

Issue Analysis: Transit Improvement Funding Request

The Questions:

Should the Ann Arbor Area Transportation Authority advance implementation of the January 16, 2014, adopted Five Year Transit Improvement Program (5YTIP)? Recognizing Act 55 limits the Authority's funding options to property tax millages, should the TheRide place a millage referendum on the ballot to enable the voters to decide to fund the services described in 5YTIP. What should be the amount of such millage and when should the question be placed before the voters?

Summary and Staff Recommendation:

After extensive information-gathering and public discussion, TheRide staff recommends that TheRide Board move towards fully implementing the 5YTIP at this time. The 5YTIP includes a level of service that can be sustained with a 0.7 mil property tax levy. The first opportunity for seeking this funding is the May 6, 2014 ballot. The 5YTIP planning process includes transit improvements defined as needed by the region's citizens. A 0.7 millage enables TheRide to implement the services requested by the community. The millage, if enacted, would result in \$4.3 M annual revenue, which, in combination with additional funds secured through Purchase-of-Service Agreements, will equal the \$5.4 M annual local* cost of implementing the 5YTIP.

*NOTE: Local dollars are typically matched by State and Federal dollars at an approximate 2:1 ratio

Background:

The 5YTIP was developed in response to the many requests from the greater Ann Arbor community for improved transit services. During the several years leading up to the 5YTIP, TheRide staff and Board heard literally thousands of requests to respond to unmet transit needs in the community.

During the Countywide Transit planning process (2010, 2011), the AATA developed, and gained a broad consensus on, a 30-year Transit Master Plan for Washtenaw County. This plan has since been adopted by the new Regional Transportation Authority as a component of the Southeast Michigan transit plan, and forms the basis for transit planning in Washtenaw County.

In November 2012, the Ann Arbor City Council urged TheRide to focus its planning efforts on the 'urban core' of Washtenaw County, that is, those communities where population density is highest and transit needs are the greatest. An Urban Core Working Group (UCWG) was formed in response to the Ann Arbor City Council's recommendation. It was composed of local elected officials from the involved jurisdictions along with other interested community leaders from Pittsfield Township, the Village of

Dexter, Ann Arbor Township, Superior Township and Scio Township. The list of the group members is included as an appendix. The group met three times during 2013 to help develop the Service Plan, Governance Structure and Funding Proposal. TheRide staff provided briefing documents describing options for the Working Group to consider (listed under “List of Supporting Documents” at the end of this report). A facilitator ensured that all participants had a chance to be heard at each meeting. The facilitator also helped guide the discussion to a closure, with each meeting ending with a consensus on the topic being discussed.

The 5YTIP (“**Service Program**”) approved by the TheRide Board represents one of the key products enabled by the UCWG. The draft service program considered by the Working Group was subsequently shared with hundreds of people in one-on-one and small group meetings, undergoing refinements with each step. The program was also posted on TheRide website where it was available for review and comment. Hundreds of responses were received, most of which were very positive. A number of specific suggestions were provided by the public, which were evaluated and incorporated into the program as appropriate. Most recently, the service program was the topic of 13 public outreach meetings held throughout the Urban Core area during October and November 2013.

Consistent with the general consensus of the Working Group, the **governance structure** of the Authority has developed over the course of the past year, with the following specific developments:

- City of Ypsilanti Joins Authority – approved August 15, 2013
- Ypsilanti Township Joins the Authority – approved December 17, 2013

Additions to the Authority were approved unanimously by the joining jurisdictions and the Cities of Ann Arbor and Ypsilanti, and TheRide, and it is noteworthy that these actions represent the first geographic expansion of the Authority in the 40 years of its existence. The new organization is formally the Ann Arbor Area Transportation Authority, now known as “TheRide”, and will have 10 members, including one new member each from the City of Ypsilanti, the City of Ann Arbor and Ypsilanti Township.

Changes to TheRide governance also include the development of a new model for Purchase-of-Service Agreements (POSA’s) and potentially new POSA partnerships with other communities in the Urban Core area.

