisitions and dispositions involving \$100,000 or more. Approximately 44% of blank purchase agreements (BPAs) require Board approval.
2. The MARTA Act requires C&P to receive Board approval prior to soliciting requests for proposals from prospective offerors. C&P estimates this procedure to take approximately 45 days. Once proposals are evaluated and a vendor is selected, C&P must receive Board approval to award the contract.
3. The MARTA Act requires local newspaper advertising for acquisitions, dispositions and contracts involving \$100,000 or more, contributing to increased administrative activities and costs compared to online advertising.

Value of BPAs	% of Total # of BPAs
\$0-\$100,000	56%
\$100,000-\$250,000	17%
\$250,000-\$500,000	11%
Greater than \$500,000	16%

- ### ◆ Summary – MARTA procurement procedures add administrative burdens and additional work steps that may cause additional staffing needs and do not properly align to managing risks within the process. MARTA should understand risks associated with procurement and seek updated legislation from the General Assembly and updated policies from the MARTA Board in accordance with managing those risks.



11. Regional Transit Analysis

Approach and Assumptions

Objective: Review current regional transit services and the associated supporting functions (HR, IT, Fleet Maintenance, etc) to identify potential out-sourcing/in-sourcing and shared service opportunities from a regional transit perspective

Procedures: KPMG performed the following procedures for the Regional Transit Analysis

- Interviewed GRTA, Cobb Community Transit, and Gwinnett County Transit management to understand service model for operations and support functions
- Compared GRTA, Cobb Community Transit, and Gwinnett County Transit service delivery methods to MARTA

Regional Transit Providers

Function	MARTA	GRTA	Cobb Community Transit	Gwinnett County Transit
Rail	X			
Bus	X	X	X	X
Paratransit	X		X	X

11. Regional Transit Analysis

Operations and Maintenance

Function	MARTA	GRTA	Cobb Community Transit	Gwinnett County Transit
Rail operator	Internal	N/A	N/A	N/A
Bus operator	Internal	External Third Party Vendor	External Third Party Vendor	External Third Party Vendor
Paratransit operator	Internal	N/A	External Third Party Vendor	External Third Party Vendor
Bus maintenance	Internal	External Third Party Vendor	External Third Party Vendor	External Third Party Vendor
Bus maintenance facility ownership	Internal	External Third Party Vendor	Internal	External Third Party Vendor
Inventory Management	Internal	External Third Party Vendor (for Bus operational contract) Internal (for Bus management contract)	External Third Party Vendor	External Third Party Vendor

