



Minutes

NASHVILLE METROPOLITAN TRANSIT AUTHORITY BOARD OF DIRECTORS MEETING

November 16, 2017

- I. CALL TO ORDER:** The regular meeting of the Nashville Metropolitan Transit Authority (Nashville MTA) Board of Directors was held in the Music City Central (MCC) Meeting Room, 400 Charlotte Avenue, Nashville, Tennessee on November 16, 2017. Present were: Gail Carr Williams, Chair; Janet Miller, Vice Chair; Glenn Farnar, Member; Walter Searcy, Member; Secretary Margaret Behm; and Chief Executive Officer Stephen G. Bland. A quorum was established, and Chair Williams called the meeting to order at 3:07 p.m.
- II. APPROVAL OF MINUTES:** Proper motion was made to approve the minutes of the October 26, 2017 Board of Directors meeting. There were no additions or corrections, and the vote of approval was unanimous.
- III. PUBLIC COMMENTS:** Chair Williams opened the floor for public comments. The public was reminded that comments are limited to three minutes. The following members of the public addressed the Board:

Darius Knight, Madison, TN had these comments:

- There are buses that are beyond their 12-year life span (50 or 51) on the roads, and he believes they should not be in service now. He believes that although some buses have been ordered, not enough buses are being ordered to replace the aging buses.

Peter O'Connor, a frequent rider, Nashville, TN had these comments:

- He thanked the Board for the shuttle that transported some veterans to the Veteran's Day parade.
- Buses need to run longer into the night. There are people who depend on buses for transportation into the evening, especially workers who work late shifts.
- Customer service needs to be open from the time the first bus leaves until the last bus returns.
- Some drivers "creep-stop" and that makes him and others sick.
- The escalators at MCC break down too often.

John Bull, a frequent rider, Nashville, TN had these comments:

- The new route media with pictures and graphics is great.
- The improvements slated for the MCC terminal, including bathroom updates with both men and women's having a baby changing station, are good.
- The buses seem to be a bit cleaner, and the noise level is better.

- Last month, he did not miss any bus with a transfer, which was great – buses running on schedule.

Angelique Johnson, member of Music City Riders United had these comments:

- Some of the buses are not announcing the stops and with some of them having window coverings, some stops are missed because they can't be seen.
- She objects to the access to the waiting rooms at MCC being restricted to only those who have a bus ticket.

There were no other public comments at this time. Chair Williams thanked the public for coming forth and sharing their comments to help them make the Nashville MTA better.

IV. OPERATIONS & FINANCE COMMITTEE REPORT: Committee Chair Searcy presented the following action items for the Board's consideration:

- a. FY2017 ANNUAL AUDIT REPORT (A-17-034):** MTA's outside accountants from Crosslin reviewed the Annual Report at the committee meeting. We are pleased to report that the MTA once again received a "clean" opinion on the report from our auditors and that no material internal control weaknesses were encountered during the audit.

After a significant amount of inquiry it was determined that the Operations & Finance Committee recommended to the Board the acceptance of the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. There was no discussion, and the vote of approval was unanimous.

MTA Board Chair Williams asked that this report be included in these minutes and it has been inserted at the end of these minutes.

- b. 40-FOOT LOW-FLOOR BUS REPLACEMENT PURCHASE (A-17-035):** The Operations & Finance Committee recommended to the Board approval to provide the Chief Executive Officer authority to approve the purchase of 20 replacement 40-foot low-floor hybrid buses from Gillig, LLC, for the attainment of replacement vehicles to be used in fixed-route service.

The total sum of this purchase is \$14,580,000 (\$729,000 per bus). The cost per bus includes all ancillary equipment such as on-board Wi-Fi technology and cameras. Funding sources to support this purchase will be comprised of FY2017 and FY2018 Metro funding for bus replacement.

There was no discussion, and the vote of approval was unanimous.

V. NEW INITIATIVES AND COMMUNITY ENGAGEMENT COMMITTEE REPORT:

Committee Chair Miller reported the Committee heard from Jason Minser, Director of Marketing, on their route improvement communications plan. In previous years, semi-annual service changes were shared with the public in the form of a multi-page brochure detailing the intricacies of each of the changes. The summary brochure would often times be lengthy and entirely text based. This approach provided riders with the required technical information on upcoming changes. Although standard for

the transportation industry, this approach is considered unfriendly to anyone who is not a transportation professional.

In the fall of 2017, Nashville MTA overhauled its communications strategy for service changes. This effort focused on diversified communication tactics, visually appealing and graphically-oriented communication style, emphasized improvements, offered targeted route messaging, and tracked the reach of the campaign.