The last issue tackled by the Working Group was identification of a **funding source** to pay for the new services proposed for implementation by TheRide. None of the proposed services can be implemented without additional funding. Act 55 permits the Authority itself to levy a millage on property within the Authority area, and no other funding mechanisms are currently available for an Act 55 Authority. These findings were shared with the Working Group, and a general consensus was reached that a 0.7 millage is what would be needed to fund the transit services proposed in the service program. Appendix 1 contains the budget associated with the 5YTIP, including documentation of the 0.7 millage level. Similar to the service program, these findings were shared and subjected to public review and comment, as outlined above. Although there was some reluctance to ask voters for revenues, it was agreed that the additional funding was necessary and that the 0.7 mil levy would be the most feasible way to pay for the

majority of services in the program. It is worth noting that 80% of the Michigan Public Transportation Association Membership, including all of the major urban systems except Detroit, currently enact a special millage similar to what we are proposing.

TheRide has not levied an Authority millage before, and this is an important milestone that is the subject of this Issues Paper. TheRide Board decision on this matter will have to take into account not only the technical questions related to adding these resources to TheRide's funding mix, but also the political question of whether there is sufficient support for such a funding package and the services it represents.

As stated earlier the Board's decision needs to address not only if a millage is appropriate, but how much it should be and when it should be placed before the voters. The following discussion examines issues related to timing and amount of the millage.

Rate Options and Issues:

- Full cost of program: To fund the approved 5YTIP services, a 0.7 mil levy is needed.
- Partial program: Assuming a lower millage, less than 0.7 mils, were to be pursued as the funding level, the service program would have to be scaled back proportionally. During public review and local officials' discussions of the service program, there was very little sentiment for reducing the level of services proposed. As this level of support is not consistent with the 5YTIP, is not reflective of the public input received through the planning process it would result in a need for a new review and comment cycle to assure a consensus exists regarding the priority improvements. Further, community surveys suggest that the amount of the millage, if less than 1.0, is not a factor in whether it succeeds at the ballot box.
- Uniformity: By law any Authority millage must be the same rate throughout the Authority jurisdiction. The proposal for a 0.7 mil levy envisions a uniform rate across the Urban Core as required by law. The Authority millage would supplement, not replace, any millages already in place to support transit.

Timing Options and Issues:

- The most important factor driving the timing of an election is that significant transit needs will go unmet each day we delay implementation of the proposed 5YTIP. A successful vote in May permits TheRide to implement the first wave of improvements in August, 2014, at the very beginning of our annual cycle of service changes and the beginning of a new school year. An election in August would require waiting until mid-winter to begin changes. The following testimonials suggest sooner is better than later:
 - *"Please continue to consider the transportation needs of seniors, & those with disabilities. Later weekday & weekend service, as well as library, grocery store, Arborland & Briarwood malls, would also be appreciated". (Wayne, senior citizen)*
 - *"I recently turned down a job offer because the bus does not run late enough for my trip home. I can get there but I can't get back" (attendee at public outreach meeting)*
 - *"I'm an over-65 year old student at WCC. I have met people on the #3 bus line who live in Ypsilanti and cannot take evening classes because of no bus service. This is totally*

unacceptable. The very people WCC caters to are those whose financial resources are presently less and who are trying to take college level courses to get a better job, or to become employed. In Ypsilanti, it is a stretch to believe a student who has no access to the college during evening hours will be able to take full advantage of their schooling. Monday through Thursday, the computers at the WCC library are open to the public until 9 or 10 pm. This is closed to bus riders from Ypsilanti. There are many classes taught during evenings Monday-Thursday evenings. These are closed to students from Ypsilanti who are bus riders. Please consider the needs of our young people who are not wealthy but are trying to make better opportunities for themselves and are relying on what could be a fabulous service: AATA.” (Washtenaw Community college Student Judy)

