American Public Transportation Association
2014 Annual Meeting & EXPO
Financial Management Committee (FMC) Meeting
Sunday, October 12, 2014
Lanier Grand Ballroom C
Hilton Americas, Houston, TX
12:30 – 2:00 PM

<u>AGENDA</u>

o Welcome and Introductions - David Leininger, Committee Chair and Vice President, Dallas Area Rapid Transit, Dallas, TX

o Approval of minutes   **ATTACHMENT 1**

o Election of Vice Chair – Chair

o Chair's Report   **ATTACHMENT 2**

o 2014 APTA Leadership Class Team 1 - Change Your World: Transit Funding and the Grand Community Vision
Project team: Eileen Rodriguez, team coordinator (MTA Long Island Rail Road); Bryan Smith (PARTA); Julie Norton-Dew (The Coast RTA); Ericka Mitchell (BART); Kimberly Proia (AECOM); David Springstead (MARTA).
Synopsis: How do you get policy makers and/or regional leaders to understand the importance of Transit in their region? What approach should you take to gain the support of influencers who can make transit part of the community vision? This project discusses the strategies and recommendations used by CEOs/GMs to prepare a plan that drives home this message to policy makers. We've researched a wide range of agencies; identified successes and failures and some common themes/lessons learned communicated by various GMs/CEOs.

o Update on MAP-21 Implementation Efforts
Robert J. Tuccillo, Associate Administrator for Budget and Policy, Federal Transit Administration

- EMV Update – (Agencies accepting credit cards) When do transit agencies need to comply, what will compliance mean and how much will it cost?

  Jerry Kane, Manager, Capital Program Planning, <u>Southeastern Pennsylvania Transportation Authority (SEPTA)</u>

  Gowri Narayanan, Business Leader, Product Management
  US Emerging Payments | EMV, Contactless & Transit Solutions
  MasterCard | North America   **ATTACHMENT 3**

- New Business

- Motion to adjourn

- The FMC meets annually at the APTA Legislative and Annual Conferences. The next meeting will be held Sunday, March 8, 2015, Washington, D.C. at the APTA Legislative Conference.

ATTACHMENT 1

AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
2013 ANNUAL MEETING
FINANCIAL MANAGEMENT COMMITTEE
Sunday, September 29th
11:00 a.m. – 1 p.m.
Chicago Hilton
Continental A

MEETING MINUTES

Vice Chair David Leininger relayed the regrets of Chairman Terry Matsumoto who was unable to attend, welcomed attendees and led an introduction of attendees.

A presentation was made by the meeting sponsor, PTC, on <u>The value of Lifecycle/ Asset management to the CFO</u>. PTC's partner Gordon Linton of 200Consult introduced Tom McGinnis, who led the presentation and shared observations regarding Asset Management and how important it is to have a Quality Plan with measureable outputs (see attached).

A panel discussion was held regarding CFOs' perspectives on electronic fare collection. Each panel member shared their experiences. David Leininger spoke to Mobile Ticketing projects around the country and DART's experience. Points made included the cost savings of Mobile Ticketing over more traditional fare media (paper tickets, magnetic and smart cards). DART's roll out of their new system was focused on ridership and passenger experience, rather than extensive marketing. Social media was also discussed as an effective method for message delivery. DART's efforts earned positive media coverage. WMATA is in the procurement stage of their new fare system, but will provide updates at a later time. The panel included:
     a. David Leininger, DART
     b. Ron Denard, CTA
     c. Carol Kissal, WMATA
     d. Joe Costello, RTA

The floor was opened for updates from attendees.

The meeting was adjourned with a reminder that the next meeting would be held at the APTA Legislative Conference in February 2014.

ATTACHMENT 2

Designated Committee Reports Tele-Meeting
May 29, 2014

Background

APTA has over 120 committees associated with the transit/transportation industry. The Governance Committee was tasked with reviewing the mission and structure of the various committees and finding a way to provide them with manageable access to the executive body. Effort was made to group the committees with logical connections mirroring the internal organizational structures of many agencies. One committee was given the responsibility [or designated] to report on the activity of the entire group.

