

ANN ARBOR TRANSPORTATION AUTHORITY

Conversion of AATA from Act 55 to Act 196

A. Brief Description

- Convert AATA from its current status as an entity organized under Act 55 to an entity organized under Act 196. This conversion would make no change in the City's ownership of the transit entity system or in the current method of transit service outside the City limits.

B. Entities

- AATA converts from an Act 55 authority to an Act 196 authority without any ownership or board structure changes.

C. Contracts

- Maintain existing contracts with townships; add contracts as negotiated on piecemeal basis; possible contract with County for service to townships not otherwise covered by separate contracts.

D. Advantages

- City retains its control of AATA and existing service
- Even without countywide transit, Act 196 has advantages over Act 55
 - Act 196 is more detailed, giving better guidance on more transit subjects
 - Act 196 has no geographic limitations on service
 - Act 196 offers the possibility of a millage for up to 25 years if light rail is funded (see Notes on last page)
- Because of Act 196 advantages over Act 55, Act 196 puts City and AATA in a better position to lead countywide transit efforts
- Does not have any legal effect on current Ann Arbor charter millage being used for public transportation

“Service Contract” Option

A. Brief Description

- AATA extends service on piecemeal basis by negotiating additional contracts with additional townships and possibly with County (for portions of County not served by township contracts).
- AATA can do this with or without converting first from Act 55 to Act 196, but conversion is recommended (see p.1).

B. Entities

- Existing AATA only – no change needed in ownership or board structure, whether under Act 55 or Act 196.

C. Contracts

- Maintain existing contracts with townships
- Add contracts as negotiated on piecemeal basis
- Possible contract with County for service to townships not otherwise covered by separate contracts

D. Advantages

- Simplicity: Beyond the 55/196 conversion, this path may be simpler than the other paths.
- Need not create any new transit authorities.

E. Disadvantages

- Remaining under Act 55 instead of using Act 196 does not resolve the issue of AATA’s potential geographic service limit.

Out-County Act 196 Authority (City of Ann Arbor excluded)
plus City millage: the “donut” millage

A. Brief Description

- Same as countywide authority, except the new authority will consist of the entire county except for the City of Ann Arbor, which would exercise its statutory rights to be excluded from the new Act 196 Authority. The result would be two transit authorities with respective millages resembling a “donut”: the out-County millage “donut” surrounding the City as the “donut hole” to continue its current charter millage.

B. Entities

- Existing AATA continues without any ownership or board structure changes, either under Act 55 or Act 196.
- New countywide authority formed, with the expectation that City exercises its statutory right to exclude itself from the countywide authority within 30 days after the authority is formed. Assume also that no other city, village or township within the county exercises that same exclusion right.
- New authority board appointed by and controlled by County, since County would be the sole authority member

C. Contracts

- Existing AATA contracts with out-County authority for transit service in the out-county areas in exchange for receipt of out-county millage imposed by the out-county authority. If other cities, villages or townships exclude themselves from the out-county authority, those excluded units can negotiate for contract service.

D. Advantages

- Avoids the “layered” millages that would be imposed on City taxpayers under a countywide authority described above. Instead, the out-County authority could levy its own millage, excluding the City.

E. Disadvantages

- Out-county millage rate would need to be higher than a countywide millage rate to raise the same amount of transit revenue, because an out-county millage would not be imposed on any of the taxable property within the City of Ann Arbor.
- Remaining under Act 55 instead of using Act 196 does not resolve the issue of AATA’s potential geographic service limit.

Countywide Act 196 Authority plus City millage: the “layer cake” millage

A. Brief Description

- Existing AATA continues, either under Act 55 or Act 196. County forms new Act 196 Authority covering the entire County and seeks voter approval of countywide transit millage.
- This causes two millages: one within the City of Ann Arbor and another throughout the entire County. Taxpayers in City of Ann Arbor pay both millages: a City millage “layered” on top of a County millage.

B. Entities

- Existing AATA continues without ownership or board structure changes, either under Act 55 or Act 196
- New Act 196 Authority formed with County as sole member, County appoints entire board of new authority, new authority levies a low level millage throughout the entire County to support service above and beyond current AATA levels within the City of Ann Arbor
- Assume that after creation of the countywide authority, no city, village or township within the County exercises its statutory rights to exclude itself from the authority jurisdiction and from any proposed County millage.