- *“I would like to ... recommend some changes for the bus routes and schedules. U of M students are constantly commuting between their residencies and North and Central campus. My bus stop is Green and Nixon, so I take the number 1 or the number 2 bus. I study, work and have meetings on both North and Central, not just on weekdays but on the weekends, and often have to stay late. It would be great if there was Number 1 bus service on Sundays at Green and Nixon (Pamela, UM student)”*
- *“Bus service is an extremely important selling point for our complex.” – Ypsilanti Township Property Manager*
- *“I’m particularly interested in Sunday service to the (Meijer) store from Ypsilanti area. I support evening and weekend service increases. There are many employers who have trouble scheduling employees on Sunday because the bus doesn’t run to the Carpenter Road area that day.” (Lynn)*
- *“I have had employees turn down overtime because they need to catch the last bus home. This costs them income, and makes me short-handed.” (restaurant owner on South University, Ann Arbor)*
- A millage referendum can be placed on the ballot for any regular election. Elections within 2014 take place in February, May, August, and November. Ballot language is due to the Secretary of State 70 days in advance of the election – February 25, 2014 would be the due date for the May election, which is the next possible election date for TheRide to use. The due date for the February election has passed.
- The greater number of issues and candidates in the August Primaries and November General Election would make it much more difficult and expensive to inform voters. In this case, it is important for voters to know that the proposed millage will pay for specific transit service improvements.
- Depending on the date of the election, the Authority may have to pay the costs of holding the election. The costs of an election in which TheRide was the only participant would be about \$80K to \$100K, according to the Elections Division of the Washtenaw County Clerk/Register's Office. If there are other participants in the election, the costs are split among the participants. It is unknown at this time whether there are going to be additional participants in the May election.

- Another factor that should be considered when contemplating a millage campaign is whether there is a support infrastructure in place that can raise funds, develop an organization, and run a campaign. The transit advocacy coalition, Partners for Transit, is led by organizations whose leadership has collectively managed dozens of electoral campaigns, including a number of millage proposals. In the last three months, Partners for Transit has expanded its membership to include more than 30 organizations and businesses, representing a cross-section of the community. It has built a volunteer base and email list, and has begun developing plans for a campaign. If a millage moves forward, it is planning to further expand its membership, recruit individual endorsers, raise funds, and advocate on behalf of the ballot proposal.

The following discussion considers these factors when weighing the advantages and disadvantages of adding an Authority levy to TheRide's set of funding sources.

Arguments in favor of TheRide placing a property tax levy on the ballot:

- The need for improved transit service is immediate as evidenced by the many requests for service that TheRide has received during the planning period and on a day-to-day basis, and TheRide has worked with the community to propose a specific program of services that responds to that need.
- Millage funding will allow TheRide to leverage State and Federal dollars that would not otherwise come to the region. It is estimated that each new local millage dollar will attract 2 additional dollars of State and Federal money.
- TheRide's funding sources have been relatively fixed for many years, while demand for service in all areas has increased. TheRide provided a record setting 6.6 million trips in 2013 for example. The unmet need for transit services will only be satisfied by additional service, which must be paid for with new funding sources.
- In the particular case of Ypsilanti City, their general revenue millage has reached its cap and an Authority millage is the only way to pay for additional transit services.
- As TheRide system becomes increasingly regional – with many routes crossing jurisdictional boundaries – it makes sense to begin the transition to a more regionally funded system.
- Community surveys conducted in 2011 and 2013 indicate that support for transit is extremely high, that TheRide is regarded as a very well-run organization, and that there is significant willingness on the part of voters to support a millage for transit.
- TheRide's reputation as a very well-run organization is reinforced by comparisons to other transit agencies, as evidenced by the findings of our recent Peer Comparison.
- The recent Annual Audit and the findings of the Financial Task Force also reinforce TheRide's reputation as financially sound and well-managed.

Risks / Issues related to placing a property tax levy on the ballot:

- The most obvious risk is that a majority of the people will not vote for the millage and it will not be approved. However, if this was the outcome, TheRide would continue to provide service, making minor improvements within existing budget constraints, as it has for many years. Existing service would continue and unmet needs for transportation would remain unmet.
- Passage of an Authority millage will create a new level of accountability for TheRide, requiring the Authority to ‘prove’ the value of its services every five years (and this might be considered an advantage by some). TheRide’s Continuous Improvement Program will need to expand to track new services and make any needed adjustments.
- The emergence of a 4-county Regional Transportation Authority has raised a concern that a separate millage might be sought by that organization. The State Law that created the RTA provides for additional regional taxing mechanisms that might be more closely aligned with and acceptable for funding regional transportation services than local property tax millages. There is no Regional funding request planned currently. It could be years before the RTA identifies its preferred funding level and approach. Most importantly, the RTA is primarily concerned with regional (4-county) transit issues while TheRide’s program is focused strictly on meeting local transportation needs with local services.
- Many of the proposed services in the program are during off-peak travel times like evenings and weekends when fewer people are travelling. Ridership can take years to build to expected levels. TheRide will have to carefully manage expectations so that evolving services are given a chance to develop.
- TheRide’s funding model is not well understood by some, which has led to questions as to whether the funding model is ‘fair’. The5YTIP has been designed to ensure that each community pays for the service they get, either via a millage or through a Purchase of Service Agreement.
 - Ann Arbor will pay more for service because Ann Arbor will receive more service.
 - The other communities pay less for service because they get less service.
 - POSA communities pay for their services based on fully allocated costs.

