



2018 NASHVILLE METROPOLITAN TRANSIT AUTHORITY BOARD WORKSHOP

**One Century Place
26 Century Blvd., Room #110
Nashville, TN 37214**

**March 27, 2018
9:00 a.m. to 3:00 p.m.**

AGENDA

- I. Continental Breakfast (8:30 a.m. – 9:00 a.m.)
- II. Welcome – Steve Bland, CEO (9:00 a.m. – 9:10 a.m.)
- III. Morning Sessions
 - A. Organization and Governance Structure – Pages 2-3 (9:10 a.m. – 10:15 a.m.)
 - 1. Davidson Transit Organization – Margaret Behm/Rita Roberts-Turner/Ed Oliphant
 - a. History
 - b. Structure
 - c. Responsibilities and Authority
 - Break (10:15 a.m. – 10:30 a.m.)**
 - B. Branding and Advertising Policy – Pages 4-9 (10:30 a.m. – 12:00 p.m.)
 - Jason Minser/Bohan Advertising
- IV. Lunch (12:00 p.m. – 12:30 p.m.)
- V. Afternoon Session
 - A. Fare Structure – Pages 10-14 (12:30 p.m. – 2:00 p.m.)
 - Dan Freudberg/Rob McElhaney/nMomentum
 - 1. Impact of August 2017 Changes
 - 2. Implications of New Fare Collection Technology on Fare Structure
 - Break (2:00 p.m. – 2:15 p.m.)**
 - B. Operations Improvement Plan – Page 15 (2:15 p.m. – 2:45 p.m.)
 - India Birdsong/Rick Dooley
 - 1. Current Operator Staffing/Vehicle Maintenance Status
 - 2. Upcoming Planned Improvements
- VI. Closing Remarks – Gail Williams, Nashville MTA Board Chair (2:45 p.m. – 3:00 p.m.)

Morning Session A
Organization and Governance Structure
Nashville MTA/DTO

Margaret Behm/Rita Roberts-Turner/Ed Oliphant

Nashville MTA/DTO

As a part of this workshop, we intend to review the nature of the Nashville Metropolitan Transit Authority (Nashville MTA)/Davidson Transit Organization (DTO) relationship to answer questions about the relationship and to discuss any fine tuning that we may want to pursue.

Nashville MTA is a government entity established by Metro Charter. Nashville MTA's CEO is a Metropolitan Government employee. All other employees are employees of the non-profit corporation DTO, which was formed in 1992. Prior to DTO, employment management services were provided by ATE Management and Service Co., Inc. and Transportation Management of Tennessee, Inc. between 1973 and 1990 and Davidson Transit Management between 1990 and 1992.

The basis for the formation of DTO is contained in Section 13c of the Urban Mass Transportation Act of 1964 (as amended) which required that when federal funds were used by local governments to purchase the assets of failing privately owned bus companies (as was done by Nashville MTA), all of the rights and benefits of the acquired private companies' employees were required to be maintained. One of those rights was the right to collectively bargain.

Absent management by a separate non-profit employer, bus drivers, mechanics, and any other union positions would become government employees and the labor union would have to give up the right to strike. Likewise, the transit authority would have to agree to interest arbitration. Interest arbitration provides that a third-party individual would come from the outside and set the wages and all other employee benefits any time the two parties come to an impasse. Neither the union nor the Nashville MTA has ever agreed to these provisions. The pension plan is recognized as a "public sector" employee plan based on an Internal Revenue Service (IRS) determination.

Currently DTO's primary responsibilities include but are not limited to the following:

- Union negotiations
- Salary structure for all employees
- Pension administration
- Administration of self-funded employee benefit plans (e.g., health, dental, etc.)
- Administration of self-funded worker's compensation program
- Procurement of legal and audit services
- Employee recruitment and retention
- Establishing employment policies and procedures

Current DTO officers and board members are: Ed Oliphant, President; India Birdsong, Vice President; Rita Roberts-Turner, Secretary/Treasurer; Julie Navarrete, Member.

Morning Session B
Branding and Advertising Policy
Jason Minser/Bohan Advertising

Branding

Overview

This presentation is intended to provide an update on the rebranding effort. We will review baseline findings, selected designs used in consumer testing, provide an overview of consumer reactions and summarize the findings, and present modified designs and how they may look in the real world.

Two members of the design team from Bohan Advertising will be in attendance to present and assist with discussion. This discussion is planned for approximately one hour.

Background

Bohan is contracted to assist the Nashville Metropolitan Transit Authority (Nashville MTA) with developing a new brand identity. This work kicked off in December 2017.

