

**Transit Master Plan
Financial Task Force Service Review Sub-Group
Recommendations to the Full Task force
FINAL REPORT 1-24-12**

Background

In the fall of 2011, a Financial Task Force (FTF) was formed to assist the evolving countywide transit effort in identifying and recommending sources of funding for the Countywide Transit Master Plan. After initial deliberations, the full FTF formed a smaller group - the Service Review sub-group - to evaluate and prioritize services in the plan, reporting back to the full Task Force as to which services merit funding consideration and under what conditions. The full Task Force, in turn, will make their recommendations to the u196 Board, the precursor to the countywide transit agency incorporated board.

The sub-group met three times (November 18, December 7 and December 16), during which they received pertinent presentations from the staff and consultants of the Ann Arbor Transportation Authority. The focus of the meetings was a proposed 5-Year Transit Program, including services, estimated cost to provide those services, and benefits and other impacts of the services.

Financial Task Force Service Review Sub-Group Members

The following individuals generously donated their time to this effort:

- Terri Blackmore, Executive Director, Washtenaw Area Transportation Study
- Mary Jo Callan, Director, Office of Community and Economic Development
- Ric DeVore, Regional President, PNC Financial Services Group Inc.,
- Norman Herbert, Retired Director of Finance, University of Michigan
- Jim Kosteva, VP for Government Relations, University of Michigan
- Paul Krutko, President and CEO, Ann Arbor Spark
- Jonathan Levine, Professor of Urban and Regional Planning, University of Michigan
- Mark Ouimet, Michigan State Representative, 52nd District
- Mark Perry, Director of Real Estate, Masco Corporation

All meetings were held at the downtown offices of the Ann Arbor Downtown Development Authority and were attended by members of the public and the media.

Recommendation Summary

The sub-group recommends that, with some qualifications, all services proposed in the 5-year program go forward with minor prioritization changes. Highlights of the group's findings and recommendations:

1. The Review Sub-group evaluated service based on estimated financial performance indicators. The Sub-group examined ways to reduce costs associated with projects with lower financial performance.
2. The review identified the need to evaluate the Urban Bus Network Enhancements as a whole, rather than merely looking at each individual set of improvements.

3. The Sub-group recommends an across-the-board fare increase of \$0.50 be considered to reduce the level of local subsidy.
4. That higher fares for express services be charged, including the possibility of distance-based zone fares, with a surcharge for services that cross county lines.
5. That several capital-intensive projects - the AA Connector, Washtenaw Avenue high capacity service, and two commuter rail projects – be considered separately from the other projects in the plan since these projects are longer range in nature and will likely rely heavily on federal and / or private funding.
6. That the Ann Arbor downtown circulator be a discretionary project funded only if AATA can identify private dollars.
7. That additional fare increases be explored for all services not specifically listed above, including door-to-door paratransit services.
8. Throughout, it was assumed that federal and State transit support programs will remain in place. Among other things, this assumption means that certain ‘formula’ State and federal funding sources will increase with the introduction of more services.

Recommendation Details

The table below lists the projects initially proposed for inclusion in the 5-Year Transit Program, and identifies the sub-group recommendations for each project. It should be noted that AATA does not forecast all projects to be fully implemented during the first 5-year time period. AATA proposes some projects, notably the high capacity transit and commuter rail projects, as development projects during the first five years, with service scheduled later in the 30 year plan. Included as Appendix 1 is the original list of projects, showing their relative financial performance.