A particular concern voiced by several individuals is that the transit millage should be ‘flat’, that is, levied at the same rate throughout TheRide’s jurisdiction. The recommendation for funding is a flat 0.7 mil levy across the entire jurisdiction of the Authority.

- A question has been raised about the role of passenger fares in paying for the services proposed in the 5YTIP. Passenger fares currently account for about 20% of operating costs, which is typical for a transit organization of TheRide’s size. The funding proposal for proposed new services is expected to maintain that ratio over the long run. TheRide’s last fare increase was implemented in two phases, with an increase from \$1 to 1.25 in May of 2009 and an increase from \$1.25 to \$1.50 in May 2010. There were corresponding increases in reduced fares for special users at the same time. Fares for advanced reservations on A-Ride (services for seniors and individuals with a disability) also increased during the same time period from \$2.00 to \$2.50

to \$3.00. TheRide's fares are in line with those seen in the industry as a whole. It is believed that another fare increase so soon after the 50% increase during 2009- 2010 would be excessive and detrimental to ridership. Staff recommends consideration of a fare increase during the implementation period of the 5YTIP, but not to include it as a foregone conclusion.

Referendum Process and Proposed Ballot Language

In the event TheRide Board decides to place the millage question before the voters, TheRide will have to submit ballot language to the Elections Division of the Washtenaw County Clerk/Register's Office. Michigan property tax law (MCL 211.24f) and election law (MCL 168.646a and 168.643a) set forth the following minimum requirements related to a ballot issue

- The ballot shall fully disclose each local unit of government to which the revenue will be disbursed.
- The millage rate to be authorized
- The estimated amount to be collected in the first year
- The duration of the millage in years
- A 'clear statement of the purpose' of the millage
- Statement as to whether the millage is a renewal or new
- Question shall be worded so that a 'yes' vote is in favor of the measure
- Language may not be biased for or against the issue

The following language meets the minimum requirements above and also reflects questions and comments by the Board, which were reviewed by staff in consultation with TheRide counsel. Counsel for TheRide, in turn, sought comments from the attorneys for our member jurisdictions (Ann Arbor, Ypsilanti, Ypsilanti Township), resulting in further changes.

PUBLIC TRANSPORTATION IMPROVEMENT MILLAGE

For the purpose of making improvements to public transportation, using buses, van pools and paratransit services, for the elderly, the disabled, and the general population of the City of Ann Arbor, the City of Ypsilanti, and the Charter Township of Ypsilanti, including increasing service hours, routes, and destinations, shall the Ann Arbor Area Transportation Authority impose a new annual tax of 0.7 mills (\$0.70 per \$1000 of taxable value) on all taxable property within those municipalities for the years 2014-2018 inclusive, with the revenue to be disbursed to the Ann Arbor Area Transportation Authority? The estimate of revenue if this millage is approved is \$4,368,847.00 for 2014.

Staff Finding / Recommendation:

Having weighed the many arguments above both internally and in discussions with the community, staff recommends that the Board place a 0.7 mil property tax levy on the May 6, 2014 ballot, in order to fund transit improvements needed by the region's citizens as soon as possible. It is further recommended that the term of the millage be the maximum allowed by law, which is five years.

Such a millage will raise approximately \$4.3M annually, which, in combination with additional funds raised by Purchase-of-Service Agreements, will equal the estimated \$5.4 M annual cost of implementing the 5YTIP. Staff recommends the full 0.7 mils based on a finding that this level is likely to be acceptable to voters in the Authority area, and that any lesser amount will require a reduction in the services listed in a program that has undergone extensive review by the community.