C. Contracts

- Service contract between AATA and new County Act 196 Authority providing for countywide collection of millage to be turned over to AATA in exchange for agreed-upon levels of countywide transit service
- Consider additional service contract between AATA and any excluded city, village or township that excludes itself from the County authority (see above)

D. Advantages

- Stable countywide dedicated millage for countywide transit service
- AATA remains as the sole designated recipient of federal funds and runs all transit service in exchange for receipt of millage funds from countywide authority

E. Disadvantages

- Somewhat more complexity than the service contract model, since it requires creation of a new authority and negotiation between AATA, City and the new County authority regarding service levels and millage payments
- City taxpayers will pay two layers of millage instead of one
- Remaining under Act 55 instead of using Act 196 does not resolve the issue of AATA’s potential geographic service limit.

Notes

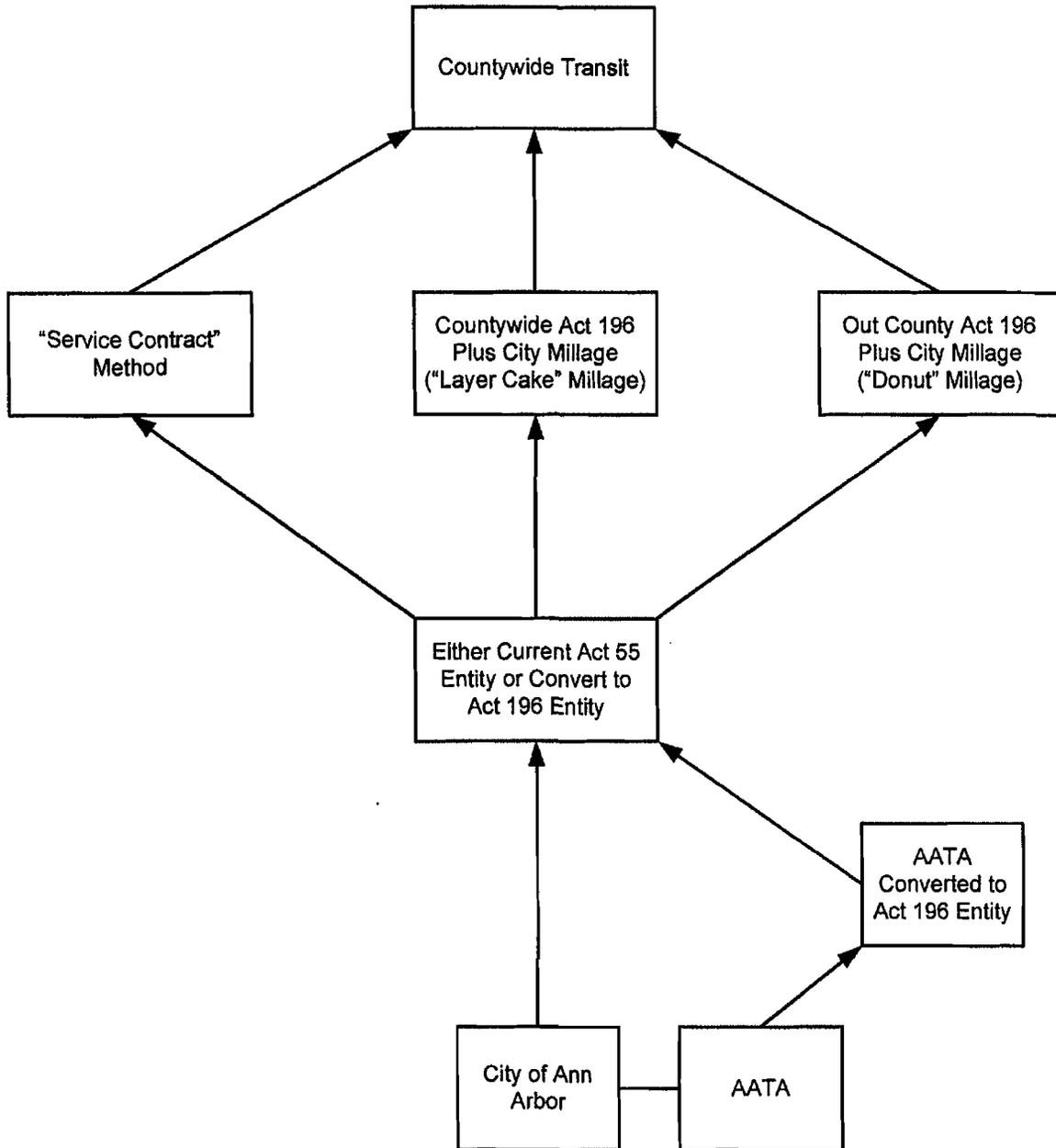
1. All of the above options assume that AATA is the service provider. Various alternatives may exist for equipping and staffing countywide transit service.
2. These options do not address the possibility or the advisability of amending the Ann Arbor City Charter to change its existing transit millage.
3. Millage information:
 - a. Act 55. Act 55 allows AATA to propose a city-wide millage of up to 5 mills for up to 5 years. AATA has that legal power today, regardless of the City's current perpetual charter millage of 2.5 mills.
 - b. Act 196. Act 196 has the same maximum millage limits as Act 55 (5 mills and 5 years), except that a millage may be approved for up to 25 years if the Act 196 authority is seeking that millage for public transit services that include a "fixed guideway project authorized under 49 USC 5309", which can include light rail projects.
 - c. Other Millage Matters. Michigan's Headlee tax limit will affect future years. The exact scope of permitted uses of millage funds should also be examined. For example, to what extent could you use millage funds for HOV (high occupancy vehicle) lanes?