11. Regional Transit Analysis

Support Services

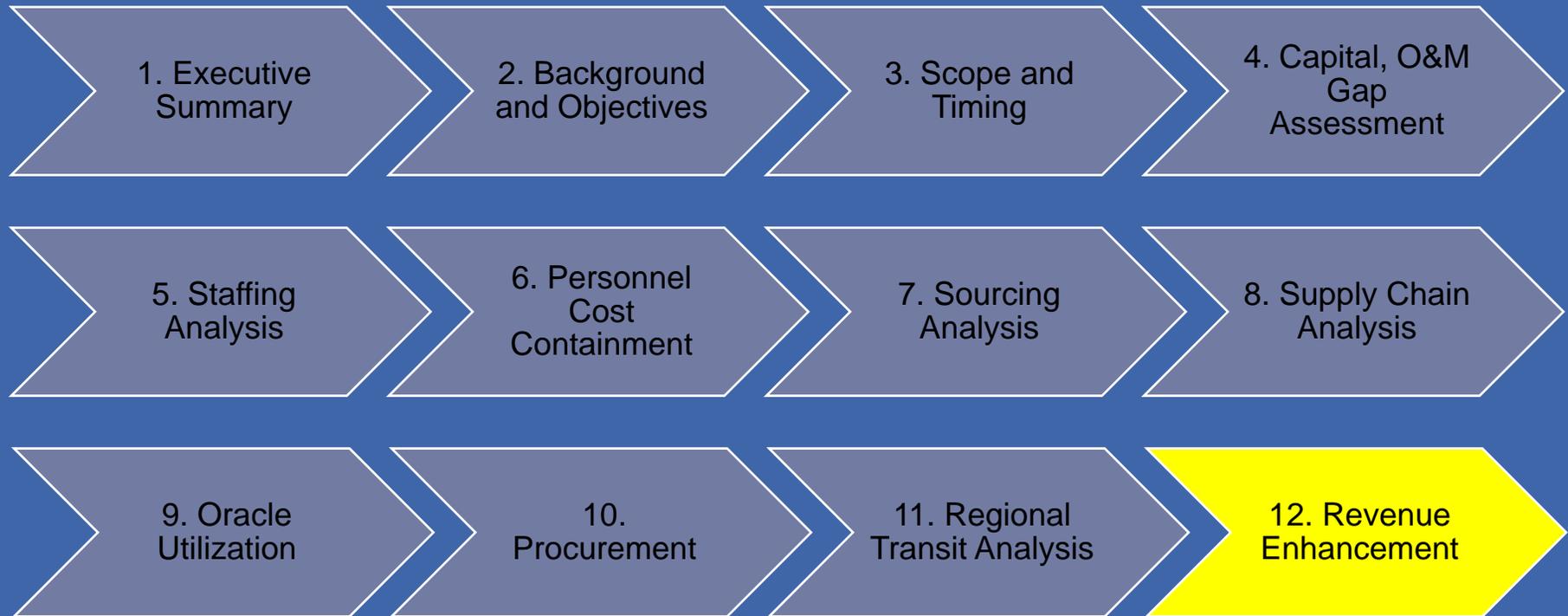
Function	MARTA	GRTA	Cobb Community Transit	Gwinnett County Transit
Finance/Accounting	Internal	Internal	Internal	Internal
Human Resources	Internal	Internal for GRTA employees only (Third party vendors provide HR support for bus operators)	Internal (Cobb County Government)	Internal (Gwinnett County Government)
Information Technology	Internal	Internal	Internal (Cobb County Government)	Internal (Gwinnett County Government)
Marketing	Internal	Internal	N/A	Internal
Legal	Internal	Internal	Internal (Cobb County Government)	Internal (Gwinnett County Government)
Fare Collection	Internal	External Third Party Vendor	External Third Party Vendor	External Third Party Vendor

11. Regional Transit Analysis

Summary

Summary

- GRTA, Cobb Community Transit, and Gwinnett County Transit use third party vendors to operate and maintain their transit systems
- Currently, there do not appear to be any significant near-term opportunities for direct operating and/or maintenance shared services between MARTA and its regional peers as MARTA's regional peers have entered third party contractual arrangements
- MARTA should move forward to evaluate its own use of third party vendors
- For longer term planning, MARTA and regional peers may achieve economies of scale by consolidating potentially duplicative vendor-provided functions into a regional sourcing model



12. Revenue Enhancement

Approach and Assumptions

Objective: Assess opportunities for revenue generation by understanding current and potential MARTA revenue streams

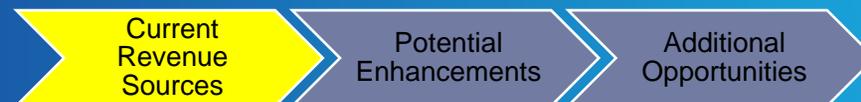
Peers include: CTA, DART, Denver RTD, MBTA, NJ Transit, San Diego MTS, SEPTA, UTA, WMATA, and others.