CATEGORY	SERVICE OR PROJECT	Sub-group Recommendations
		X= include in program 0=primarily funded by non-local or private sources
Existing Service	Ongoing Bus Replacement	X
	Base Urban Bus	X
	Base Urban/Non-Urban Door-to-door	X
Urban Bus Network Enhancements	Bus Stop Quality/Facility Enhancements and Transit Center Upgrades	X
	Bus Priority Measures	X
	Ann Arbor Downtown Circulator	0
	Urban Bus Network Enhancements - Increased Frequency	X
	Urban Bus Network Enhancements - Extended Hours	X
	Urban Bus Network Enhancements - Ypsilanti	X
	Enhanced WAVE Service connecting Chelsea, Dexter and AA	X
Countywide Connectivity	Countywide Express Services - Dexter	X
	Countywide Express Services - Manchester	X
	Countywide Express Services - Saline	X
	Countywide Express Services - Milan	X
	Countywide Express Services - Whitmore Lake	X
	Countywide Express Services - Canton	X

	Countywide Express Services - Chelsea	X
	Countywide Express Services - Livonia/Plymouth	X
	Local Community Circulators	X
	Local Transit Hubs with Parking	X
	Park & Ride/Intercept Lots (Phase 1)	X
Countywide D2D	Door-to-door Countywide (additional)	X
	Flex-Ride Service	X
Regional Connections	Airport Shuttle	X
	Car/Vanpools	X
	Regional Rail Services - East West Line (AA - Detroit)	0
	Regional Rail Services - North South Line (AA - Howell) 'WALLY'	0
High-capacity Transit	North-South Urban Connector (Plymouth Road - Briarwood)	0
	Washtenaw Corridor (Jackson/Wagner - Ypsilanti)	0
	Washtenaw Corridor "Superstops" (8 stops)	X
Other TMP Items	Garage extension + leased premises (Bus Maintenance and Storage)	X

Each of the services was examined individually by the sub-group. A partial list of data considered by the committee is as follows:

- Estimated capital and operating costs, and revenues, during both five and 30-year timeframes.
- Financial performance indicators such as operating cost per trip, fare revenues per trip, federal, state, and local subsidy per trip, fare-box recovery ratio, and so forth.
- Service operating description, including frequency of service, hours of operation, days of operation, geographic coverage, etc.
- Service need, using demand estimates, survey results, census data indicating locations of target populations, planning process public comments, and descriptions of how (or whether) these services are provided elsewhere in the country.

Staff revised some data over the course of the sub-group's deliberations in response to challenges and questions. For example, the high per-trip-cost of express bus service to/from Manchester was adjusted by reducing the number of bus runs associated with the service, resulting in a reduction of operating cost. In the cases where the Sub-group proposed downsizing a service, they emphasized the need to monitor service performance once the services were in operation and adjust service levels in response to actual demand.

In addition to staff work, committee members were supplied with data in spreadsheet form to analyze as they like. One notable effort of this was Mark Perry's adaptation of the project's cost spreadsheet into a Budget Model. Mark's model computed funding – in the form of a property tax – needed to fill the gap between projected costs and projected revenues. Staff expects the model to have on-going value for the full committee, providing a helpful framework for assessing needed funding for each service and the entire plan.

Although the group considered all services in detail, findings and recommendations were basically applied to the major categories, unless otherwise noted below:

