

Date: 14 March 2008  
To: AATA Board  
From: AATA Treasurer, Ted Annis  
Subject: Treasurer's Report for March 2008

## 1. Major Issues

- a. An effective and cost efficient fixed-route bus system is needed; ideally, it should be countywide.
- b. The AATA is none of these. It is a district-wide, fixed-route bus system utilizing an obsolete hub/spoke service delivery model.
- c. No political appetite seemingly exists for the undertaking and funding of a countywide public transportation system, although the idea is kept alive.
- d. Ann Arbor tax payers pay \$9,700,000/year to the AATA; it should be considerably less.
- e. Ann Arbor taxpayers subsidize an aggregate amount of about \$600,000/year for the bus services provided to the other district members, which are the City of Ypsilanti, Ypsilanti Township, Pittsfield Township, Superior Township, and EMU.
- f. UoM riders constitute 40% of the AATA fixed-route bus riders, and that equates to \$5,300,000 as their share of the net local cost. The UoM pays \$1,900,000/year to the AATA, and that leaves a \$3,400,000/year shortfall that is picked up by AA taxpayers.
- g. The AATA ridership has been (embarrassingly) low in comparison to the funding received. The fix has been to boost ridership with deals and subsidies, as opposed to improving the system to be the "Ride of Choice" or taking less from the AA taxpayers.
- h. Until the AATA becomes the Ride of Choice for many, the traffic and demand for parking in downtown Ann Arbor will be not be alleviated. This may take close to a decade and is the price paid for neglect of this objective in the previous decade.
- i. The surfeit of funds from the Ann Arbor Public Transportation Tax and the substantial Federal and State funds granted removes the incentive for efficient operation, balanced economic decision-making, and progress toward redesign of the fixed-route system.
- j. There is no will to constrain spending; all of the Revenues are spent year-over-year.
- k. The 1973 Agreement between the City and the AATA reads: "The parties to this contract recognize their mutual responsibility to the public to provide transportation services at the least possible cost."
- l. This responsibility is not met.

## 2. Background

The AATA was created by the City of Ann Arbor in 1968 as a Public (governmental) Authority under the provisions of Michigan Act 55 and funded initially as a City department.

In 1973, Ann Arbor taxpayers voted upon themselves a perpetual property tax of 2.5 mills authorizing the City to collect non-general fund monies to be allocated for public transportation. An Agreement between the City and the AATA was completed; it obligates the City to transfer all taxes collected (less a 1% service fee) to the AATA.

The original 2.5 mills have been Headlee adjusted to just over 2.06 mills and now generate \$9,700,000/year. This tax has never been reviewed or adjusted by the City, judging from available information.

The AATA has become skilled at obtaining substantial Federal and State funds.

### 3. Operating Information

- a. The AATA primarily operates an obsolete hub/spoke fixed-route bus system conforming to obsolete 25-year old Service Standards. Rail and trolley are not under consideration.
- b. Comparison data (attached) show the AATA with one of the highest service hour costs.
- c. 40% of the AATA bus users are UoM riders that ride at no fare paid by them. The UoM pays an annual fee of \$700,000, and it permits the AATA to recover Federal funds earned by the miles driven by UoM's own bus system, \$1,200,000/year. Their sum is less than the proportionate UoM amount of \$5,300,000, thereby creating a shortfall of \$3,400,000/year which is paid by AA taxpayers.
- d. 18.3% of the total AATA fixed-route bus services are for the above townships, the City of Ypsilanti, and EMU. The prices to them are less than AATA's fully allocated costs, thereby creating a subsidy of \$600,000/year.
- e. The City of Ypsilanti is not able to pay its share; consequently, fares will have to be adjusted and that challenge is currently being addressed.
- f. 28.5% of all bus boardings in 2006 were made in Ann Arbor DDA areas.
- g. A Fare Box Ratio of 14% versus a national average of 35-40%. (This is the % of Total Revenue received from Fares.)
- h. An estimated 6000 regular riders currently; an estimated 4000 in 2005.
- i. A cost per regular rider of about \$3,800/year when both budgets are considered.
- j. About 5M rides/year of which 2M rides are for UoM riders.

### 4. Fares

- a. The standard fixed-route bus fare is a \$1.00.
- b. The fare for a UoM rider is 0.
- c. The average fare paid by the riders is 52¢.
- d. The fully-allocated cost per ride is about \$4.50.
- e. The Federal and State subsidies per ride are \$1.88.
- f. The net cost per ride in Ann Arbor of \$2.10 is paid via the AA transportation tax.
- g. The UoM payment per UoM (no-fare) ride is 95¢ with the shortfall paid for by the AA transportation tax.

### 5. Rolling Stock

- |                       |    |
|-----------------------|----|
| a. Active large buses | 69 |
| b. Active small buses | 12 |
| c. Other              | 15 |

### 6. AATA Personnel

- a. 190 total. 118 drivers. Indirect Personnel of 72 of which 37 are management and administration.
- b. Search for a new ED postponed until new vision and strategic plan completed.