The following slides include:

- A summary of MARTA's current revenue sources and peer performance in these areas
- Potential enhancements to current MARTA revenue sources
- Additional revenue generation opportunities

12. Revenue Enhancement

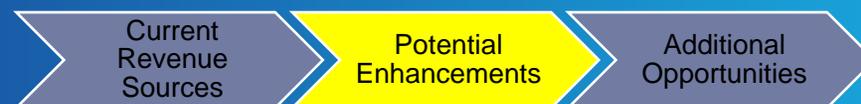
Current Revenue Sources



Revenue Source	MARTA Revenue	Peer Revenue Range	Notes
Lease/real estate income	\$9,583,336	\$7,577,000 - \$40,904,119	
Total advertising	\$6,915,200	\$4,000,000 - \$17,518,000	Including wrapped bus and rail cars, vehicle interior ads, etc.
Parking revenue	\$2,460,611	\$558,000 - \$43,297,000	
Interest / investment income	\$540,464	\$235,000 - \$6,945,000	
Billboards	\$67,656	\$100,000 - \$3,100,000	Leasing of billboards on MARTA property.
Vending (beverages, newspapers, etc.)	\$303,081	Unknown	
Scrap sales	\$23,742	Unknown	
Fees from transit partners for fare system (Breeze)	\$108,000	Unknown	Regional transit partners (CCT, Gwinnett, GRTA) pay MARTA \$3,000 per month for usage of the Breeze fare system. MARTA was recently awarded a multiyear, multimillion dollar grant to study, enhance and maintain the regional Breeze system.

12. Revenue Enhancement

Potential Enhancements



Revenue Source	Notes
Increased billboard development	NJ Transit and MBTA have begun initiatives to increase the number of billboards available on agency property.
Fare recovery	MARTA should assess its fare recovery strategy and potential use of open payment systems.
Services provided to other jurisdictions	MARTA should also assess existing reciprocity agreements or services provided to local governments to better understand fully burdened associated costs and allow for potential recovery.
Bus wrap ads	Current MARTA policy restricts wrap advertisements to 75 vehicles. Removing this restriction could increase advertising revenue.
Railcar wrap ads	Current MARTA policy restricts wrap advertisements to 20 married rail car pairs. Removing this restriction could increase advertising revenue.
Daily parking fees	MARTA offers free parking validation for riders, charges \$5-8/day for long-term parking at select rail stations.
Expanded vending program	MARTA has implemented a snack machine pilot program at select stations.

12. Revenue Enhancement

Additional Opportunities



Revenue Source	Notes
Food, retail, and other concessions leasing	Concessions within stations are limited. MARTA has begun and has plans to enhance concession options.
Station naming rights / adoption	Renaming stations for corporate sponsors. Station “adoption” programs are also available, in which all ads in one facility are devoted to a single company.
Ads on website (itsmarta.com)	There are currently no advertisements on MARTA’s website.
Alcohol advertisements	Current MARTA policy prohibits alcohol advertisements. Removing this restriction could increase advertising revenue.
Surcharge for cash fares	Several peers charge higher fares for patrons paying with cash. Surcharges range from \$0.20 to \$0.40. Approximately 5.3 million MARTA bus trips were paid with cash fare in FY11.
Air rights leasing	Provides lessee with rights to build above MARTA property (tunnels, etc.).
Reserved parking	Parking spots/availability reserved for a monthly fee.
Parking fees for non-residents	Residents inside service area receive free/discounted parking, while commuters from outside the service area pay higher prices. Can be operated by a third party. This opportunity may not be available if federal funds were used in constructing the parking lot.

12. Revenue Enhancement

Additional Opportunities



Revenue Source	Notes
Secure bicycle storage	Includes short term, monthly, and annual locker/storage rentals.
Recovery of parking/traffic fines	MARTA does not currently have the ability to recover fines for citations issued by MPD. MPD estimates that it issued approximately \$252,000 in fines in 2009.
Fare advertising	Advertisements on Breeze cards, receipts, fareboxes, etc.
Collegiate / sports team branded Breeze cards	Logo-branded Breeze cards available for a fee.