- Existing Service – Sub-group recommends continuation of all existing service (purchase replacement vehicles) because these investments (vehicles and facilities) are necessary to maintain existing levels of service in a reliable and efficient manner.
- Urban Bus Network Enhancements – Sub-group recommends ALL urban Bus Network Enhancement projects remain in the Program, with the proposed Ann Arbor Downtown Circulator privately funded (see below). Rationale: In general, these services are required to support any high-volume ‘mass transit’ implementation, and have a clear return on economic, workforce and community development impacts investment in the urbanized areas of Washtenaw County, as well as environmental benefits.
- Ann Arbor Downtown Circulator – Sub-group recommends the circulator remain in the Program, only if it receives full support and funding from the downtown merchants, employers and/or others who would directly benefit from the service. Rationale: The circulator is a candidate for private funding, because the benefits are local and easily attributable to downtown interests. AATA, UofM, and DDA established The “Link” previously in a similar manner.
- Countywide Connectivity (express bus services, supported by community circulators, local transit hubs, and park-and-ride intercept lots) – Sub-group recommends including these services in the program. The Sub-group further recommends that AATA increase fares for countywide express services significantly, and that fares for services that extend past the county line increase more. The group asked that AATA consider a resident/non-resident fare payment approach, if possible. Rationale: These services are important to workforce development in the County, connecting out-county residents to job opportunities in Ann Arbor. There are also significant environmental and economic benefits from converting these longer trips from the private car, and reducing private cars in downtown Ann Arbor.
- Countywide Door-to-Door / Flex Service – Sub-group recommends retaining these services in the Program as proposed. Rationale: These services provide access to lifeline activities for Washtenaw County’s growing senior population, low income residents and workers, and residents with disabilities. This access generates modest positive economic impact, and significantly improves productivity and quality of life for these target populations. Given these benefits, and the high income –to-cost ratios* of 70-80%, it is recommended that these services be retained in the Program as proposed. (*NOTE: AATA defines income-to-cost ratio as the total income associated with the project – including fares, state subsidies, and federal subsidies – divided by the total operating cost of the project. This measure was proposed by the sub-group as another way to evaluate financial performance, and staff developed these computations at the request of the Sub- group).
- Regional Connections – Sub-group recommends that the FTF retain the Airport Service and Carpooling/Vanpooling in the Program as proposed. (However, commuter rail projects should be considered separately – see below). Both services performed very well in the “Financial Performance”, showing estimated fare box recovery rates in excess of 100%. (Note: Negotiations are currently underway with a possible contract provider for the Airport Service. Upon completion of those negotiations, financial performance data for the Airport Service will be revised based on actual terms of the agreement.)

- High-Capacity Transit – Sub-group recommends that the FTF consider both the North-South Connector and the Washtenaw Avenue Corridor service separately from the other services – see “Special Projects” below. These are both long-range projects with substantial upfront planning and development costs before implementation can take place. These projects are also likely candidates for private funding participation. In addition, there are likely to be significant development and land use implications related to these projects, requiring further evaluation.
- Other TMP Items – Sub-group recommends these support projects (to the other services) for inclusion in the Program.

Special Projects

The sub-group’s recommendation is that the following projects be considered separately by the Task Force, in terms of possible funding sources, integration of land use planning considerations and needed intergovernmental cooperation:

- Ann Arbor Connector
- Washtenaw Avenue Corridor
- Detroit to Ann Arbor Commuter Rail
- North-South Commuter Rail

Each of these projects is a ‘special case’ in which funding is either 1) likely to be shared with jurisdictions outside of Washtenaw county and/or 2) a high level of private sector involvement is essential for the project to succeed. As such, these projects might be further considered by the “Business/Philanthropic Sub-Group” that the full Financial Task force is proposing.

The current Program recommendations for each project are as follows:

- Ann Arbor Connector – Undertake a full alternatives analysis and preliminary design study using federal Section 5339 dollars. FTA has awarded AATA this grant money - \$2 M dollars. The study will be jointly sponsored by U of M, the City of Ann Arbor, the Ann Arbor Downtown Development Authority and the Ann Arbor Transportation Authority.
- Washtenaw Avenue Corridor – Participate as needed in planning work, led by Washtenaw County, for this corridor. Establish new ‘super stops’ on Washtenaw Avenue to benefit recently increased service and for incorporation into eventual plans for bus-rapid transit in the corridor. Funding of the super stops, slated for implementation in 2016, is estimated at \$2.0 M. Work with County, City, and State to incorporate Bus Priority Measures, in the near term, to improve bus run times.
- Detroit to Ann Arbor Commuter Rail - Monitor and support the work of MDOT and SEMCOG to develop this service, which is located primarily in Wayne County but crosses over into Washtenaw County. Participate in discussions of multi-jurisdictional organization and funding of this service. (NOTE: The Transit Master Plan lists a capital investment requirement of approximately \$10M during years 1 – 5. Because this project is sponsored by MDOT and SEMCOG, Washtenaw County has not contributed nor has exercised control over the budget or timing for this project. No entities in Washtenaw County have made financial commitments to this project beyond contribution of staff time.)
- North-South Commuter Rail – Continue to develop the project with the support of both Washtenaw and Livingston County. Use locally contributed funds and limited federal grants to develop station designs during the 1-5 year time frame. (NOTE: As of this writing, funding for