ANN ARBOR TRANSPORTATION AUTHORITY**CONVERSION OF AATA FROM ACT 55 AUTHORITY
TO ACT 196 AUTHORITY****PROPOSED/TIMELINE**

DESCRIPTION OF TASK	DEADLINE	
1. Develop draft documents for conversion, meet with staff, board members and appropriate city representatives for feedback and support of final drafts	12/31/09	
2. Begin due diligence for transferring assets and liabilities from Old AATA to New AATA: identify third party consents, begin process to obtain state and federal approval for New AATA to become designated recipient of state and federal funding, etc.	12/31/09	To determine as early as possible how long some of these approvals may take
3. Ann Arbor City Council adopts resolution approving the form of Articles for New AATA	01/15/10	This is an advisory step to make sure the City approves the plan in advance
4. Old AATA adopts resolution authorizing Articles to be signed, filed and published	01/30/10	
5. Publish Articles once in area newspaper; file signed Articles with Secretary of State, Washtenaw County Clerk and Director of Michigan State Department of Transportation	02/15/10	New AATA existence begins when filing and publication are complete
6. Ann Arbor City Council appoints the first 7 member Board of Directors of New AATA	02/15/10	Existing AATA Board members can be appointed for continuity
7. New AATA Board holds first meeting to appoint officers, adopt bylaws and other routine initial organizational matters	03/01/10	

8.	(Formality) New AATA sends notice to Ann Arbor City Clerk giving 30 days to withdraw under Section 8(7) of Act 196	03/01/10	Statute requires this notice; for AATA this is only a formality
9.	Expiration of 30-day period for Ann Arbor to withdraw	04/01/10	Statute requires 30 days
10.	60-day period for challenging Act 196 Authority expires (60 days after articles are published)	04/15/10	Statute provides for this 60-day period
11.	New AATA adopts resolution approving Transfer Agreement	04/16/10	
12.	Old AATA adopts resolution approving Transfer Agreement	04/16/10	
13.	Complete due diligence and pre-closing process, obtain all third party consents, and close the transfer from Old AATA to New AATA; New AATA begins using "Ann Arbor Transportation Authority" name and operates public transportation service	06/01/10	
14.	Ann Arbor City Council adopts resolution dissolving Old AATA because it has no more assets and no longer does business	After 06/01/10	

**ANN ARBOR
TRANSPORTATION AUTHORITY
ILLUSTRATION OF TRANSIT OPTIONS**



This graphically shows several paths of moving toward Countywide Transit Service. Attached are:

- (a) One page summaries of each path's key points, including advantages and disadvantages; and
- (b) A step sheet with timelines for converting AATA from an Act 55 authority to an Act 196 authority.

