



PAUL A. YOUNG  
MAYOR

CITY ATTORNEY

September 25, 2024

Bacarra Mauldin, Interim CEO  
Memphis Area Transit Authority  
40 S. Main St.  
Suite 1200  
Memphis, TN 38103  
Via email: [bsmauldin@matatransit.com](mailto:bsmauldin@matatransit.com)

**Re: Restricted Payroll and Operating Expense Funding**

Dear Bacarra:

See below information regarding the City of Memphis's ("City") funding to MATA and the restrictions placed thereon. While the City is providing funds most recently requested by MATA, the City does so with the reservations outlined herein. Serious concerns remain as to MATA's operational and fiscal decision making<sup>1</sup> and as such, you will find that future funding from the City will be contingent on cooperation with TransPro consultants. Moreover, we are requesting proof that MATA has received the federal funding included in its current budget and represented to the City as being due this month.

As to current funding, on September 9, 2024—acknowledging that the City made its most recent request for backup documentation and a strategic plan on August 13, 2024—MATA requested a draw amount of \$3,998,480.51. On September 10, 2024, MATA provided the City with a cart containing what MATA purported to be hard copies of backup invoices for the request. In the course of the City's review, it was discovered that certain invoices were not provided, and the City requested reconciliation. The reconciliation was provided on 9/18/2024. The City's review of the request has continued from that point.

Notwithstanding the continuing delay in this regard from MATA, the City today learned of MATA's assertion that "buses will stop running" because the City has failed to provide operating funds to reconcile MATA's outstanding payables. **Please advise as to which listed, unpaid,**

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<sup>1</sup> As an example, MATA has failed to provide proof that it's financial deficiencies with the FTA. Specifically, since June, we have requested written proof that MATA has resolved FTA deficiencies calling MATA's "financial management and capacity" into question for MATA's failure to return federal funds.

**vendors directly affect the movement of MATA's buses—and the amounts owed.** As a reminder, your request included vendors and payments such as the following:

1. \$19,998.14 to American Paper & Twine for nitrile exam gloves.
2. \$32,318.00 to Dean & Consultants for advocacy and consulting for the month of July.
3. \$256,226.47 to JS Held for an investigation.
4. \$492,334.19 to Walden Security.
5. \$579.95 to Office Depot for optional office supplies.
6. \$310,010.00 to the Downtown Memphis Commission.
7. \$68,211.62 to Apperson Crump.
8. \$106,813.85 to Bank of America.
9. \$14,125.83 to AT&T Mobility.
10. \$5,775 to Jay Banasiak.
11. \$118,864.66 to One Commerce Square Memphis.
12. \$47,651.72 to Paragon Bank.

MATA, after laying off multiple trolley employees, has also requested \$1,550,000.00 to cover payroll for September 26, 2024—a number consistent with pre-layoff payroll requests.

Today, the City of Memphis is providing you with drafts in the amounts requested and outlined above (“Funds”) payable to MATA, with the expectation that MATA will immediately provide proof that the represented vendors were paid in the amounts communicated to the City. These payments will be charged against the funding appropriated to MATA by the Memphis City Council as part of its adopted budget for the fiscal year beginning July 1, 2024 and ending June 30, 2025. Funding was appropriated pursuant to Tenn. Code Ann. §7-56-107, which authorizes, but does not require, a municipality to pay a “reasonable subsidy” to a public transportation company to “ensure continued operation.” Notably, the amount of such subsidy is “wholly in the discretion of the governing body of any such municipality,” and as such, any such payments are gratuitous and not made pursuant to any legal obligation. *Id.*

Provision of the Funds: In no event shall payment of the Funds be construed as 1) a waiver of any claim for debt or otherwise the City of Memphis (“City”) or its governing body may assert against MATA, whether in law or in equity; 2) an assumption of liability for MATA’s debts, obligations or commitments, contractual or otherwise; 3) a waiver of the City or its governing body’s right to restrict funding and/or exercise discretion to eliminate or reduce funding to MATA; or 4) an admission of a responsibility or duty to guarantee MATA’s debts, obligations or commitments, contractual or otherwise, whatsoever, as no such responsibility or duty exists under the law. Moreover, in no event shall payment of the Funds be construed as a waiver of the City or its governing body’s authority to require an audit of MATA’s use of municipal funds for a period to be determined by the City, or of the authority to establish conditions and/or restrictions on the release of additional funds.

Restricted Use: The City is restricting use of the Funds to 1) MATA’s satisfaction of its payroll obligations due the week of September 26, 2024; and, 2) MATA’s satisfaction of the operating expenses outlined in its September 9, 2024 draw request and subsequent September 18, 2024 reconciliation.

**Any use of the Funds inconsistent with the stated purposes will constitute a breach of said restrictions and will likely affect MATA's ability to receive additional funding from the City for any purpose. Moreover, going forward, MATA's ability to receive additional funding from the City is hereby conditioned on MATA's cooperation with the City's TransPro consultant(s) and said consultant(s)' weekly certification of MATA's cooperation, along with TransPro's certification that MATA facilitated the immersion of TransPro consultant(s) into MATA's operations to ensure the development of a transit system that serves all Memphians while being fiscally responsible.**

Please do not hesitate to contact me if you have any questions.

Sincerely,

CITY OF MEMPHIS LAW DIVISION

A handwritten signature in black ink, appearing to read 'Tanner George Gibson', with a stylized, sweeping flourish at the end.

Tannera George Gibson  
Chief Legal Officer/City Attorney

Cc: Mayor Paul Young  
Walter Person, City of Memphis Chief Financial Officer  
Allan Wade, Counsel for the Memphis City Council  
Bruce Smith, General Counsel for MATA  
Antonio Adams, City of Memphis Chief Operating Officer  
MATA's Board of Commissioners