this project is limited to existing contributions, by local units of government in Washtenaw and Livingston counties and by federal grants, for station planning and National Environmental Policy Act (NEPA) compliance work.) The Transit Master Plan currently envisions \$3 - \$4 M of capital improvements on the existing tracks during the 1-5 year time frame. Based on past trends, this funding may come entirely from the State of Michigan. This project also crosses county lines and therefore would require financial participation by entities in Livingston County. No additional firm commitments for project development funding are in place at this time on either side of the county line.

NOTE: The State of Michigan has committed to funding the acquisition of rail cars and locomotives for both the Wally and the Detroit to Ann Arbor commuter rail projects.

The projects above each involve staff resources and possible consultant time commitments to further investigate and develop them. The Service Review sub-group recommends the proposed Five-Year Transit Program continue this research and development parallel to efforts identifying possible funding sources and needed intergovernmental cooperation.

Project Budget

Attached, as Appendix 2, is the revised Capital and Operating Budget that resulted from the sub-group's deliberations and recommendations.

The newly formatted attached budget document also contains a millage calculator identifying the property tax level needed to fund the 'gap' between the services' cost and the estimated available funds to pay for those services. By making this calculation, the sub-group is not making a recommendation, per se, that a millage be used as a funding source, but used the millage calculation as a way to measure the impact of various changes that were being considered.

Over the course of the sub-group's deliberations, AATA adjusted the Program budget. These included refinements to cost and revenue assumptions, and responses to committee challenges and questions. Among the major changes to the Program that contributed to the gap reduction are the following:

- Removal of Regional Rail development costs entirely – while some of these activities will still be undertaken, it is not intended that these projects be funded out of local revenues. Also, because these projects cross county lines, much of the costs are likely to be borne by entities outside of Washtenaw County.
- Reduction of High-Capacity Transit expenses – AATA expects federal grants, and not local sources, to fund the costs for project planning and development for both the AA Connector and the Washtenaw Corridor.
- Removal of the Ann Arbor Downtown Circulator – this project is still a proposed part of the Program, but only if it receives private funding, so AATA has eliminated the costs from the Program.
- Reduction of costs of Express buses, by using a lower non-urban bus operating cost/mile, assuming increased speeds, and some reduction in service frequency.
- Adjustments to estimated Countywide Door-to-Door service costs - reduced estimated usage volume based on A-Ride's experience with the proportion of eligible population that are active users.

- Miscellaneous revenue adjustments associated with a number of projects.
- A significant revenue increase associated with a raise in passenger fares, including: 1) an across-the-Board increase of \$0.50 beginning in Year 3; 2) increased fares for express bus services, and 3) a surcharge for express services extending outside of the county. Together, these fare changes generate an additional \$2.9 M over the five year period.

As the result of the sub-group's deliberations, analysis, and effort, the total funding gap associated with the Program declined by nearly half. The original gap was \$60.8M (capital and operating combined, over a five-year period), as documented in the draft budget provided to the full Task Force on October 28. The budget now shows a gap of \$32.9M.

The gap of \$32.9M, if funded by a countywide millage, would require a levy of 0.5 mils, according to the model used by the sub-group. This is equal to \$50 for a house with an assessed valuation of \$100,000 (or market value of \$200,000).

APPENDICES

- 1) Project Financial Performance – Original List of Projects with Financial Performance Scores
- 2) Revised Capital and Operating Budgets with Gap Estimate