

MTA Governance and Organization

The Metropolitan Transit Authority of Nashville and Davidson County has evolved into its present form over a period of about half a century, during which its mission, structure, and the context in which it operates have all changed dramatically. The MTA has evolved from its original mission as a regulator of public transit and street railways in the City of Nashville to its current role as the principal public transit operator in the Metropolitan area.

The MTA board and staff are currently reviewing the existing vision and mission statements to update them to reflect current and future requirements. The prevailing “Strategic Vision” and the mission statement of the MTA are shown in the following boxes.

MTA’s “Strategic Vision”

1. The goal of the MTA is to balance customer needs with taxpayer resources in a manner fair to all.
2. While improving the public transportation product for our customers, we will aid in designing;
 - Future services which slow the rate of congestion growth or reduce congestion in the travel corridors
 - Future services for neighborhoods in which car travel is becoming less practical; and,
 - Future neighborhoods in which travel without a car is more practical

MTA’s Mission Statement

“To provide safe, reliable, efficient, customer friendly public transit and alternatives to driving alone.”

The current MTA organization and programs are built on a continuous set of incremental changes designed to meet the series of challenges that have faced it over the years, very few of which were likely to have been anticipated by the original framers of the Charter amendment that created the MTA.

The MTA operates under the general powers given to it in the Metropolitan Charter, including the delegated power to “. . . own in the name of the metropolitan government and to operate a public transit

system” (Section 6.a.3 of the Appendix). This one sentence is deep in the overall Appendix of 50 pages, which deal with issues that are no longer relevant to the MTA.

The implicit mission of the MTA has changed as the private transit companies disappeared and the need for a regulatory agency disappeared. MTA has thus evolved from a regulatory body to the primary transit organization for the County operating fixed route transit, paratransit, car and van pools, and related means of increasing vehicle occupancy.

Unlike most transit systems of similar sizes, there is little in the enabling amendment that provides a policy foundation for defining a mission that is applicable to the contemporary requirements of a transit system in a metropolitan area like Davidson County.

The legislation that created the Regional Transportation Authority (RTA), for example, provides a much more specific set of responsibilities relating to transit development. The legislation charges the RTA with developing a mass transit plan for the region that is to include:

- Establishment, location, and relocation of transit routes
- Areas to be served
- Frequency and method of service
- Coordination of existing services
- Setting contributions by governments in the service area toward the costs of transit services
- Contracting to provide transit services
- Determining sources and methods of funding
- Providing services for handicapped riders
- Providing services for special events
- Any other provisions necessary to establish a coordinated, reliable, scheduled, regional service

This is an example of the sort of enabling policy foundation that is needed for the MTA. Currently, MTA has assumed varied responsibilities under the heading of implied powers essential to “owning and operating a public transit system”. These include magnet school, paratransit, special event services, regional planning activities, and more. In many locales these responsibilities would normally be handled by a regional transit system.

The MTA is one of the few urban transit systems of its size that is organized to operate within the boundaries of a single county, rather than a metropolitan area. Others include Milwaukee County, Miami-Dade County, Jacksonville, Florida and many of the counties in California. MTA’s form of governance of transit is more typically found in smaller urban areas. As a result of the structure, Metro has more authority over the MTA than most counties since the Board is appointed by the Mayor and the local funding is provided by one county alone rather than by a regional agency of all of the local

governments in the region. The MTA Board operates as befits an independent agency in its operating and administrative decision-making, while working under the available funding from the Metropolitan Government and from the state.

By contrast, most transit systems in metropolitan areas the size of Nashville and Davidson County operate on a regional basis, and are governed by a regional board and funded through some regional funding mechanism. Funding for these regional operations is sometimes “dedicated” to transit after a regional referendum and controlled by the agency alone, or appropriated by the participating governments and subject to the annual appropriation processes of those governments.

The MTA is now faced with a set of challenges that will define its future for the coming decade or more. MTA needs to exert a new level of professional, technical, and policy leadership in transit development and transit related activities, to operate an efficient and cost-effective transit system, and to provide transit service and facilities at a higher level of quality and convenience.

The Near Term Challenges

The MTA is about to receive the results of two major transit planning studies, provided by outside contractors, which will consist of a short range and a long range transit operating and capital plan. These plans will help provide a blue print for the future of transit in the region. The scopes and schedules for these planning efforts are provided in other sections of this report. These studies are likely to recommend major changes in the bus and paratransit services, facilities, and financial requirements of the system. The MTA may also be faced the possibility of carrying out a proposed commuter rail program. The organization will confront these challenges while also responding to the recommendations of this audit.