Staff recommends bringing the millage issue to the ballot in May of 2014. We have been aware of a whole host of unmet transit needs since (and even before) we began the Transit Master Plan process in 2010. These needs have only gotten more urgent. People continue to walk down Washtenaw Avenue to get home from a late night's work. Many seniors remain in their homes on the weekends, with no service to get them to the grocery store or place of worship. People continue to drive and add to traffic because bus service is not sufficient for them. Young people remain dependent on others to get them to social, sports or entertainment activities. With an economy on the rebound, and a public that is clearly in favor of more transit, we believe the time for taking transit in our community to the next level is now.

What if we decide to not pursue a millage, or a millage does not pass?

Without new funding many of our citizen's transportation needs will not be met. This includes getting more people to more job and educational opportunities, connecting seniors and people with disabilities to lifeline destinations, making it possible for more people to support local businesses and keeping our community safer by reducing the number of people driving under the influence and by having more eyes and ears in our neighborhoods.

Without funding for improved services, TheRide will continue to provide the service for which we have been recognized throughout Michigan and the country, just not at the levels to provide for all of the many needs that exist today.

Appendices

1. 5YTIP Budget
2. List of Urban Core Working Group members
3. Board Resolution Placing a Millage on the Ballot
4. Report of the Financial Task Force

APPENDIX 1: 5YTIP Budget (from "5-Year Transit Improvement Program" as approved by TheRide board on 1/16/14)

Cost of Services and Revenues	Scenarios - 2019		
	2012 Existing Service	Increment Implementation Plan	Implementation Plan
	A	E-A	E
Annual Expenditures			
Operating Costs			
Urban Bus Fixed Route Network	\$ 22,396,820	\$ 11,521,904	\$ 33,918,724
Expanded A-Ride			
ADA Service	\$ 4,134,051	\$ 1,013,635	\$ 5,147,686
Non-ADA Service	\$ 880,551	\$ 256,936	\$ 1,137,487
Expanded Night ride	\$ 213,660	\$ 277,265	\$ 490,925
Express Services			
AirRide	\$ 710,793	\$ (435,793)	\$ 275,000
Saline Express		\$ 319,000	\$ 319,000
'New Partnership' services:			
Chelsea / Canton Express	\$ 323,737	\$ (42,541)	\$ 281,196
Ypsilanti Express		\$ 329,000	\$ 329,000
3 Month Reserve Requirement		\$ 800,000	\$ 800,000
Operating Costs, Average Annual	\$ 28,659,611	\$ 14,039,407	\$ 42,699,018
Annual Capital Investment Included			
Vehicles			
Full size transit coaches (19 buses over 5 years)		\$ 1,710,000	\$ 1,710,000
A-Ride Vehicles (5 demand response vehicles over 5 years)		\$ 80,000	\$ 80,000
Park and Ride facilities - *predominantly included in the CCG		\$ 20,000	\$ 20,000
Bus stops, hubs and shelters - *predominantly included in the CCG		\$ 20,000	\$ 20,000
System Support (Real time info, CAD/AVL, Ticketing, Bus Priority) - *predominantly included in the CCG		\$ 20,000	\$ 20,000
Capital Costs, Annualized	0	\$ 1,850,000	\$ 1,850,000
Total Expense = Capital Cost plus Operating Costs	\$ 28,659,611	\$ 15,889,407	\$ 44,549,018
Revenues, Annual			
"Ongoing" revenues, as follows:			
Federal formula	\$ 4,143,839	\$ 363,651	\$ 4,507,490
State formula	\$ 8,470,315	\$ 4,440,570	\$ 12,910,884
Passenger Fares	\$ 5,852,775	\$ 2,948,425	\$ 8,801,200
Third Party contributions (Expressride Local Support)		\$ 1,204,196	\$ 1,204,196
Advertising	\$ 120,000	\$ 255,000	\$ 375,000
2.056 AA millage	\$ 9,019,447	\$ 1,960,812	\$ 10,980,259
.9789 Ypsi millage	\$ 292,978	\$ 20,820	\$ 313,798
Total Revenues, Annual	\$ 28,681,965	\$ 10,410,863	\$ 39,092,828
Estimated Funding Gap			
Amount (dollars)	\$ 22,353	\$ (5,478,544)	\$ (5,456,191)
Estimated millage rate to close gap (All Communities)	0.000		0.700
Ann Arbor City Millage - 0.70			\$ 3,387,910
Ypsilanti City Millage - 0.70			\$ 202,730
Ypsilanti Township Millage - 0.70			\$ 778,207
POSA (based on increased service hours in Pittsfield, Saline, and Superior)			\$ 1,087,344
Total Local Revenue			\$ 5,456,191

