

Ypsilanti Township into Ann Arbor Area Transportation Authority?

A position paper prepared for the Ann Arbor-Ypsilanti Chamber of Commerce
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The AAATA Board voted on September 26, 2013 to accept Ypsilanti Township as a member of the Authority, and to give the township an appointed seat on the board. The City of Ann Arbor and City of Ypsilanti, present members of the Authority, have been invited to endorse the changes in the Articles of Incorporation to make this so. It is not clear whether the Councils of these two bodies can actually overrule the decision of the AAATA Board, but the City of Ann Arbor does have the responsibility of filing the AOI amendments. The decision about whether to do this was postponed by the AACC until November 18, 2013.

My position is that this addition of the Township to AAATA should be postponed until the financial consequences of this step are better defined. My concern is the financial integrity of the AAATA and its continued ability to serve the Ann Arbor area as our transit provider. A secondary concern is that this step will likely lead to a tax transfer from Ann Arbor taxpayers to Ypsilanti Township.

Background and discussion:

AAATA has been stretched thin in recent years as a result of its attempt to institute a county-wide transit authority. It engaged in advance implementation of some phases of that plan, which ran ahead of its revenue sources. The current effort to form a regional authority in a reduced form (the “urban core”) has already run into the same barrier that halted the countywide authority; namely, the reluctance of township governments to pay for any services not directly used by their residents. Pittsfield Township and the City of Saline (as well as other surrounding townships) have all declined to join the Authority. Only the City of Ypsilanti and Ypsilanti Township have requested membership. Although the AAATA Board has not yet acted to place a millage issue on the ballot, all indications are that a May ballot issue will be floated for an authority-wide millage of 0.7 mills. There has been extensive planning and a detailed 5-year plan is being discussed now in public meetings that assumes this new revenue. (See their website, <http://www.theride.org/AboutUs/MovingYouForward/5YearTransitImprovementProgram>)

There is a considerable difference in how much the three communities will be expected to pay in tax exposure for their taxpayers. According to the figure provided by the AAATA in a fact sheet, the proposed 0.7 mills will be additive to existing millages in the cities of Ann Arbor and Ypsilanti, while the millage from its taxpayers will be used to pay for Ypsilanti Township’s services, currently provided under a Purchase of Services Agreement and paid from the Township’s general funds. It is presumed that the remainder of the taxes collected under the millage will be used for an expansion of services in the township.



Ypsilanti Township officials have given verbal promises that the Township will continue to pay for its current service at the same rate as its POSA, until millage money is available. That promise is supported by a Whereas clause in Resolution 2013-35, as follows:

WHEREAS, the Charter Township of Ypsilanti wishes to join AAATA in return for continuing to contribute general fund dollars equal to the cost of providing services represented by Purchase-of-Service Agreement costs to AAATA; and

Note that Whereas clauses are not legally binding on the Township; further, there is little detail here about how costs are to be adjusted in the future, or the duration of this commitment. AAATA officials have stated that a Memorandum of Understanding will be executed. However, that is evidently going to be done after the Township has already been accepted into the Authority and given a place on the Board. This seems to be the reverse of any normal business process, whereby contracts and agreements are secured before a merger, which this is.

What is not at all clear is **what responsibility the Authority will assume towards the Township** once it has been incorporated. Regional services as a general rule are not allocated on the basis of ability to pay, but rather on the basis of need and the operation of the entire system. AAATA officials have stated that no services will be provided to Ypsilanti Township if they do not pay for them. However, it is difficult to imagine that the Authority would cast loose a major set of routes that are serving a real need, should the Township decide that its general fund could no longer bear that cost.

Indications are that Ypsilanti Township officials are anticipating increased service as a result of joining the Authority. But what will happen if the millage does not pass? Here is what the AAATA fact sheet says:

Question: Is there a backup plan in case new funding through a millage is not approved? Answer: If millage funding is not feasible for any reason, the AAATA will continue running the services already being provided, funded through existing mechanisms, including the POSA mechanisms that have existed for over thirty years. As property values continue to rise in Ann Arbor, AAATA revenues may increase sufficiently to add new services.

This appears to confirm that Ann Arbor taxpayers may be asked to support expanded service for Ypsilanti Township, especially if that is seen as a system-wide benefit.

In conclusion: I advocate that the Ann Arbor City Council should delay any facilitation of Ypsilanti Township's inclusion in the AAATA until a firm contractual commitment exists between the Authority and the Township to ensure that payment for services from the general fund will continue until replacement revenue is found. Further, there should be a more clearly stated contingency plan for the long term in the case that the proposed millage does not pass.

Note: I am not advocating for or against a new millage at this time. However, that question forms much of the argument for or against this expansion, since a millage has been presupposed in the planning for it.

Argument:

This is a matter of social equity. A wealthy community like Ann Arbor should be willing to help a lower-income community that is more needy.

Equity is a tricky subject. Our society is built on the principle that we contribute taxes into a shared pool which is distributed as the need and benefit dictates. What upsets people is when they feel that others are not contributing **proportionately**. This is what I call tax exposure. I may have a lower income than you, but am I accepting an equivalent tax obligation proportionate to my resources? As noted in the figure from the AAATA, the three communities in the proposed merged authority will have very disproportionate tax exposure, especially assuming that the millage passes. Don't forget that the City of Ypsilanti, which actually has a lower median income than the Township, has voted to impose a perpetual charter millage on themselves. Here are some figures calculating tax exposure on a per capita basis.

	Population	TV 2013	Local rate	Local tax per capita	Existing transit tax	Yield 0.7 mills	Total transit tax/capita
Ann Arbor	117,154	\$4,839,870,892	16.572	\$685	\$9,950,775	\$3,387,910	\$114
Ypsi City	19,554	\$289,614,595	35.206	\$521	\$285,850	\$202,730	\$25
Ypsi Twp	54,158	\$1,111,724,251	12.1212	\$249	\$0	\$778,207	\$14

Note that although the City of Ypsilanti's taxable value is quite low, their local tax millage rate is high, so that they pay a per capita tax approaching that of Ann Arbor, though not achieving it, while Ypsilanti Township's residents have a much lower per capita tax exposure. The "Total transit tax/capita" column reveals the extreme disparity in tax exposure for transit on a per capita basis when existing Ann Arbor and City of Ypsilanti millages are added to the new millage.

But perhaps tax per capita is not the whole story. The ability to pay of the population in question should be considered.

The simplest method to compare this is to use the median income from each community. Note that while Ann Arbor's median income (and the City of Ypsilanti's, too) may be undervalued because of the student population, students also make up part of the population already figured in to the per capita calculation. As seen below, the disparity in tax exposure is consistent.

	Median income	Transit tax/capita/\$1000 median income
Ann Arbor	\$52,625	\$2.16
Ypsi City	\$34,685	\$0.72
Ypsi Twp	\$47,820	\$0.30