The Committee was impressed with this and that they had some good feedback and are glad it is designed for both smart devices and more traditional use.

Committee Chair Miller continued with her summary of the Nestor operations and maintenance facility renovation report presented to the committee by CDO Julie Navarrete. The Committee saw photos of how the facility looks now and how it will look like under the proposed repairs and improvements. The Committee was universally supportive and excited about it because our employees are our biggest asset and being sure that they are safe and comfortable in a great environment is real important to us.

There were no action items, and this concluded this report.

- VI. CHAIR'S REPORT:** Chair Williams was pleased with the reports from the NICE committee and is excited by the new direction of the marketing communications strategy for service changes and endorses it. She was pleased with the proposed repairs and improvements for the Nestor location. She is looking forward to this project.

She thanked MTA for their support of the veterans on Veterans Day, and she thanked them for their service to our county.

Concluding, she thanked those who are out in the community sharing the future of the Nashville MTA with our Nashville community.

- VII. CEO'S REPORT:** CEO Bland reported the following:
- Comprehensive Operations Analysis – We have been working on this with TMD, our selected consultant and in December or January we are planning a briefing for the NICE Committee relative to their initial findings and overall ridership trends.
 - Nashville Mayor Megan Barry's *Let's Move Nashville* public meetings – I'd like to thank the many MTA staff who have staffed these meetings. Eleven meetings are scheduled, with four already completed.
 - New Fare Collection System – We have been working with Metro IT to finalize recommendations for this. Proposals have been reviewed, and site visits are planned to inspect the most promising technology. We anticipate a January contract award.
 - Mayor's Transit and Affordability Task Force – We have been asked to support this task force that is being co-chaired by former Nashville Mayor Bill Purcell and Davidson County Clerk Brenda Wynn. Two meetings have been

held thus far, with an expectation that the task force will forward its recommendations in early 2018.

- MTA Family Fun Day – This very successful event was held on November 4 at the Nashville Zoo. Among many other activities, we honored our retirees of the past year. Many thanks to our staff who planned and executed the event.
- Preliminary Spring Service Changes – The projected changes reviewed by staff were fairly nominal and do not meet the threshold for conducting public hearings.
- MCC Facility Rehab – We really appreciated the Board’s comments received during the past month, including at last month’s Board meeting, and the design changes there. Those suggestions are being incorporated into the final design package. We anticipate those packages to be released in December.
- Next Year’s Metro Budget – Ed Oliphant and I met with Metro Budget Staff to review schedules for next year’s Metro budget process. Not surprisingly, we were told to plan for no increase in funds from Metro in the operating budget without passage of the referendum.
- On the RTA Side:
 - The funding issue with Mt. Juliet has been resolved. The City will resume their annual payments to the RTA, and the RTA will expand and improve the station parking lot at Mt. Juliet in conjunction with the City.
 - *Let’s Move Nashville* consultants and I met with the Cheatham County Rail Authority Board to discuss the impact of planned Northwest Corridor Light Rail improvements on the Authority’s freight rail operations.
 - We appeared before the State General Assembly’s Government Operations Committee for the RTA’s sunset hearing. Based on the performance audit conducted by the Office of State Comptroller, most findings relate to matters related to Board Governance and specifically Board member attendance. They are recommending us for another two-year renewal.
 - We continued to advance agreements supporting joint development at Donelson Station. Related to this issue were Metro Development and Housing Authority advancing a Transit Oriented Development District around the station site under recently passed state legislation.
 - We participated in a Montgomery County Transit Summit, co-hosted by the Transit Alliance of Middle Tennessee and Cumberland Region Tomorrow.
- Trey Walker – Welcome to Trey Walker who began with us a couple of weeks ago as our new Director of Engineering.

VIII. OTHER BUSINESS: There was no other business to come before the Board.

IX. ADJOURNMENT: The meeting was adjourned at 3:35 p.m.



Report on Results of the June 30, 2017 Audit

Crosslin, PLLC has completed our audit of the financial statements of the Metropolitan Transit Authority (“MTA”) as of and for the year ended June 30, 2017, and issued our unmodified opinion thereon dated October 31, 2017.

MTA is a component unit of the Metropolitan Government of Nashville and Davidson County, Tennessee. The State of Tennessee has oversight responsibility and approved our audit engagement through the Comptroller of the Treasury’s standard Contract to Audit Accounts. MTA has met the financial reporting deadlines of Federal, State and Local Governments.

The following discussion contains information related to our audit that is required by professional standards and certain other information which we hope will be of assistance to you.