The MTA has traditionally run a system with an active objective of cost effectiveness and expense controls. To some extent, this cost consciousness has led to some decisions which may have seemed sensible in the short-term but which created longer term issues. Examples of this include capitalizing maintenance operating expenses, arranging to borrow money to pay current operating expenses, buying new personnel management information applications without the training modules, or buying buses without the financial capacity to pay the local share to operate them. These examples are discussed further in other sections of this report.

Developing a clear and comprehensive service, operating, capital, and management plan, with the participation of the region’s transit stakeholders, will be an important step in moving the MTA to the next level in service quality. A comprehensive planning exercise of this type will help frame a policy and funding discussion with the Metropolitan Government and other regional transit stakeholders. MTA will also need to make cost effective changes in its policies, programs, and management structure that will

increase the confidence of the policy makers that the agency is operating efficiently and effectively. This should provide the foundation for greater support for implementation of the commuter rail services, the recommendations from the two transit studies about to be completed, and this audit.

Board Operations

The manner in which the five-member board operates internally presents a number of procedural and communications problems to its members, and to the management staff of the MTA.

- First, the Board operates through the committee system, but each committee has only one member. Committee meetings are not normally held, and when they do only one or two Board members are present. This limits the ability of the Board and staff to work on issues together prior to consideration by the Board as a whole at its monthly meeting. The role of the committees is very limited, and management often takes matters to the board with little or no prior review by the committee member.
- Second, the lack of substantive committee consideration of staff recommendations forces the staff to take the leadership in presenting and recommending actions to the Board. In an effective committee structure, the committee chair often carries the recommendations of the staff to the board and acts as the floor manager for the recommendations, after the committee members have done their due diligence at the committee meetings
- Third, the lack of functioning committees limits the more informal interaction among Board members, and between the Board and the staff, than can be achieved during Board meetings.
- Fourth, the absence of an effective committee process often means that Board members hear of and speak on issues at the Board meetings for the first time, or that the staff has had to meet with Board members individually at a great cost of time and effort. Members and staff do not use committee meetings as the venue for the more probing questioning of staff, and for more creative interaction with one another in a manner that helps to consider and shape recommendation for action by the Board as a whole.
- Lastly, there is no established means for the Board to regularly communicate with legislative and executive branches of the Metro government, or other transit stakeholders, to ensure policies and programs are consistent with current and future priorities.

Management Structure - MTA has chosen over the years to operate its bus services through private transit management firms. McDonald Transit Management has been the incumbent management company for 10 years. The current executive director has been in that position for the entire ten-year period. The average tenure for a transit executive director is two to three years.

McDonald manages a total of 18 urban transit systems, largely in the south and southeast. Its current five-year contract covers the period from August 20, 1998, through August 19, 2003. This five year term is unusual, in that Federal procurement guidelines and the MTA procurement procedures limit contracts to three year terms, with a maximum of five years by adding two one year extensions as an option. The term of the McDonald contract is a straight five years with no options.

The compensation for the services provided range from \$12,350 per month for the first year to \$14,200 a month for the fifth year. These fees cover the services of the Executive Director and a range of optional technical and professional consulting services. Either the MTA or McDonald Transit can determine when such services should be required or provided.

The kinds of services that McDonald is obliged to provide within their management contract include:

- Insurance requirements and negotiations of coverage
- Public awareness and marketing programs
- Internal financial and management audits
- Development of capital and operating budgets
- Labor relations and collective bargaining

While McDonald provides some of these kinds of services as a matter of course, labor relations for example, the MTA has rarely made a request for any additional work under the existing contract.

Other than the executive director, the management and personnel who operate the system are employees of a "captive" private non-profit corporation known as the Davidson Transit Organization (DTO). This includes the senior management team and all other employees of the system. The employees of DTO are private sector employees, and the National Labor Relations Board (NLRB) governs their collective bargaining and employee relations. The use of a management company to manage the transit system is a common practice employed by over 50 U.S. systems. The use of a captive private corporation to employ the operating personnel is less common, and is used in perhaps 6 to 10 systems nationwide.

These captive corporations are used to provide an entity to administer an inherited collective bargaining agreement from a prior private operator, and as a means to preserve the administration of labor relations under the NLRB – usually to preserve options in dispute resolution that are often prohibited by state

public employee laws. Other transit systems that have a similar arrangement are Jacksonville, Florida, and Austin, Texas. By and large, this arrangement is invisible to the casual observer.

The current overall organization structure of the MTA is represented on Exhibit 1-1. As this exhibit shows, the Executive Director, who is also the management company's resident manager, reports to the five-person Board. The resident manager has nine people reporting directly to him. His primary subordinates are the managers of Operations, Equipment Services, and Support Services.

