

Approved Minutes
September 23, 2009
Ann Arbor Transportation Authority
Board of Directors Meeting
AATA Headquarters, 2700 South Industrial Highway, 1:00 p.m.

Board Members Present: Paul C. Ajegba (arrived 1:26), Ted Annis, Jesse Bernstein, Charles Griffith, David Nacht (Chair)

Board Members Absent: Sue McCormick, Rich Robben

Staff Present: Terry Black, Ron Copeland, Michael Ford, Dawn Gabay, Jan Hallberg, Karen Kaminski, Ed Robertson, Faith Schechtman, Mary Stasiak, Phil Webb, Chris White

Guests from Bank of Ann Arbor: Patti Judson, Hans Maier, Tim Marshall

LAC Representative: Rebecca Burke

Recording Secretary: Karen Wheeler

Chairman David Nacht declared that a quorum was present and called the meeting to order at 1:16 p.m.

Mr. Nacht suggested rearranging the agenda so that Paul Ajegba could be present for the Election Officers which would occur just prior to the second Public Time. Mr. Nacht requested elimination of item 5.1 Committee Appointments. Mr. Nacht proposed to move consideration of the resolutions to adopt the FY 2010 Operating Budget and consideration to apply Stimulus Funds to purchase of service agreements for the City of Ypsilanti and Ypsilanti Township to the end of New Business. There was unanimous support for modifying the agenda.

1.0 Public Hearing – None Scheduled

There was no Public Hearing.

2.0 Communications and Announcements

Mr. Nacht welcomed representatives from the Bank of Ann Arbor from whom the Board would receive a presentation on Certificate of Deposit Account Registry Service®.

2.1 Presentation on Certificate of Deposit Account Registry Service® from Bank of Ann Arbor

Hans Maier, Senior Vice President of the Bank of Ann Arbor thanked the Board for the opportunity to make a presentation and for the continuing relationship with the Authority. Mr. Maier introduced Tim Marshall, President and CEO.

Mr. Marshall thanked the Board for being a long term customer. Mr. Marshall distributed a packet of information on the Bank of Ann Arbor to Board members and reviewed performance statistics contained in the packet. Mr. Marshall announced that Patti Judson, Senior Vice President, Branch Administration, Operations & Cash Management, would lead the presentation on the Certificate of Deposit Account Registry Service® (CDARS) program.

Ms. Judson provided an overview of the CDARS program. The program places funds into certificates of deposit. This occurs in increments of less than the Federal Deposit Insurance Corporation (FDIC) insurance maximum of \$250,000 to ensure that both principal and interest are eligible for full FDIC insurance. Using the certificates makes the rates stronger than treasury bills. This allows for the opportunity to increase interest income and streamline funds by working with one institution while maintaining full FDIC Insurance.

Ms. Judson and Mr. Marshall responded to questions from Board members on the establishment of the CDARS program, which the State of Michigan passed into legislation earlier this year to allow municipalities to participate, on how to maximize interest, and risk. Mr. Marshall reiterated that the CDARS program is 100% guaranteed by the FDIC. Ms. Judson invited Board members to call her with any questions. Mr. Nacht thanked the Bank of Ann Arbor team for their presentation.

3.0 Public Time – Comment on Agenda Items

Thomas Partridge appeared before the Board. Mr. Partridge called on the Board to create a countywide transportation authority to supersede the AATA and to be connected to all other public ride providers in the State of Michigan. Mr. Partridge commented on the proposed budget which he characterized as wrongful and unjust indicating that the economic policies of the AATA Board and administration and their attitudes toward transportation completely ignore the needs of people who live in northern Washtenaw County. Mr. Partridge called on the Board to send the budget back to committee for development of a budget that covers multiple years and one that would assure countywide service. Mr. Partridge claimed that the current budget and plan tilts in the direction of discriminating in favor of the University of Michigan and the City of Ann Arbor. Mr. Partridge alleged that the Board was engaging in egregious, unjust discriminatory policies seeking to punish those most worthy of transportation including disabled persons and senior citizens. Mr. Partridge claimed that the AATA administration has an odious plan to penalize and suspend people who use ARide service.

No one further appearing, Mr. Nacht declared Public Time closed.

4.0 Review and Approval of Minutes

4.1 Review and Approval of Minutes of August 19, 2009

Jesse Bernstein moved approval of the minutes as written with support from Ted Annis. The motion passed unanimously.