The Financial Management Committee was deemed the Designated Committee to report on the accomplishments and activities of the following committees and current chairs as per the APTA Governance Committee.
1. Financial Management, Chaired by David Leininger
2. Fare Collection Systems, Chaired by James Capozzi
3. Audit Professionals, Chaired by Ruth Holden (represented by Co-Vice Chair Helen Lew)
4. Risk Management, Chaired by Susan Lockwood

Financial Management Committee Chair David Leininger convened the meeting to introduce each chair to the group. The chairs provided comprehensive synopses of his or her committee's mission, work plan and planned activities. The meeting ultimately led to a sharing of ideas and successful strategies for engaging and recruiting committee members.

Committee highlights

Committee of Audit Professionals
- There are about 65 active members of this committee.
- **Chair Ruthe Holden's** term runs through the 2014 APTA Annual Meeting.
- The committee does not have a standing conference, but uses webinars and training sessions to engage members and support the achievement of CPE/educational requirements.
- Training activities are also part of the recruitment strategy to increase membership and interest.

Fare Collection Systems Committee
- There are 163 members of this [growing] committee.
- **Chair Jim Capozzi**'s was just elected in March to a two-year term.
- The committee meets at the APTA Annual Meeting and co-hosts a conference in conjunction with the TransITech Committee each spring.

- Upon election, chair instituted monthly leadership meetings and quarterly committee-wide meetings to keep members engaged and informed of committee activities. The next meeting is on June 5th.

Financial Management Committee/Designated
- There are 104 members of this committee.
- Designated Chair David Leininger was elected during this year's Legislative Conference.
- The committee meets twice annually at the Legislative and Annual Meetings.
- Upon election, chair instituted a periodic newsletter to share information on hot topics and issues with financial impact. The newsletter will be shared with all committees within the designated group.
- Committee also hosts a program called T-Flex to train new and upwardly mobile finance professionals. More information may be found at http://www.tflex.org/about.asp.

Risk Management Committee
- There are about 65-70 active members of this committee.
- **Chair Susan Lockwood's** term runs through the June 2015 Risk Management Conference.
- The committee meets at their annual workshop, but uses a group email structure to augment committee interaction.
- The independent group email system (example attached) facilitates timely discussion of hot topics and provides readily available assistance with internal issues a member may be experiencing.

ATTACHMENT

ATTACHMENT 3

Gowri Narayanan, US Emerging Payments.
October 12, 2014.

MASTERCARD EMV

**The Future Of Payments
With MasterCard**

Making payments safer,
simpler, and smarter

APTA FMC Meeting – October 2014

Confidential: For Discussion Only

What is Chip? *The story so far…*

- In 1995, Europay, MasterCard and Visa agreed the standard for deploying secure chip technology – EMV.

- The global migration to EMV chip is the biggest infrastructure project in the history of card payments.

- *As of 2013 over 889 million MasterCard EMV chip cards issued, and almost 26.8 million EMV terminals in place, chip has now "come of age".

- The "final frontier" – EMV chip migration is now underway in the huge US market.

*Q4 2013 (Source: Reasonable estimates collected from MasterCard customers and regional offices, and QMR)

What is Chip? *A change in payment technology*

There are two significant changes:

1

The **data** on the card is more **secure** and harder to counterfeit – we can rely on it more

2

The **card** is able to make **decisions** – meaning issuers can delegate authority to it
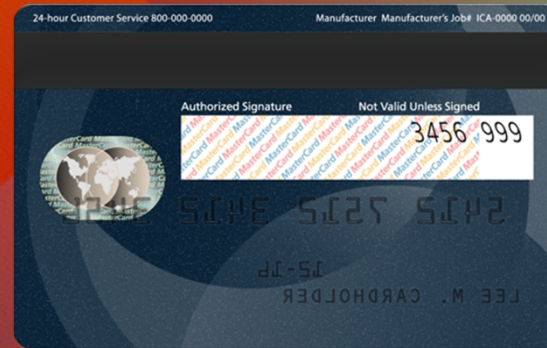
What is Chip?
What's the difference between a magstripe and chip card?