Bohan is providing Nashville MTA/Regional Transportation Authority of Middle Tennessee (RTA) with a comprehensive branding identity and brands relaunch strategy that includes:

- Assessment of the current brands and determined market position
- Review of peer agency brands and projects and other analogous brands
- Alignment and prioritization of target audiences
- Development of branding and communications platform

The first phase of the work is anticipated to take place over a six month period – currently in month four. Phase two, production and implementation, will only be costed and scoped once final guidance on the modified designs is approved. At such time, decisions will be made about proceeding.

Brand Assessment

A 360-degree assessment conducted provides a full view of the brand position in the minds of customers, prospective customers and influencers. The initial analysis laid the groundwork for brand identity and brand strategy development. The team conducted independent one-on-one interviews (30 mins to one hour) with each Nashville MTA board member to identify brand attributes, relevance, positioning and architecture. This was in lieu of any formal research to gain insights. Interviews were conducted December 6-14, 2017.

Initial research found (*contents below paraphrase major findings from interviews*):

- Current brands are out of step with how others talk about Middle Tennessee versus mass transit. Geography is spoken about with pride and vibrancy, while transit translated to negativity and in some cases fear.

- Perceptions of mass transit are primarily negative with needs for increased awareness and education of current offerings.
- “Community” was a common theme that positively connected Middle Tennessee to transit.
- Transit is viewed as a core part of area’s infrastructure.
- Strong desire for more contemporary, distinct branding.
- Expressed need to continue serving existing rider base while also engaging new customers.
- Dedicated communication strategy to educate public and lessen perceived barriers.
- A need to continually engage regional partners to ensure constituents embraces the transit vision.

Findings from these interviews were used to develop a Nashville MTA Rebrand Strategy and proposed renaming options. This document was shared with Nashville MTA management on February 6th with individual reviews with board members conducted February 7-12, 2018. During each of these meetings, respective management and board members provided their ranking of four naming options.

A total of eight design concepts were submitted for discussion with project management. After extensive discussion grounded in the new brand strategy, three designs were selected for testing. These three designs, prior to testing, were shared with leadership to identify red flags or any major flaws in overall conception.

Five consumer groups were recruited, roughly nine people per group representing a cross section demographically and geographically, and stratified as rider and non-rider to gauge reactions to the three selected designs.

The presentation you will see during the retreat will go through those selected designs used in consumer testing, give you an overview of the consumer reactions and summary of results, and present modified designs and how they may look in the real world.

Advertising

Overview

This presentation is a continuation of a January presentation looking more closely at the advertising types and revenues they generate. The volume, nature, and design of our advertising program affect our image through the presentation of our fleet and facilities, and our income by way of advertising revenue. The overall intent of the discussion item is, in conjunction with our discussion on branding, is to work toward an appropriate balance between image and income. The key discussion point is how to balance “income vs. brand identity” by selectively using ad types to positively reflect on the brand and not distort any current branding and marketing opportunities.

This is intended to be a discussion of potential approaches.

Background

The current Nashville MTA Advertising Policy was last adopted in October 2013. In May 2016, Metro Council adopted a resolution to further allow Metro entities additional opportunities to advertise on Nashville MTA assets. This resolution was supported in spirit provided it fit within the contractual obligation with the Nashville MTA third-party advertising contractor. More recent public service announcement messages have motivated questions from Nashville MTA officials resulting in staff looking closely at the current policy and contract to meet the evolving advertising landscape.

Currently, advertising types vary by assets and services and have deferential impacts on revenues and brand identity. Some advertising types adversely impact the brand because of size, placement, or advertiser classification. Ad types also pose safety concerns and potentially negatively impact brand perception of non-customers.

The presentation will detail revenues by each ad type classification and provide an overview of how each classification rates on the following four factors:

- Revenue total
- Safety concerns (i.e., window coverage)
- Impact to brand image
- Customer experience (i.e., perception of brand to customers, negative impact on ride)

In preparation for the workshop, Table 1 shows revenues by sold ad types for calendar year 2017. From the table, you can see an equal percentage of revenues are derived from benches and shelters as is from full bus wraps. Moreover, of bus ad types only, 73 percent of revenues come from three ad types – full bus wraps, king panels, and supertails. The balance is covered by nine bus ad types (27 percent).

Additional Details on Revenues by Sold Ad Types:

- Total revenues from calendar year 2017 are \$1.83 million. Amount to Nashville MTA \$1.1 million.
- Twenty-six advertising types are available to advertisers. They include benches, shelters and interior bus cards, Music City Central (MCC), and 22 bus advertising types.
- Sixty-six percent of revenues are derived from bus ad types, 22 percent from benches, and 10 percent from shelters – a small percentage is MCC-based and interior bus cards (*see Table 1 below*).
- A little more than 60 percent of advertising types were sold during calendar year 2017 (*see Table 2 for ad types available v. used*).
- Annual costs to the Nashville MTA for administering (e.g., contract management, install, and removal of ads) the advertising program is approximately \$120,000 to \$180,000.

