

MEMORANDUM

To: Planning and Development Committee

From: Chris White
Manager of Service Development

Re: Purchase of Service Agreements for 2010-2012



Date: April 21, 2009

IN 2008, the AATA Board directed staff to change the purchase of service agreements (POSA) so that they were based on AATA's fully-allocated cost by 2012.

The recently adopted fare increase will have a significant effect in increasing passenger revenue and decreasing demand. Staff has prepared projections of the local cost of the purchase of service agreements based on the new fares and using assumptions as detailed in the following pages.

Based on discussion at the meeting of the Planning and Development Committee on April 21, 2009, the following pages show the payments necessary to reach fully-allocated costs by 2012 in equal cost increases over the next three years.

- The first following page shows the local payment for fixed-route service for Ypsilanti, Ypsilanti Township, Pittsfield Township and Superior Township.
- The second following page shows the local payment for demand-responsive service for the same entities.
- The third page shows the local payment for Eastern Michigan University. This is calculated separately because they do not have fare revenue or federal revenue, and do not purchase demand-response service.

Sample Purchase of Service Agreement (POSA) Rates

Fixed Route

Based on use of fully-allocated cost of service in 2012 with even annual increases.

Other Assumptions:

- No increase in the cost per service hour from 2009 to 2012 (i.e. direct cost = \$79.93 per service hour. Fully-allocated cost = \$103.29 per service hour)
- Fare increase to full cash fare of \$1.25 in FY 2009 and \$1.50 in 2010.
- Fare elasticity of 0.4. (i.e. every 1% increase in fare results in 0.4% decrease in riders. This only affects riders who pay their fare directly; it does not affect sponsored fares paid by a third party such as UM)
- Ridership would have increased by 4% per year without a fare increase.
- State share continues at 29.61% of expenses (FY 2009 rate)
- No increase in application of federal Section 5307 funds to preventive maintenance

	2009 (actual)	2010	2011	2012	Change from 2009 to 2012	
					\$	% change
City of Ypsilanti	\$223,316	\$245,888	\$268,461	\$291,034	\$67,718.31	30.3%
Ypsilanti Township	\$182,022	\$200,392	\$218,762	\$237,132	\$55,109.46	30.3%
Pittsfield Township	\$55,516	\$61,644	\$67,772	\$73,899	\$18,382.83	33.1%
Superior Township	\$16,834	\$18,199	\$19,565	\$20,930	\$4,096.34	24.3%
Total	\$477,688	\$526,124	\$574,560	\$622,995	\$145,306.94	30.4%

Chris White 4/21/2009

Sample Purchase of Service Agreement (POSA) Rates Demand Response (A-Ride)

The POSAs for A-Ride Service are already based on the fully allocated cost. The calculation is primarily to estimate the effect of fare increases, and calculate the total change in POSAs through 2012.

Other Assumptions:

- 3% increase in cost per rider from increased cost from contractor and increased length of trips
- 6% annual increase in trips before taking into account the effect of fare increase on demand.
- Fare increase to full cash fare of \$1.25 in FY 2009 and \$1.50 in 2010.
- Fare elasticity of 0.4. (i.e. every 1% increase in fare results in 0.4% decrease in riders.
- State share continues at 29.61% of expenses (FY 2009 rate) plus specialized services
- No change in application of federal Section 5307 funds for capital cost of contracting.

	2009 (actual)	2010 \$	2011 \$	2012 \$	Change from 2009 to 2012	
					\$	% change
City of Ypsilanti	\$35,233	\$36,314	\$37,396	\$38,477	\$3,244	9.2%
Ypsilanti Township	\$82,431	\$84,907	\$87,384	\$89,860	\$7,429	9.0%
Pittsfield Township	\$87,328	\$87,965	\$88,603	\$89,240	\$1,911	2.2%
Superior Township	\$9,124	\$9,398	\$9,672	\$9,946	\$821	9.0%
Total	\$214,117	\$218,585	\$223,054	\$227,522	\$13,406	6.3%

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Sample Purchase of Service Agreement (POSA) Rates

Eastern Michigan University

Based on use of fully-allocated cost of service in 2012 with even annual increases.

Other Assumptions:

- No increase in the cost per service hour from 2009 to 2012 (i.e. direct cost = \$79.93 per service hour. Fully-allocated cost = \$103.29 per service hour)
- EMU pays total cost for free fare service less state share. Fare increase has no effect.
- State share continues at 29.61% of expenses (FY 2009 rate)
- No federal funds are applied to this service.

	2009 (actual)	2010	2011	2012	Change from 2009 to 2012 % change
Total	\$118,168	\$127,370	\$136,572	\$145,774	\$27,606 23.4%