Among the unusual aspects of the MTA and its operating staff organization compared to other urban transit systems in the United States are:

- The lack of a permanent central staff to oversee the contract manager
- The relatively small size of its planning and ridership development staffs
- The reliance on the management firm to take the leadership in areas other than the direct operations of the bus system
- The fact that the MTA has jurisdiction in only one of the several counties in the urban area
- The arrangement under which operating personnel work under the jurisdiction of the National Labor Relation Board, rather than under state public employee rules and regulations.

The internal organization structure also has a number of notable features that are unusual, including:

- Multiple "purchasing" officials (discussed in the procurement review section)
- The large number of managers with different levels of responsibility who report directly to the Executive Director
- The location of planning activities within operations
- The absence of a planning manager with responsibility for longer term service, facility, fleet, financial, and personnel planning
- The absence of a focused marketing staff
- The location of safety and training within operations, rather than in the Executive Director's office
- The assignment to the Capital Programs Manager of the responsibility for the EEO program.
- The Charter provision for a Board Secretary who is not a member of the Board, who is also the attorney to the board and is not a Metro Attorney.
- Notwithstanding the prescribed role of the Secretary described above, the charter also requires Metro Legal to support the MTA should this be requested.

Roles and Responsibilities of Board and Staff

The division of responsibilities between the Board and Staff is largely based on the by-laws, the management company contract, the Metropolitan Charter creating the MTA, ad hoc assignments from the Board to the management, and past practices.

There is a basic clarity to the current assignment of the powers and duties of the Board and Staff. It is questionable, however, how well that division of labor is carried out under the current mode of operations. The Board meets once a month, with very little communication among the board members and between the Board members and staff between meetings. Committee meetings lack substantive debate among board members and between the Board and staff on issues that are before the committee.

Further, virtually all of the communications between the Board and staff take place with the Executive Director. This is good for discipline of communications, but it is poor for the development of mutual trust and respect between the board and staff, and the communication of Board priorities. This situation is also compounded by the committee structure previously discussed.

Among the weaknesses of the current arrangement are:

- A lack of clear common agreement on the programs and priorities of the MTA as a whole
- A similar lack of mutual understanding between the MTA and Metro as to the priorities for the MTA
- Too many issues come before the board unexpectedly and with little advance work
- The lack of a number of management tools that help Board and staff set priorities, monitor performance, and undertake remedies - such as a program budget which spells out the proposed activities of the staff and the resultant performance expected
- Monthly performance reports that are poorly organized, with too much detail, and with insufficient narrative to highlight issues and proposed recommendations.

Recommendations

The MTA, working in partnership with Metro and other stakeholders in the region's transit system, should adopt a vigorous strategy designed to continue advancing the level and quality of the MTA's transit system services, to increase the responsiveness to the policies of the Metropolitan Government, and to advance the various plans and programs now under development to better serve the citizens of Davidson county. This strategy should include changes to the institutional arrangement, Board operations, management structure, external relations of the MTA, and in its internal organizational structure as discussed below:

1.) The Metropolitan Government should substantially revise the Charter Appendix that created the MTA, and to provide a more relevant and modern prescription of the powers and duties of the MTA and relationship to the Metropolitan Government.

The new Appendix should explicitly specify the powers and duties of the MTA as the owner and operator of the transit services and facilities in the County, and should detail its responsibilities in the planning and development of new transit services and facilities in a manner that is similar to the RTA charter.

2.) The revised Appendix should increase the membership of the Board of the MTA from five members to seven, by adding two new voting members. Consideration should also be given to defining the Metropolitan Government's Director of Finance and Planning Director (or their designees) as ex-officio non-voting members.

These changes are designed to achieve several results, including:

- Increase the MTA Board's awareness of the policies of the Metropolitan Government
- Allow the creation of three-person committees of the Board and increase the capacity of the Board to deal with longer term capital, financial, and other strategies of the MTA at the committee level
- Help provide support for the MTA's programs and funding needs.
- Provide for increased participation by the Board in seeking input and support for MTA programs and to gain public understanding for the MTA and its programs

3.) The MTA needs to broaden its central focus from the day-to-day operation of its existing services to include greater participation and leadership in longer-range regional transportation and land use planning issues.

To meet the needs of the Metropolitan Government's citizens MTA must:

- Provide a "first class transit system" for the citizens of Davidson County
- Become a more visible and vocal leader in the development of transit options for the region
- Be an active participant in the region's overall metropolitan land use and transportation planning program
- Improve the services and facilities of transit, and to increase the use of public transit in the region
- Provide transit support in the economic development of the metropolitan area
- Take the lead role in the development and operation of new public transit services and facilities, including the commuter rail program
- Do all of this and more in a cost effective manner.