APPENDIX 2: List of Urban Core Working Group members**Urban Core Working Group**

City of Ann Arbor: John Hieftje, Mayor, Council Members: Sabra Briere - Ward 1, Stephen Kunselman - Ward 3, Chuck Warpehoski - Ward 5, Sally Hart Petersen - Ward 2

City of Ypsilanti: Paul Schreiber, Mayor, Peter Murddock, Councilman, Ralph Lange, City Manager

City of Saline: Brian Marl, Mayor, Linda TerHaar, Mayor Pro Tem

Ypsilanti Township: Brenda Stumbo, Supervisor, Karen Lovejoy Roe, Clerk

Pittsfield Township: Mandy Grewal, Supervisor, Alan Israel, Clerk, Gerald Krone, Trustee

Village of Dexter: Shawn Keough, Village President, Jim Carson, Trustee

Superior Township: David Phillips, Clerk

Scio Township: Spaulding Clark, Supervisor

Ann Arbor Township: Michael Moran, Supervisor

Washtenaw County Board of Commissioners: Yousef Rabhi, Chair

APPENDIX 3: Proposed Board Resolution Placing a Millage on the Ballot

DRAFT Resolution 13/2014

Millage to Support the 5-Year Transit Improvement Program

WHEREAS, the Ann Arbor Area Transportation Authority (AAATA) has approved a 5-Year Transit Improvement Program (5YTIP) for the Urban Core of Washtenaw County for implementation when local funding is secured, and

WHEREAS, it has been determined that a property tax levied at a rate of 0.7 mills for five years will pay the costs of the 5YTIP not otherwise paid for by other revenue sources, and

WHEREAS, there have been widespread expressions of public support for implementing the services contained in the 5YTIP, and

WHEREAS, the Board of the Ann Arbor Area Transportation Authority has determined that it is appropriate under Act 55 of 1963 to submit to the electors of the City of Ann Arbor, the City of Ypsilanti, and the Charter Township of Ypsilanti a proposal at the general election on May 6, 2014 concerning the imposition of a tax within those municipalities for public transportation purposes,

NOW, THEREFORE, BE IT RESOLVED that the following proposition be certified to the Washtenaw County Clerk for inclusion on the ballot for that election:

PUBLIC TRANSPORTATION IMPROVEMENT MILLAGE

Language to be determined

Charles Griffith, Chair

February 20, 2014

Anya Dale, Secretary

February 20, 2014

APPENDIX 4: Report of the Financial Task Force

Robert E. Guenzel
1703 Morton
Ann Arbor, MI 48104

February 5, 2014

Michael Ford
Chief Executive Officer
Ann Arbor Area Transportation Authority
2700 South Industrial
Ann Arbor, MI 48104

Dear Mr. Ford:

As Co-Chair of the Transit Master Plan Financial Task Force, I am writing to recognize the important accomplishments and recommendations of the group.

First, let me say that I am proud to facilitate the work of some of the most astute financial and public policy experts in the region. The Task Force – consisting of local business and not-for-profit leaders – has done a great job of delving into the very important and complex issue of public transit finance. With the support of these community leaders, we concur that the AAATA has generated a funding strategy for transit that will meet with the high level services our citizens have asked for through the development of the Five Year Transit Improvement Program.

The Service Review Sub-group of the Financial Task Force has worked diligently with AAATA staff to examine the assumptions, and the program of proposed services incorporated in the Proposed Five (5) Year Transit Improvement Program. The goal of Urban Core transit is increasingly realistic, which would provide an enhanced mobility for our citizens, a stronger regional economy, and a healthier environment. Based on the assumptions and projections, the Proposed Five Year Transit Program could reasonable be funded out of an affordable .7 mil tax levy.

In addition, I recommend to the AAATA and the many Urban Core transit stakeholders that you continue to forge ahead with your plans for bringing transit services to the citizens of the greater Ann Arbor and Ypsilanti Areas.

I appreciate the opportunity to serve on this important effort!