Table 1. Revenues by Sold Ad Types for Calendar Year 2017

Ad Type	Revenues	% of Revenues
Benches	\$ 406,210.77	22%
Shelters	\$ 185,064.78	10%
Station	\$ 13,000.00	1%
Interior Card - 11"x28" (MTA - Interior Card 11" x 28" - Media)	\$ 42,412.67	2%
Extended Kong (MTA - Extended Kong - Media)	\$ 2,008.78	0%
Full Side (MTA - Full Side - Media)	\$ 14,095.15	1%
Full Wrap (MTA - Full Wrap - Media)	\$ 590,149.06	32%
Full Back	\$ 36,159.85	2%
King Kong (MTA - King Kong - Media)	\$ 96,255.96	5%
King Panel (MTA - King Panel - Media)	\$ 138,718.83	8%
Kong (MTA - Kong - Media)	\$ 41,920.23	2%
Kong and Headliner	\$ 110,131.44	6%
Queen	\$ 13,798.87	1%
Prince (MTA - Prince - Media)	\$ 8,482.24	0%
Portrait	\$ 3,606.06	0%
Supertail (MTA - Supertail - Media)	\$ 126,577.56	7%
All Ad Types	\$ 1,828,592.25	100%
Bus Ad Types Only	\$ 1,181,904.03	
MTA Revenues	\$ 1,097,155.35	

Table 2. Ad Types Sold in Calendar Year 2017

	Sold		Sold
Benches	X	King&Headliner	
Shelters	X	Queen	X
MCC	X	Queen&Headliner	
Interior Bus Cards	X	Empress	
Fullwrap	X	Empress&Headliner	
Fullside	X	Extended Empress	
King Kong	X	Portrait	X
Kong	X	Prince	X
Kong&Headliner	X	Fullback	X
Extended Kong	X	Supertail	X
Mini Kong		Taillight	
Mini Kong&Headliner		Prince	
King	X	Headlight	

Afternoon Session A

Fare Structure

Dan Freudberg/Rob McElhaney/nMomentum

Fare Structure Discussion

Session Goals:

Explore options with pros and cons to various fare structure approaches, discuss policy priorities, and rule out ‘non-starters’ from a system design and policy perspective.

High-Level Outline:

- A. Fare Collection Upgrade Project Goals
- B. Factors for Consideration
- C. Key Fare Structure Decision Points
- D. Migration Path Considerations
- E. Next Steps

A. Fare Collection Upgrade Project Goals

1. Ease of Use

- a. Make paying for transit as simple and convenient as possible for individual riders and corporate partners (EasyRide).

2. Equity and Access

- a. Maintain or improve system access and equity for all customers, with a focus on low-income individuals and those without traditional banking options or smartphones.

3. Seamless Connectivity

- a. Integrate payment options with RTA bus and rail, with capabilities for expanded integration with other regional partners and service providers (regional transit providers, like Clarksville Transit, Franklin Transit and Murfreesboro Rover; other mobility providers such as Lyft, Uber, BCycle, parking).

4. Efficiency and Reliability

- a. Improve transaction times by encouraging the use of prepaid and electronic fares, resulting in faster, more reliable service for customers.
- b. Reduce on-vehicle cash transactions, thereby reducing equipment wear and tear and cash handling costs.
- c. Streamline internal revenue collection and reporting processes, and support internal audit processes.

5. Revenue Yield

- a. Goals around overall net revenue goals in relation to ridership goals and various other considerations.

B. Factors for Consideration

1. Simplicity versus Customer Convenience

- a. A fare structure with many payment options may provide customer convenience by providing more flexibility on how to pay but can be more confusing, whereas a structure with fewer options may remove preferred choices for some but be easier to understand.
 - i. Example: Having lots of different pass types (day, week, month, 20-ride, etc.) may give customers options, but an excessive number of options become overwhelming.

2. Efficiency versus Customer Convenience

- a. A fare structure that is extremely convenient for customers may have higher revenue collection costs and slower transaction (boarding) times, whereas one that removes specific conveniences (especially on-vehicle options) may speed up service and improve on-time performance but be less convenient to some customers
 - i. Example: Allowing all types of passes to be bought on the bus using cash is very convenient (each bus effectively becomes a mobile ticket vending machine), but it increases transaction times, slowing down the transit service and potentially impacting reliability (on-time performance).