6.0 Board and Staff Reports

Ted Annis reported that the Planning and Development Committee (PDC) met two times since the last Board meeting. Mr. Annis indicated that the committee accomplished a lot regarding finding a solution for the funding shortfalls for transit service in the City of Ypsilanti and Ypsilanti Township. Mr. Annis announced that the Committee recommended that the Board approve the use of \$220,000 of federal Stimulus funds to bridge the shortfall for the City of Ypsilanti for the next 21 months, and for the next year for Ypsilanti Township.

Board members discussed the committee's recommendation. It was noted that at the August Board meeting the Board discussed looking into potential cuts that could be made to the service that would yield savings. Mr. Annis responded that the committee did not recommend any cuts to service in the Ypsilanti area.

Charles Griffith reported on topics discussed by the Performance Monitoring and External Relations Committee including the Plymouth Road and US-23 Park and Ride lot, the Blake Transit Center improvement project, and the marketing campaign. Mr. Griffith reported that there was a unanimous recommendation from the committee for the full Board to approve the following resolutions under New Business: Resolution to Authorize Transfer of Vehicles to People's Express, Resolution for Authorization to Revise Signers on Bank Accounts, and the Resolution for Authorization to Add Construction Management to the Plymouth Road Park & Ride Design Contract.

7.0 Question Time

Mr. Annis announced that he had not seen the questionnaire being prepared about an additional transit millage, and requested a copy prior to the survey going out.

Mr. Griffith responded that PMER discussed the survey as part of the marketing campaign. Mary Stasiak noted that a copy of the survey had been posted on HyperOffice the week prior for Board members to review and provide their input. Ms. Stasiak added that an email with the survey attached had been sent to the Board. Mr. Annis requested another copy of the survey which Michael Ford agreed to provide.

8.0 Old Business

There was no Old Business.

9.0 New Business

Mr. Annis moved the following resolution with support from Mr. Griffith.

9.1 Consideration of Resolution to Establish FY 2010 Disadvantaged Business Enterprise Goal

WHEREAS, the Ann Arbor Transportation Authority receives Federal funds for which to operate its transit services and purchase equipment, and

WHEREAS, Federal regulations require that recipients of Federal funds establish annual goals for involving disadvantaged business enterprises utilizing guidelines and procedures found in 49 CFR Part 26 of the DOT Regulations, and

WHEREAS, such goals are established according to guidelines found in AATA's Disadvantaged Business Enterprise Program approved by the Federal Transit Administration on May 31, 2000,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Ann Arbor Transportation Authority does hereby adopt 1.0% as its DBE Goal for FY 2010.

BE IT FURTHER RESOLVED, that the staff is hereby directed to communicate this goal to officials of the Federal Transit Administration.

The motion passed unanimously.

Mr. Annis moved the following resolution with support from Mr. Bernstein.

9.3 Consideration of Resolution Authorizing Execution of Contracts with the Michigan Department of Transportation

WHEREAS, the Ann Arbor Transportation Authority (AATA) has the authority to contract with the Michigan Department of Transportation for State and/or Federal funds; and

WHEREAS, the AATA wishes to expedite the execution of such contracts;

NOW THEREFORE, BE IT RESOLVED that the AATA Chief Executive Officer is hereby authorized to enter into and execute on behalf of the AATA all contracts, which have been approved of by the Board, in the amount of \$1,000,000 or less with the Michigan Department of Transportation for the period October 1, 2009 through September 30, 2010.

The motion carried with four affirmative votes; Mr. Ajegba abstained.

The following resolution was moved by Mr. Bernstein with support from Mr. Griffith.

9.4 Consideration of Resolution to Authorize Transfer of Vehicles to People's Express

WHEREAS, when Milan Transit ceased operation they owned three small buses and a van which were funded by grants for operation in non-urban service, and

WHEREAS, AATA accepted ownership of the three small buses at the request of the Michigan Department of Transportation and leased them to People's Express for continued operation in the non-urban portion of Washtenaw County, and

WHEREAS, these buses are now past the end of their useful life for grant purposes, and

WHEREAS, People's Express desires to continue to operate these vehicles in Washtenaw County,

NOW, THEREFORE, BE IT RESOLVED that the AATA hereby authorizes the transfer of vehicle i.d. # 1FDXE45F23HB58071, 1FDXE45F23HB58072, 1FDXE45F83HB58074, 1FBSS31L63HA79942 to People's Express.