Magnetic Stripe Card

- Fixed content
- Passive
- Limited data
- One size fits all

Chip Card

- Flexible content
- Active
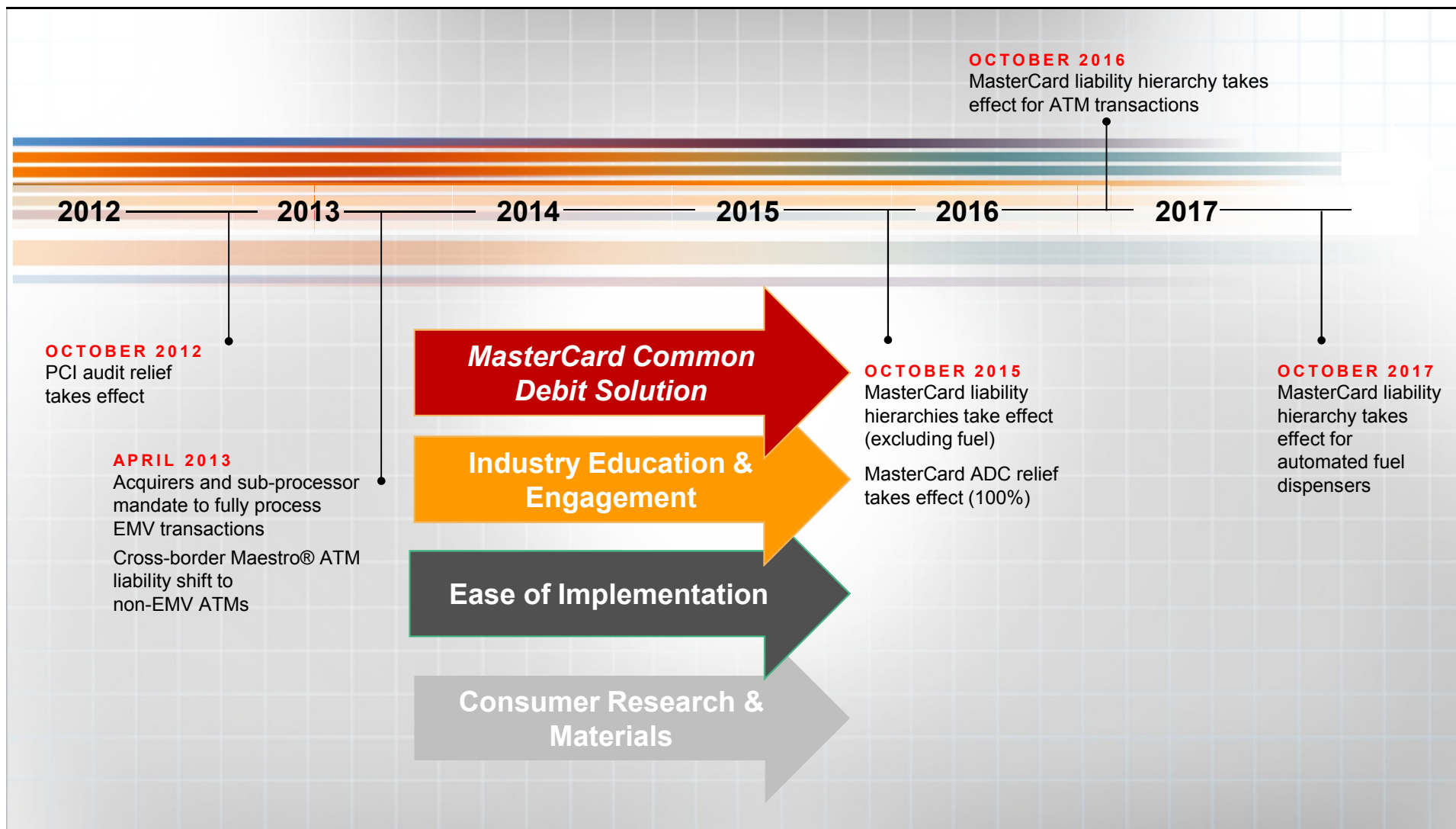- High capacity
- Tailored to your needs