INTRODUCTION TO ACT 55, ACT 196 AND COUNTYWIDE TRANSIT

Short answers are provided to each of the eight questions listed below. For more information, see the additional documents attached.

1. What are the differences between Act 55 and Act 196?

The key differences are:

a. Members: only cities with fewer than 300,000 people may form Act 55 authorities, but an Act 196 authority may be formed by any city, village, township or county or a combination of them.

b. Taxation: although both may levy 5 mills for up to 5 years, Act 196 authorities may ask for a millage of up to 25 years if part of the funds are used for a fixed guide way system, such as light rail. No more than one election may be held in a calendar year under either authority, but Act 55 authorities may hold additional elections if a majority of its members consent.

c. Geographic Scope of Services: Act 196 authorities have no limits, but Act 55 authorities may operate only within the incorporating city's boundaries, plus certain additional boundaries that existed before July 18, 1983.

d. Adding and Removing Members: Both acts allow an authority to admit additional political subdivisions as members. Act 55 allows those additional members to withdraw only with the authority's permission. Act 196, however, allows members and other political subdivisions within the district to opt out of the authority without the authority's permission in certain situations.

2. What history exists about Act 55 and Act 196?

Act 196 was enacted in 1986 to facilitate reorganization of the Grand Rapids public transportation system which operated under the name GRATA at that time. Act 55 was enacted in 1963. We do not have any history readily available regarding the reasons for enacting Act 55.

3. Would converting AATA from 55 to 196 require AATA to go to countywide service? What are compelling reasons for AATA to convert to Act 196 even if AATA doesn't go to a countywide system?

No, converting from 55 to 196 does not require any countywide transit whatsoever. See the attached page entitled "Conversion of AATA from Act 55 to Act 196" for reasons why converting from 55 to Act 196 may be compelling even without countywide transit.

4. What would Act 196 mean for AATA if it converts but does not go countywide?

The conversion would have no impact on levels of service, the current Ann Arbor Charter millage, or any other operational aspect of AATA's service. The Ann Arbor City Council would have a role in appointing persons to the new Act 196 board, just as the City does

for the current Act 55 authority. For more information, see the attached page entitled “Conversion of AATA from Act 55 to Act 196”.

5. What would Act 196 do for AATA if it does go countywide? How does it help?

Act 196 provides a more predictable and flexible method of designing countywide transit than Act 55. See the attached chart entitled “Illustration of Transit Options” and the one-page description of the three methods that authorities under Act 196 could move toward countywide transit.

6. What other options are available to AATA to go countywide?

Three general options are available to pursue countywide transit service. See the attached flow chart entitled “Illustration of Transit Option” and the one-page description of each of those options.

7. Is there a preferred path to 196? Is there a preferred path to countywide service?

The preferred path for converting from Act 55 to Act 196 is described on the attached page entitled “Conversion of AATA from Act 55 to Act 196” and the attached timeline for that conversion. The preferred path for countywide service depends on whether a countywide millage is desired. If no millage is desired, see the attached description of the “service contract” method. If countywide millage is desired, the preferred method will depend on whether the stakeholders prefer a “layer cake” millage system or a “donut” millage system. See the attached documents for explanations.

8. What negotiations need to happen with Ann Arbor City, Washtenaw County, and other stakeholders? What timing would apply?

Discussions with the City, County and townships would undoubtedly be required to determine the degree to which they want to participate and the specific form of participation. Negotiations will depend on whether countywide transit is pursued at this time and if so, what method of countywide transit might be pursued. Timing will be affected by many non-legal subjects such as the length of time negotiations may take, the desired target date for any proposed millage elections, the speed at which certain third parties would need to approve any reorganizations (such as the Federal Transit Administration regarding federal funding and MDOT regarding state funding), and other practical and political matters.

The following documents are attached to this introduction:

1. Chart entitled “Illustration of Transit Options”
2. Five-page description of the Conversion from 55 to 196, plus descriptions of the three methods of pursuing countywide transit
3. Sample timeline for converting AATA from Act 55 to Act 196