The motion passed unanimously.

The following resolution was moved by Mr. Bernstein with support from Mr. Annis.

9.5 Consideration of Resolution for Authorization to Revise Signers on Bank Accounts

WHEREAS, the Ann Arbor Transportation Authority (AATA) deposits funds in checking and savings accounts in accordance with the Authority's Investment Policy such that funds so deposited may be withdrawn upon a check, draft, note, or order of the Authority, and

WHEREAS, it is necessary to increase the number of authorized signers based on the availability of personnel to sign checks,

NOW, THEREFORE, BE IT RESOLVED that all checks, drafts, notes, orders or withdrawals against said accounts be signed by any two (2) of the following:

Chair of the Board
Treasurer of the Board

Chief Executive Officer
Deputy Chief Executive Officer
Controller/Manager of Finance
Manager of Service Development
Manager of Human Resources

BE IT FURTHER RESOLVED, that investment transactions may be authorized by any one (1) of the following:

Chief Executive Officer
Deputy Chief Executive Officer
Controller/Manager of Finance
Treasurer

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorize the Treasurer, or the Chief Executive Officer, or the Deputy Chief Executive Officer, or the Controller/Manager of Finance to authorize Electronic Clearing House Operation (ECHO) drawdown requests for Federal funds, and

BE IT FINALLY RESOLVED, that all checks against the Authority Payroll Bank Account may also be signed with the facsimile signature of the Chief Executive Officer.

Mr. Nacht noted the Controller's ability to make investments without input from the Treasurer. Mr. Nacht proposed to include language in the resolution that would provide an automatic notification provision whereby the Treasurer is notified where money is moved from and where money is being moved to.

Mr. Nacht moved to amend the resolution to include the following language immediately after the first 'BE IT FURTHER RESOLVED' clause:

And that upon movement of any money per the investment provision, the Treasurer shall be notified of the amount of money being moved, and where it is being moved from, and where it is being moved to, and

Mr. Annis supported the motion to amend the resolution.

The motion to amend passed unanimously.

Mr. Bernstein moved approval of the amended resolution with support from Mr. Annis. The amended resolution passed unanimously.

The following resolution was moved by Mr. Annis with support from Mr. Griffith.

9.6 Consideration of Resolution for Authorization to Add Construction Management

to Plymouth Road Park & Ride Design Contract

WHEREAS, the engineering firm of Orchard, Hiltz, McClimant (OHM) provided design services for the design of the Plymouth Road park and ride lot, and

WHEREAS, OHM's original proposal included both design and construction management services, and

WHEREAS, with the completion of design and the award of a construction contract, construction management services are now required,

NOW, THEREFORE, BE IT RESOLVED that the AATA hereby authorizes the execution of a change order to the contract with OHM for \$143,500 for construction management services

Chris White responded to a question from Mr. Nacht on why it was necessary to add construction management to the contract. Mr. White explained that there was an oversight last month when approval was requested for the construction contract to design the park and ride lot. The request for proposals and responses included construction management and should have been included last month when the contract award was made. Mr. Bernstein added that construction management was already in the budget and there was no budget implication, but simply a procedural issue that needed approval.

The motion passed unanimously.

David Nacht read the following resolution into the record. Mr. Annis moved the resolution with support from Mr. Ajegba.

9.7 Consideration of Resolution for Authorization to Apply Federal Stimulus (ARRA) Funds to the Purchase of Service Agreements for the City of Ypsilanti and Ypsilanti Township

WHEREAS, AATA has informed the City of Ypsilanti and Ypsilanti Township of the payment necessary to continue the current level of transit service in AATA's FY 2010, based on moving toward paying the fully-allocated cost of that service by FY 2012, and

WHEREAS, Ypsilanti and Ypsilanti Township have informed AATA that as a result of adverse economic conditions the amount billed for their service is more than they can currently afford to pay, and

WHEREAS, the American Recovery and Reinvestment Act of 2009 (ARRA) permits the use of a limited amount of ARRA funds for operating expenses to provide much needed relief to transit agencies that may otherwise curtail services during this period of economic uncertainty, and

WHEREAS, the City of Ypsilanti has formally adopted a plan designed to stabilize transit service until June 2011, while long term solutions for fully funding transit service can be explored, developed, and implemented, and

