

Date: 11 January 2010  
To: AATA Board  
From: AATA Treasurer, Ted Annis  
Subject: Treasurer's Report for December 2009 --  
CFO, Economic Improvement of the On-demand Services

*Treasurer's Recommendations*

- Without further delay, begin the process to hire a mature, experienced, and competent CFO; and have that position report to either the Board chairman or the Treasurer.
- Conduct a critical analysis of the on-demand services (either by a CFO or a third-party) and improve its economic efficiency and thereby save what appears to be over \$1,000,000/year.

*CFO (Chief Financial Officer)*

The Board and its committees make financial decisions ranging into the millions of dollars. An independent financial assessment of staff's proposals and spending is not the norm. A CFO is needed to provide independent financial assessments and bring competency in the following areas:

- Financial analysis
- Budgeting
- Long-range financial planning
- Responsible management of the Capital funds
- Comparative economic analysis (to other transit organizations)
- RFP recommendations and economic analysis of responses
- Tax analysis

*On-demand Services*

The on-demand services account for about 20% of total AATA expenditures. Historically, this Treasurer has focused on the fixed-route bus services, as it is the major expense and has great room for efficiency improvements. University of Michigan Economics Professor, Dr. Richard C. Porter, has analyzed both AATA services. His report of 26 August 2009 identifies a potential savings of \$1,600,000/year in the on-demand services.

These potential savings do not account for the additional costs for vehicles equipped to handle wheel chairs and would be reduced by these costs. Dr. Porter notes that the National Transportation Database does not collect useful information when private vehicles are used and that high numbers or costs of on-demand vehicles may mean better service, a wider range of services, or high cost. An excerpt from his report is as follows:

“Assuming the Ann Arbor taxi industry is competitive, the cab companies would require that the \$8.26 be reimbursed by the AATA. But the excess of the AATA cost per trip over the fare revenue collected per trip, as we have seen, is on average \$16.90 – about double the \$8.26 amount that the AATA needs to spend to compensate the taxis for their foregone fare revenue. Good question -- where does the rest go? – to which the entire answer cannot be the cost of administering the DR system. If the excess of \$16.90 over \$8.26 could all be saved with a more efficient operation (and there were still 188,400 rider-trips per year), then the AATA could reduce costs by \$1.6 million per year.”