October 12, 2014

US Market Readiness

US EMV Roadmap

Fueling Progress Against the U.S. POI Roadmap

OCTOBER 2016
MasterCard liability hierarchy takes effect for ATM transactions

2012   2013   2014   2015   2016   2017

OCTOBER 2012
PCI audit relief takes effect

APRIL 2013
Acquirers and sub-processor mandate to fully process EMV transactions

Cross-border Maestro® ATM liability shift to non-EMV ATMs

MasterCard Common Debit Solution

Industry Education & Engagement

Ease of Implementation

Consumer Research & Materials

OCTOBER 2015
MasterCard liability hierarchies take effect (excluding fuel)

MasterCard ADC relief takes effect (100%)

OCTOBER 2017
MasterCard liability hierarchy takes effect for automated fuel dispensers

The MasterCard Commitment
Chip liability hierarchy

Issued Device/Card

Magnetic stripe and/or contactless magnetic stripe

EMV contact or EMV contactless (signature CVM)

EMV contact or EMV contactless (online or offline PIN CVM)

Higher Risk

Lower Risk

Acceptance Terminal

Magnetic stripe and/or contactless magnetic stripe

EMV contact or EMV contactless (not PIN capable)

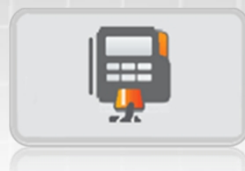EMV contact or EMV contactless (online or offline PIN capable)

October 12, 2014

MasterCard Market Research

What Consumers Are Saying

US Consumers Want EMV

2014

60% — ALREADY AWARE OF EMV IN THE US

15% — WOULD CHANGE BANKS IF CHIP NOT OFFERED

56% DEBIT / 40% CREDIT — PREFER PIN TO PURCHASE AT THE POS

2013

50%

9%

37% ALL CARDHOLDERS
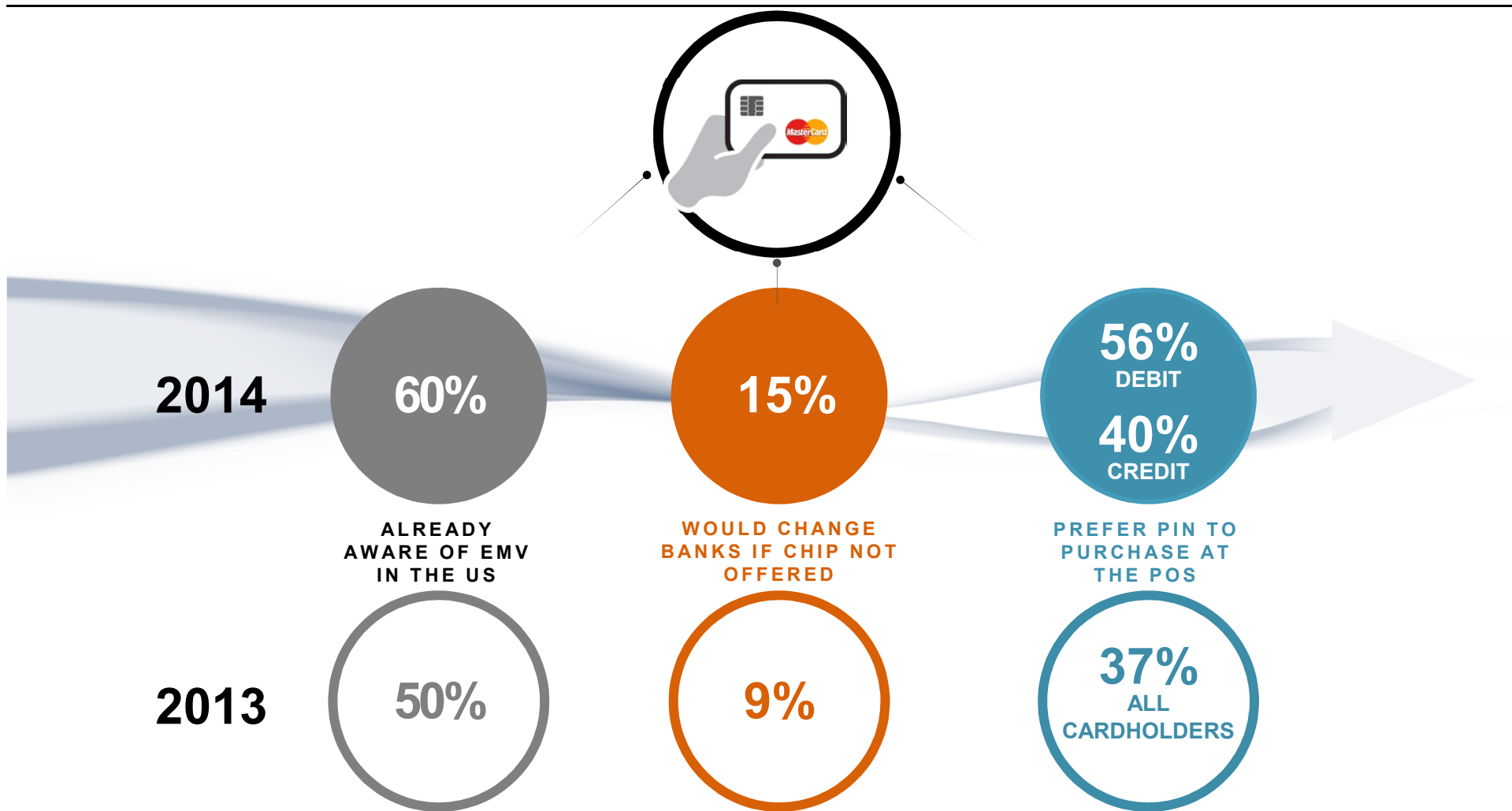
Source: MasterCard US EMV Consumer Research 2014