Sincerely,



Robert E. Guenzel

Findings and Recommendations of the Financial Task Force Review of the Five Year Transit Implementation Plan

Introduction

In the fall of 2011, a Financial Task Force (FTF) was formed to assist the evolving countywide transit master plan effort in identifying and recommending sources of funding. After initial deliberations, the FTF formed a smaller group, “Sub-Group,” to evaluate and prioritize services in the plan and report back to the FTF as to which services merit funding consideration and under what conditions. The Service Review Sub-Group undertook this review and issued its report in late January of 2012.

In November 2012, the Ann Arbor City Council voted to opt out of the countywide authority and urge the Ann Arbor Transportation Authority (Authority) to focus its planning efforts on the “Urban Core” of Washtenaw County. The Urban Core was defined in the resolution as including the cities of Ann Arbor and Ypsilanti, and the townships of Ann Arbor, Pittsfield, Ypsilanti and Scio. However, other communities have been involved including Superior Township as an existing purchase-of-service-agreement (POSA) partner and the City of Saline and Dexter Village as future POSA partners. Throughout 2013, the Authority developed an Urban Core transit improvement program that included three main topics, the service plan, governance, and funding.

The Authority finalized the program with input from community partners including government officials, community leaders, and the general public. The program that was developed is an improvement program for the next five years within the communities of the City of Ann Arbor, City of Ypsilanti, City of Saline, the Township of Pittsfield, and the Township of Ypsilanti. The program is referred to as the “Five Year Transit Improvement Program for the Urban Core Communities of Washtenaw County”, (Five Year Transit Improvement Program).

In December 2013 the expanded Authority asked the FTF Co-Chairs if they would reconvene the task force with the request of examining the funding analysis and the methodology and soundness of the funding calculations in terms of the ability to pay for the proposed program services. The Co-chairs reconvened the Service Review Sub-Group for this purpose.

The Service Review Sub-Group met once in December, January and February resulting in a consensus finding that the Authority’s methods and assumption, related to the Five Year Transit Improvement Program, are reasonable. This report represents their findings and recommendations.

Findings and Recommendations

The FTF recognizes the accomplishments of the Service Review Sub-Group, as follows:

- The Service Review Sub-Group was charged with examining a Five Year Transit Improvement Program budget containing a list of proposed services for the Urban Core communities of Washtenaw County. As the result of the deliberations, analysis, and effort, the Service Review Sub-Group determined that the funding analysis (Appendix 1) is reasonable.

- The Service Review Sub-Group reviewed the development of the service program that includes later night service on weekdays, more hours of service on weekends, new service for both the east and west sides of the service areas, and more service for seniors and people with disabilities. The Service Review Sub-Group found no material issues with the method used in calculating the service hours and the proposed schedules. (Appendix 2)
- The Service Review Sub-Group discussed the assumptions made for the ridership level estimates identified in the program. Staff shared the estimates of Steer Davies Gleave (SDG) estimates and increases seen on Route 4 serving Washtenaw Avenue combined with the general system growth over the past ten years, as data supporting assumptions regarding ridership growth. SDG estimates were interpolated by Authority to arrive at annual growth rate assumptions. (Appendix 3)
- The Service Review Sub-Group further discussed revenue vulnerabilities related to ridership forecasts and 2012 legislation repealing the personal property tax beginning in 2014. The Service Review Sub-Group requested a ‘what-if’ analysis of two questions:
 - What is the financial risk of a 25% shortfall in projected ridership growth, and therefore passenger revenues?, and
 - What is the financial risk of an uncompensated shortfall in the personal property tax revenues? (The 2012 legislation will exempt personal property from taxation by local jurisdictions by 2023, but a referendum scheduled for August 2014, if successful could make up at least some fraction of the revenue shortfall.)

The findings of the Service Review Sub-Group were that the annual dollar amount of the ridership vulnerability was about \$210,000. However, the risk of ridership revenue being less than forecast was reduced due to the very conservative nature of the program’s ridership forecasts. Annual average ridership growth over the past 30 year period has been over 4%, whereas the proposed program assumes a modest 1.8% annual growth rate. Also, the average productivity of existing services is equal to 31.5 passengers per service hour, whereas the forecast productivity of proposed new service is assumed to be about 14.5 passengers per service hour. The ridership estimates are conservative when compared to the actual recent growth from the introduction of Route 4 and Route 5, in which TheRide realized a 20% ridership increase over a one-year period.