3. Revenue Yield (fare box recovery ratio) versus Ridership

- a. Fare structures that are more affordable to customers and encourage ridership may lead to reduced revenue collections, whereas those that seek to increase revenue often lead to lower ridership. Revenue losses would need to be offset in the operating budget or subsidized at a higher rate.
 - i. Example: Reducing the cost of a monthly pass encourages ridership, but generally not to an extent that would offset revenue losses from the lower fare value.

C. Key Fare Structure Decision Points

1. Onboard Fare Change (Change Card) Policy and Magnetic Tickets

- a. While many agencies require exact change, the Nashville MTA currently issues change cards for overpayment that can be used to pay subsequent fares. This is a convenience for customers, but increases wear-and-tear on farebox components and slows transaction/boarding speeds.
- b. Related to the change card policy, one-day passes and transfer tickets are also issued to customers onboard the vehicle, with similar effects on farebox components and boarding speeds.

2. Fare Pass Offerings

- a. Many different types of passes and tickets are currently offered on the Nashville MTA, with varying levels of utilization. Options provide flexibility for customers but can make the system more difficult to understand.

3. Transfer Policies

- a. The Nashville MTA currently allows free transfers between Nashville MTA services. An alternative option with an account-based system is to replace single-ride fares and transfers with a two-hour fare (or other time period). Rather than getting a free transfer, a customer paying for one ride can be automatically credited with a pass in their account that allows them unlimited rides for a certain time period.
- b. With RTA services on the same fare system, interagency transfers are possible. For example, one option would be to allow free transfers from RTA to Nashville MTA, and upcharge customers transferring from Nashville MTA to RTA (a higher-cost service). Interagency revenue sharing agreements would need to be established.

4. Stored Value Faring

- a. In addition to or in lieu of physical passes, an account-based fare system allows customers to associate a dollar value to a particular account (smartcard or smartphone). The appropriate fare is then automatically deducted each time they tap on at an onboard reader. Stored value can be applied as a universal fare type, good on any service in the system (bus, rail, paratransit), with the actual value deducted from the account different from service to service.

5. Best Value Faring

- a. Used in combination with stored value in an account-based system, customers automatically earn passes as they use the system, rather than buying passes ahead of time. They are credited with the pass that is most advantageous to them based on the number of rides taken in a given period.
 - i. As a functional example, assume an agency has a \$2.00 one-way fare, a \$5.00 all-day pass, and a \$50.00 monthly pass:
 1. If a customer rides twice in one day, \$4.00 is deducted from his or her stored account value when they board and scan their smartcard or smartphone; but if they ride three times, they only get charged one extra dollar, or \$5.00 total (the cost of the day pass). They get the benefit of the pass without having to decide at the beginning of the day.
 2. If a customer rides at least three times a day for 10 days, they have paid a total of \$50.00. If all 10 of these days are in the same monthly period and they ride again before the end of the month, they are not charged any additional fares – their 10-day passes are

automatically converted to a month pass so they don't pay more than \$50.00 in a month.

- b. In some Best Value models, the agency stops selling some or all pass types as standalone products. In these agencies, the only product a customer loads to a card or smartphone is stored value. Customers still retain the benefits and flexibility of various pass types without needing to figure out which product is right for their anticipated riding patterns. This simplifies things for customers in the long run, but there can be a re-education period as the public gets used to the concept of letting the fare system do the math for them.
- c. Best Value fare structures can lead to some level of lost revenue, as customers that may have previously over purchased now pay less (for example, someone who bought a seven-day pass and only rode for three days)

D. Migration Path Considerations

1. Mobile Payment Deployment Options

- a. Mobile ticketing can be deployed within just a few months of the start of the project, but only using visual validation (driver inspects ticket on customer's phone). This provides quick customer benefits, but is more susceptible to fare evasion and requires driver intervention to count passengers. Customers would also potentially need to migrate to a new mobile ticketing platform once electronic validation with readers were deployed onboard.

2. Magnetic Fare Media Phase-out

- a. Currently, all individual customer ticket media is issued on magnetic cards. These would be phased out for smart cards with load/reload capability, but there would be a crossover period where both may be in use. Policies could be implemented to encourage and speed adoption of the new system, such as initial mass distribution of free smartcards to existing customers.

3. EasyRide Corporate Partner Transition

- a. If the parameters of EasyRide program participation are changed, contracts would need to be renegotiated upon renewal or changed at mutually agreed-upon dates. Partners would also need to have cards replaced or reprogrammed to be used on the new system, and invoicing and accounting process changes coordinated with the transition.

E. Next Steps:

- 1. Develop and refine fare structures, policies, and migration path based on prioritization of policy goals**
- 2. Define public engagement process**
- 3. Establish timeline for policy adoption parallel to system installation**

Afternoon Session B
Operations Improvement Plan
India Birdsong/Rick Dooley

Materials to be reviewed at session.