WHEREAS, Ypsilanti Township would be expected to explore, develop, and implement a long term solution for fully funding its transit services after December 2010, and

WHEREAS, it is in the interest of passengers, the City of Ypsilanti, Ypsilanti Township, the City of Ann Arbor, and AATA to maintain or improve current levels of service and avoid whenever possible the negative effects of service reductions, therefore

IT IS RESOLVED that the Board of Directors hereby authorizes the use of up to \$220,000 of ARRA funds for operating assistance, and

IT IS RESOLVED that these funds shall be used to pay the difference between the funds committed by the City of Ypsilanti and the amount required to pay for its services until June 2011, and

IT IS ALSO RESOLVED that these funds may be used to pay the difference between the funds committed by Ypsilanti Township and the amount required to pay for its services until June 2011, provided Ypsilanti Township develops and adopts a plan to stabilize its future transit service, and

IT IS FINALLY RESOLVED than any remaining ARRA funds not required for these purposes will be applied to other authorized AATA projects.

Michael Ford provided an overview of the process gone through with the City of Ypsilanti and Ypsilanti Township that resulted in the proposal contained in the resolution. Mr. Ford responded to questions on the initial subsidy proposed for Ypsilanti. Mr. Nacht voiced support for the PDC's recommendation to provide a subsidy as the City of Ypsilanti and Ypsilanti Township find themselves in a difficult financial situation. Mr. Nacht indicated that the Ann Arbor community depends on the labor from the eastern side of the county and that it was in the interest of Ann Arbor taxpayers for AATA to provide the funding.

Ted Annis added that AATA received \$6.4Million in ARRA funds a portion of which can be used for operating costs. Mr. Annis made it clear that the funds are from the federal government, and Ann Arbor taxpayers are not subsidizing service for the Ypsilanti area.

Charles Griffith cautioned that the Board needed to be mindful that if the use of ARRA funds was approved, it would be a short-term solution to a long-term problem. Mr. Griffith suggested that it will be important to continue working on longer term solutions

to avoid tougher choices next time around.

Paul Ajegba noted that the City of Ypsilanti made a commitment, as part of the agreement, to explore and develop long term solutions for funding transportation.

The motion passed unanimously.

Mr. Bernstein moved approval of the schedule of FY 2010 Board meetings with support from Mr. Annis.

9.8 Proposed Schedule of FY 2010 Board Meetings

OCTOBER 21, 2009

NOVEMBER 18, 2009

DECEMBER 16, 2009

JANUARY 20, 2010

FEBRUARY 17, 2010

MARCH 24, 2010

APRIL 21, 2010

MAY 19, 2010

JUNE 23, 2010

JULY – To Be Determined

AUGUST 18, 2010

SEPTEMBER 22, 2010

The motion passed unanimously.

Mr. Nacht reported that the proposed budget was coming out of the Planning and Development Committee where Paul Ajegba and Rich Robben were in favor of the budget, and Ted Annis opposed the budget.

Mr. Ajegba moved the following resolution with support from Mr. Annis.

9.2 Consideration of Resolution Adopting FY 2010 Operating Budget

WHEREAS, the Planning and Development Committee of the Ann Arbor

Transportation Authority has recommended a proposed Operating Budget for Fiscal Year 2010,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby adopt the Operating Budget as recommended by the Planning and Development Committee.

Board members engaged in a lengthy discussion regarding the budget with input from staff. Mr. Ajegba commended staff for putting the budget together and Mr. Annis for pushing staff to identify more than \$900,000 in cuts to push the Authority to work in a more efficient and cost effective way. Mr. Ajegba reported that there was a difference of opinion on the committee as Mr. Annis wanted to cut another \$1Million out of the proposed budget. Mr. Ajegba indicated that staff was instructed to continue to identify areas where cuts can be made over time.

Mr. Annis announced that he spent a lot of time on the budget and pushed staff to make further cost reductions to reduce the operating cost per bus service hour from the current \$102 to \$96, but the committee stopped him. Mr. Annis acknowledged the \$978,000 in reductions identified by staff. Mr. Annis reported that he submitted a detailed list of an additional \$1Million in reductions to Michael Ford. Mr. Annis indicated that if the reductions were made, the cost per bus service hour would be close to \$96.