As for the potential personal property tax exemption vulnerability, the amount would approximate \$300,000 annually. The personal property tax was repealed by the Michigan Legislature in December 2012. This repeal is contingent upon voter approval of a statewide referendum in August 2014 authorizing a statutory appropriation of 2¢ of the current 6¢ State Use Tax to a newly created local government reimbursement fund. Key provisions of the previously enacted 2012 Act phases out the industrial portion of the personal property tax over a nine year period beginning in 2016. Also, beginning with the 2014 tax year, personal property taxpayers with a taxable value of less than \$40,000 would no longer pay the tax. Lastly, if the statewide referendum in August 2014 fails, then the 2012 personal property tax exemption will

be immediately repealed and the personal property tax will be fully reinstated beginning with the 2015 tax year.

As for the impact to local communities, in short, those local units of government whose total tax base is made up of personal property taxable value greater than 2.3% of the total tax base, they will be eligible an 80% reimbursement of the personal property tax revenue loss. For the Authority the potential fully realized loss would be 5.4% by the end of the ninth year. It is difficult to predict the exact amount of relief that will be available as a result. The main reason for the uncertainty is that 2012 Act is not yet fully implemented both in statute and rule, and legal challenges are expected that will impact revenue. Therefore, it is the FTF's recommendation that the proposed program retain some flexibility to accommodate possible shortfalls in later years of the program.

The FTF also recognizes noteworthy findings of the Service Review Sub-Group, as follows:

- That the following categories of improved services included in the Five Year Transit Improvement Program:
 - Additional 85,000+/- service hour improvements to the Urban Bus Fixed Route Network
 - Expanded A-Ride
 - Expanded Night-Ride
 - Additional 5,300+/- service hours for Express Bus Services within the urban area
- That several capital-intensive projects - (i.e., the AA Connector, Washtenaw Avenue high capacity service, and two commuter rail projects) are not part of the service program and that the funding analysis does not include funding for these projects.

In light of the foregoing, the Financial Task Force considers:

- 1) the findings and recommendations of the Service Review Sub-Group as a guide for further development of the Five Year Transit Improvement Program.
- 2) the funding methodology is complete in terms of the funding levels needed to pay for the proposed services and is reasonable; and,
- 3) Recommends that the FTF continue to reconvene periodically to consider on-going refinements to the Program as requested by the Authority.
- 4) Recommends TheRide consider adding to the millage ballot language a statement prohibiting the capture of newly created Urban Core tax revenue from Tax Increment Finance (TIF) districts and Local Development Finance Authorities.

The Transit Master Plan Financial Task Force

Co-Chair

Bob Guenzel, *former Washtenaw County Administrator (retired)*

Sub Group Members

Mary Jo Callan, *Director, Office of Community Development, Washtenaw County*

Mark Perry, *President, Perry & Co.*

Norman Herbert, *Retired Treasurer, University of Michigan*

Paul Krutko, *President, SPARK*

Appendices:

Appendix 1: Cost of Services and Revenues

Appendix 2:

- a. Change in Start Times, End Times and Frequency, Proposed Program versus Current, by Route and Time Period
- b. Change in Service Hours, Proposed Program versus Current, by Route and Time Period

Appendix 3: Summary of Ridership Estimates (Annual Additional Trips)

List of Supporting Documents (not attached – please see <http://movingyouforward.org>)

- Documents Prepared for the Urban Core Working Group
 - “Materials for Discussion Among the Local Elected Officials of the Washtenaw County Urban Core”; March 28, 2013
 - “Options for Governance and Finance”; April 25, 2013
 - “Proposed Financial Model and Implementation”; June 27, 2013
- “Five-Year Transit Improvement Program for the Urban core of Washtenaw County”, as adopted January 16, 2014
- Community Survey Results
- Peer Analysis Summary
- Service Plan and Equity Analysis
- Appendices to “Findings and Recommendations of the Financial Task Force - Review of the Five Year Transit Implementation Plan”
 - Appendix 1: Cost of Services and Revenues
 - Appendix 2:
 - Change in Start Times, End Times and Frequency, Proposed Program versus Current, by Route and Time Period
 - Change in Service Hours, Proposed Program versus Current, by Route and Time Period
 - Appendix 3: Summary of Ridership Estimates (Annual Additional Trips)