4.) The MTA should appoint a full time Executive Director to manage the affairs of the MTA, to provide leadership for the MTA staff, to work with the MTA Board and the Metropolitan Government on regional transit and transportation issues, and to oversee the technical and professional staffs and contractor operators of the MTA.

Most transit agencies draw candidates for Executive Director positions from either the ranks of local public agencies familiar with the policies and priorities of the region, or from the ranks of transit professionals of other transit agencies across the United States. Reporting to the board, this position would manage the affairs of the MTA, provide leadership on regional transit and transportation issues, oversee the technical and professional staffs and manage all contract operators.

5.) The new Executive Director should reorganize the internal staff in a manner that makes the best use of the current personnel, strengthens the technical and professional skills by providing new leadership in Finance, Planning, and Marketing, adds a team to direct the commuter rail program (if required), and reduces the number of people who report directly to the Director.

The coming generation of activities will require the continued attention to the efficient operation of the existing system of the maintenance and transportation management team. It will also require a new set of managers to increase marketing and planning activities, deal with recommendations of the two ongoing transit planning studies, and potentially take on the management of the commuter rail program.

A preliminary design of the recommended organization structure is illustrated on Exhibit I-2.

The bus transportation and maintenance activities of the bus operation structure should be left intact, with the exception of the changes noted later in this report. The Director of Planning and Marketing should consolidate the current marketing and planning resources of the MTA, and create a unified program that focuses on a full range of activities designed to increase ridership, improve the standing of transit in the community as a whole, and provide analysis and reporting to facilitate sound management and board decision making. Planning and Marketing functions can be consolidated, or maintained as two units with close working relationships.

These units should include:

- A marketing manager (director) and staff under the leadership of a transit marketing expert, and supported by the current sales executive, rideshare staff, and the customer service staff.
- A planning staff under the leadership of a transit planning expert and supported by the current planning and scheduling staff and the Capital Program Manager. This planning section unit

should be responsible for short and long range planning, should actively participate in the technical committees of the Metropolitan Planning Organization (and Planning Commission), and should lead planning outreach and community relations programs for the MTA.

The finance and administrative activities of the MTA should be restructured under a Director of Finance and Administration, with responsibility for this diverse set of functions that are now dispersed across the organization. The MTA needs to develop more aggressive analytical and managerial programs that include financial analysis, cost analysis, program budgeting, budget analysis, and evaluation of cost trends and trends in operating and financial performance.

6.) Should the commuter rail program move forward, the MTA should recruit a commuter rail director and a team of contractors to develop and manage the implementation and eventual operation of the rail program.

The nature and extent of the contract team should change as the implementation moves through planning, engineering, construction, operations planning and preparation, and eventual operations. Currently the MTA Director needs a manager assigned to handle planning, organization and construction details for the proposed system. Once operational, the system can be managed in a method analogous to the current bus system management team, with a private contractor providing the management and operating personnel.

The team should consist of a manager (director) of commuter rail, and contractors qualified to provide the skills necessary to the implementation of the commuter rail plan. The commuter rail system can be managed in much the same way that the bus system is, with contract operating management, and with technical specialists managing each function starting with engineering and design, through operations and maintenance.

7.) Management tools and reporting should be developed to help the staff and Board set priorities and monitor performance.

As discussed elsewhere in detail within this report, management and board reporting needs to be enhanced. Reporting should concisely describe priorities, activities and performance expectations for staff while also providing regular reporting feedback of actual performance against these expectations. Monthly board reporting should also summarize performance against key strategic metrics. Improvements to the financial presentations are described in detail in the *Budgeting, Accounting, Internal Controls* section.

Cost Estimate

The recommended changes in the staff of the MTA will increase expenses of the agency. There are four, and possibly five, new senior positions to be filled. Many of these positions will be more clearly detailed in subsequent sections of this report. The estimated costs of these additions could range from \$400,000 to \$500,000 a year for wages and fringes in the first year. Details of these positions are as follows:

Executive Director-	Approximate Salary \$100,000 plus \$25,000 benefits(1) = \$125,000 total comp
Marketing Director-	Approximate Salary (2) \$60,000 plus \$15,000 benefits = \$75,000 total comp
Planning Director-	Approximate Salary \$60,000 plus \$15,000 benefits = \$75,000 total comp
Finance Director-	Approximate Salary \$75,000 plus \$18,750 benefits = \$93,750 total comp

Additionally, should a commuter rail program be implemented a separate rail management position would be created with the following approximate cost:

Rail Manager (Dir.)-	Approximate Salary (3) \$65,000 plus \$16,250 benefits = \$81,250 total comp
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Notes:

- (1) all benefits calculated at 25% of base salary
- (2) The Marketing position may also include a component of incentive compensation depending on the job scope.
- (3) There is little data available for rail managers (directors)