US Consumers Use of EMV
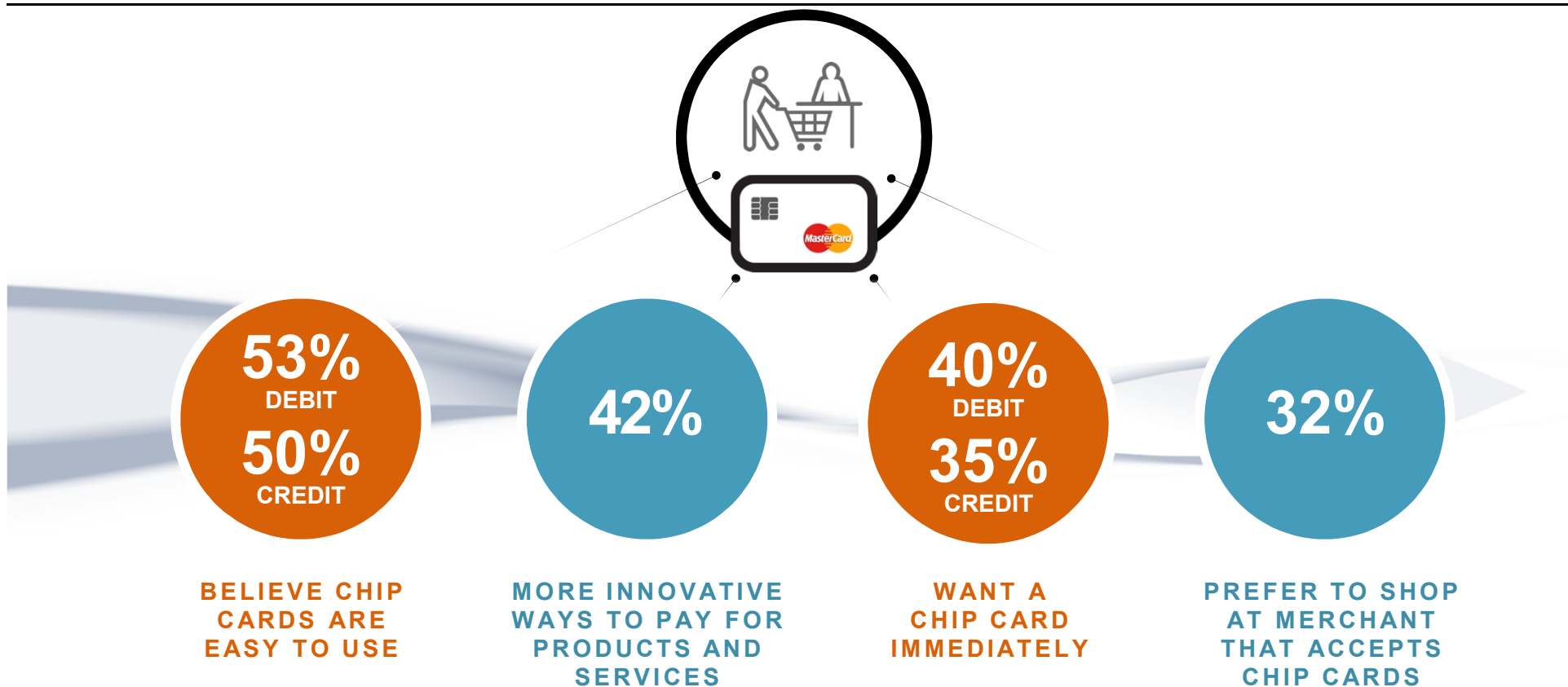
53% DEBIT
50% CREDIT
BELIEVE CHIP CARDS ARE EASY TO USE