### 7. Board

- a. Seven members; four constitute a quorum; five-year terms; appointed by the Mayor.
- b. Four do not live in the City; two are City employees; one is employed at the UoM.
- c. The current Board has introduced corrections, oversight, and a rational labor agreement.
- d. Ad hoc committee formed in May 2007 to create a new vision and strategic plan.

## 8. Financials

a. There are two budgets, the Operating Budget and the Capital Budget.

b. **Operating Budget:**

<u>Revenues</u>	<u>2005/6</u>	<u>2006/7</u>	<u>2007/8</u>	
AA Taxpayers (2.06 mills)	\$8.8M	\$9.2M	\$9.7M	40%
State of Michigan	7.0	7.0	7.0	29
Federal	2.4	2.2	2.5	10
Fares	3.3	3.2	3.3*	14**
Townships	0.6	0.8	1.0	4
Other	0.6	0.8	0.7	3
Total Revenues	\$22.7M	23.2M	<b>\$24.2M</b>	100%

\* Includes \$0.7M fee paid by the UoM

\*\*Fare Box Ratio

Operating Expenses almost always completely consume Total Revenues.

c. **Capital Budget** funds are made available from the Federal and State governments at an average rate of \$5M/year. These funds are accumulated and spent at different rates over the years.

\$2.1M/year of the Federal capital funds are transferred into the Operating Budget as Revenues in order to help cover the (excessive) Operating Expenses.

## 9. Summary

The AATA operates with an obsolete fixed-route bus service delivery model resulting in public transportation that is not the Ride of Choice. The organization is cost inefficient. There is no pressure or incentive to improve because the money is always there, regardless. The responsibilities to “least possible cost” operation have been long ignored. One of the prices paid for all of this is that it will take a decade for the bus system to become the Ride of Choice.

Taxes collected from AA taxpayers should not be used to subsidize the other AATA district members and the UoM.

The AATA needs to improve efficiency, redesign the fixed-route services, eliminate subsidies, and move to appropriate district-wide tax funding and/or fare structures. The City should cause these to happen and fulfill its responsibility to “least possible cost” operation by reducing the taxes provided by AA taxpayers.

## 10. Recommendations

- That the AATA Board request the City’s Finance Committee and Administrator to perform an internal operating review and reorganization of the AATA.
- That the City reduce the Ann Arbor Public Transportation Tax, year-over-year, until it is less than 1.0 mill, and reevaluate at that point.

## FIXED-ROUTE

Table 08 -- Cost Efficiency (Cost per Service Hour)

FED ID	Company Name	City	Cost per Service Hour	(cost/service hour)				
				Vehicle Operations	Vehicle Maintenance	Non-Vehicle Maintenance	General Admin.	
4002	Knoxville T. A.	Knoxville, TN	\$58.60	\$36.43	\$11.42	\$0.58	\$10.18	
5005	Madison Metro Transit	Madison, WI	\$96.14	\$66.32	\$15.80	\$2.28	\$11.74	
5022	Toledo Area Regional T. A.	Toledo, OH	\$97.42	\$62.36	\$17.14	\$2.16	\$15.77	
5033	Interurban Transit Partnership	Grand Rapids, MI	\$73.33	\$46.21	\$10.30	\$1.94	\$14.88	
5035	Kalamazoo Metro Transit	Kalamazoo, MI	\$76.30	\$45.49	\$18.30	\$2.65	\$9.85	
5036	Capital Area T. A.	Lansing, MI	\$97.81	\$64.26	\$15.92	\$1.83	\$15.80	
7010	Des Moines Metropolitan T. A.	Des Moines, IA	\$76.61	\$42.51	\$14.44	\$2.01	\$17.65	
8005	Mountain Metro Transit	Colorado Springs, CO	\$82.84	\$54.75	\$13.11	\$1.94	\$13.04	
5040	Ann Arbor T. A.	Ann Arbor, MI	\$101.40	\$57.66	\$18.95	\$5.34	\$19.45	
		Median	82.84	54.75	15.80	2.01	14.88	
		AATA Rank (1=best)	9 of 9	6 of 9	9 of 9	9 of 9	9 of 9	

## FIXED-ROUTE

Table 10 -- Average Fare

NMID ID	Company Name	City	Cash Fare (\$)	Avg. Fare (\$)
4002	Knoxville T. A.	Knoxville, TN	1.25	0.29
5005	Madison Metro Transit	Madison, WI	1.50	0.66
5022	Toledo Area Regional T. A.	Toledo, OH	1.00	0.91
5033	Interurban Transit Partnership	Grand Rapids, MI	1.30	0.48
5035	Kalamazoo Metro Transit	Kalamazoo, MI	1.35	0.54
5036	Capital Area T. A.	Lansing, MI	1.00	0.35
7010	Des Moines Metropolitan T. A.	Des Moines, IA	1.25	0.84
8005	Mountain Metro Transit	Colorado Springs, CO	1.25	0.84
5040	Ann Arbor T. A.	Ann Arbor, MI	1.00	0.52
Median			<del>\$1.25</del>	\$0.66
ATA Rank (1=best)			1 of 9 (t)	6 of 9