Independence

Our professional standards required that we communicate at least annually with you regarding all relationships between Crosslin, PLLC (“Crosslin”) and MTA that, in our professional judgment, may reasonably be thought to bear on our independence. We have prepared the following comments to facilitate our discussion with you regarding independence matters:

We are not aware of any relationships between Crosslin and MTA that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from July 1, 2016 through the date of this letter.

We confirm that, as of November 16, 2017, we are independent accountants with respect to MTA, within the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards*.



Our Responsibility under U.S. Generally Accepted Auditing Standards and Uniform Guidance

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered MTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) Uniform Guidance.

As part of obtaining reasonable assurance about whether MTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Uniform Guidance, we examined, on a test basis, evidence about MTA's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal programs for the purpose of expressing an opinion on MTA's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on MTA's compliance with those requirements.



Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by MTA are described in Note A to the financial statements. We noted no matters that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. Based on our review, we believe that MTA's significant accounting policies are reasonable and comprehensive.

See further information in Note A to the financial statements.

See a discussion of recent accounting pronouncements that will impact MTA, to the extent applicable and material, on page 8.

Alternative Accounting Treatments

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies related to the year ended June 30, 2017.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive management judgments and estimates affecting the financial statements were:

- Self-insurance accruals for accident losses, medical benefit claims and workers compensation claims
- Economic lives for property and equipment



Management Judgments and Accounting Estimates (continued)

- Reserves for uncollectible receivables
- Appropriateness of the assumptions used in the calculations of the postemployment benefit obligation and the net pension liability
- Fair value of the fuel hedging program
- Commitments and contingencies

The basis for our conclusions as to the reasonableness of the estimates when considered in the context of the financial statements as a whole, as expressed in our auditor's report, is our review and tests of the process used by management to develop the estimates. We are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates for fiscal year 2017.

See page 8 for upcoming changes which will impact accounting estimates.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on MTA's financial reporting process.

During the course of our audit, we proposed the following adjusting journal entries:

- Entry totaling \$223,197 to record the change in the fuel hedge.
- Entry totaling \$2,476,219 to record the impact of GASB Statement No. 68 relating to the net pension liability.
- Entry of \$214,730 to remove FY18 insurance payments from prepaid expenses and vouchers payable.

Management reviewed and concurred with the entries. Additionally, management recorded various adjustments during the audit, which were primarily related to actuarial valuations received during the audit for self-insured medical claims, and postemployment benefit obligation. Additionally, management recorded various grant related adjustments throughout the audit. We satisfactorily audited the propriety of the material entries.

All entries identified during the audit have been recorded within the financial statements; there are no unrecorded entries.



Representations Required from Management

We have requested certain written representations from management, which we included in the attached letter (Appendix A), dated October 31, 2017.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion." If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing our audit.

Fraud and Illegal Acts

There were no fraudulent or illegal acts disclosed to us by management or the Board.



Information in Documents Containing Audited Financial Statements

MTA's audited financial statements have been included in the Metropolitan Government of Nashville and Davidson County, Tennessee fiscal 2017 financial statements.

We are not aware of any other documents that will contain MTA's financial statements.

Areas of Audit Emphasis

- Cash and cash equivalents
- Compliance with governmental grant programs and related contributions and receivables
- Capital assets, including significant additions and disposed
- Self-insurance accruals
- Line of credit
- Passenger fare revenues
- Other revenues for operations
- Operating expenses including salaries and wages
- Net pension liability and related accounts
- Net OPEB obligation
- Consideration of new GASB pronouncements

See page 8 for upcoming changes which will impact Accounting estimates.

Recent Accounting Pronouncements

The government and standard-setting bodies are issuing guidance at an unprecedented pace. Crosslin, PLLC is constantly receiving, reviewing, and searching for the latest authoritative literature, in part through its involvement with the AIPCA's Government Audit Quality Center and the Government Finance Officers Association ("GFOA"). We routinely interface with MTA management to ensure proper understanding and application of pronouncements, standards, interpretations, and addenda that arise and will continue to have these discussions with management to implement all new standards as they arise.

The following accounting pronouncements are expected to have significant impact for MTA in the upcoming period:



Recent Accounting Pronouncements (continued)

Upcoming pronouncements: ⁽¹⁾

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018 for MTA. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan. The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined. In addition, new information about rates of return on OPEB plan investments will inform financial report users about the effects of market conditions on the OPEB plan's assets over time and provide information for users to assess the relative success of the OPEB plan's investment strategy and the relative contribution that investment, where applicable, earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

⁽¹⁾ Summaries provided based on GASB information.