42%
MORE INNOVATIVE WAYS TO PAY FOR PRODUCTS AND SERVICES

40% DEBIT
35% CREDIT
WANT A CHIP CARD IMMEDIATELY

32%
PREFER TO SHOP AT MERCHANT THAT ACCEPTS CHIP CARDS

Source: MasterCard US EMV Consumer Research 2014

Smart Devices are Changing the Way Consumers Act

Apple Pay to drive Contactless usage

» Apple Pay will change how consumers pay with

breakthrough contactless payment technology.

   » iPhone 6 , iPhone 6 plus and Apple Watch will support the

   in-store payment in an easy, secure, and private way.

» Provides a secure, faster, simpler way to pay for

purchases.

   » Supports tokenization – reduced card number exposure in

   the event of breach.

» Simpler way to pay results in faster check out.

» Promotes higher in-store average spend.

Forces Driving Contactless in the U.S.

MasterCard

Mobile

» With the convergence of technologies; contactless is the enabling technology to work with any form factor or channel.

» MasterCard is working with top US issuers and technology partners on deployment of embedded mobile contactless application.

  » In 4Q14, **Apple Pay** launch will drive adoption and usage of mobile contactless at the POS.

» 50% of US smartphones are predicted to be NFC-enabled by 2015[1].

New Terminal Deployment

» Majority are 'world' terminals; contact and contactless interface capable.

  » Enabling them supports the broadest spectrum of consumer preference

  » Supports the increase in mobile purchase activity.

» Upgraded terminals will provide global interoperability; many tourist prefer to tap vs swipe.
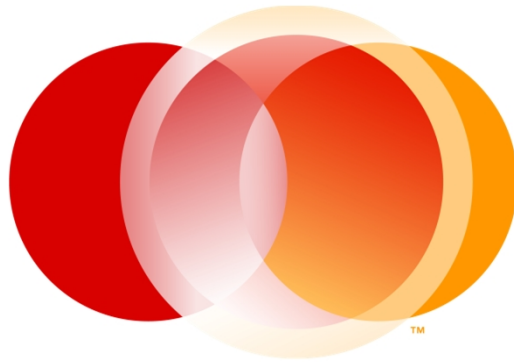
Transit

» Tipping point of getting consumer awareness and usage of contactless out in the market.

  » The top 3 transit agencies in the US get more annual transactions (over 5.5 billion) than Walmart and McDonald's combined.

» Consumers tapping twice a day (and sometimes more) should lead to a significant increase in contactless behavior across other merchants.

62% is the total estimated **penetration rate of EMV/NFC-ready hardware** by the end of 2015.[2]

[1] ABI Research. "NFC Mobile Payments." 3Q2011

[2] Aite Group. "How long will it take? EMV and NFC reterminalization." July 11, 2013

MasterCard