Mr. Annis distributed three documents to Board members: the summary of a study entitled "What the National Transit Database Tells Us about the AATA" by University of Michigan Professor Dr. Richard C. Porter; data on the Bay Metro Transit system; and Mr. Annis' list of additional cost reduction opportunities for the 2010 budget.

Mr. Annis reported that Dr. Porter's analysis compares AATA's cost structure to 20 other transit agencies. Dr. Porter's analysis reports that AATA could reduce \$4.4Million in inefficiencies when compared to the other agencies. Mr. Annis requested that the documents he distributed be included in the minutes. A copy of the documents are attached hereto and included as part of the minutes.

Mr. Annis compared the data Bay City with AATA. The system is smaller than AATA, but is a countywide system which operates with 0.7mills countywide, and runs at \$85 per bus service hour. Mr. Annis reported that the most remarkable comparison he has made of AATA to date is with the University of Michigan (U of M) transportation system which operates at \$55 per bus service hour. Mr. Annis indicated that he directed staff to thoroughly analyze why U of M operates at a rate so much better than AATA. Mr. Annis announced that he could not support the budget and that he would like to see expenses reduced.

Michael Ford reported that he met with Dr. Porter. Following the meeting, a comprehensive response to Dr. Porter's report was prepared and submitted to the Board. Mr. Ford assured the Board that every measure will be taken to make efficiencies to get to

reasonable levels in terms of cost per service hour, but being mindful of the types of cuts that would be necessary to get to \$96. Mr. Ford indicated that he and staff will continue to work to reduce costs and that he was appreciative of the efforts of Mr. Annis which shined the light on this area and to the PDC for supporting efficiencies that will aid staff in getting expenses within goals.

Ed Robertson responded to a statement by Mr. Nacht who recommended that the distribution of health insurance premiums be reviewed as an area for possible cost savings. Mr. Robertson provided the details of how the health insurance benefits are administered noting that a recent change in post retirement medical insurance benefits will yield savings. Mr. Robertson added that the labor agreement calls for union employees to pay toward their health insurance in 2011, something management employees have been doing for a number of years.

Mr. Ajegba indicated that he supports some of the cuts recommended by Mr. Annis, but that consideration needs to be given to the impact the cuts would have internally and to AATA's customers.

Mr. Ford went on the record assuring the Board that he is going to look at the way the Authority currently operates, identify areas where efficiencies can be made, and make recommendations to implement the efficiencies.

Mr. Annis suggested that prior to pursuing a countywide system, it will be necessary to show efficiencies. Mr. Annis recommended conducting a survey of Ann Arbor taxpayers. Ms. Stasiak responded that Ann Arbor taxpayers will be surveyed as part of the countywide market research.

Charles Griffith urged the Board to have staff look at cost savings on an ongoing basis to prevent the difficult task of attempting to implement cuts toward the end of the budget process that could undermine service goals.

Mr. Annis reported that Rich Robben recommended the use of process improvement teams as a means of identifying areas where efficiencies can be made. Mr. Annis indicated that he was not certain if the teams had been successful and requested that PMER conduct some measurements.

Jesse Bernstein responded that at the last PMER meeting staff provided a report detailing the accomplishments of the continuous improvement teams who identified \$500,000 in cost savings. Mr. Bernstein requested that a copy of the report to PMER be included in the minutes. A copy of the report is attached hereto and included as part of the minutes.

In response to a suggestion from Mr. Annis to look at reducing certain positions, Mr. Nacht indicated that there should be a methodical approach to reductions. Mr. Ford restated his commitment to look for opportunities to reduce expenses in the coming year.

The motion carried with four affirmative votes; Mr. Annis voted No.

5.0 Election of Officers

Mr. Bernstein reported that two names were submitted for nomination for the office of Chair: Paul Ajegba and David Nacht. Mr. Nacht subsequently withdrew his name from consideration in support of Mr. Ajegba. Mr. Bernstein asked for nominations from the floor for the office of Chair. Hearing none, Mr. Bernstein declared the nominations closed.

Mr. Nacht moved to elect Mr. Ajegba to the office of Chair, by acclamation. Mr. Bernstein supported the motion. The motion passed unanimously.

Mr. Annis nominated himself for the office of Treasurer. Mr. Bernstein moved to elect Mr. Annis to the office of Treasurer, by acclamation. Mr. Ajegba supported the motion. The motion passed unanimously.

Mr. Bernstein nominated Charles Griffith for the office of Secretary. Mr. Nacht moved to elect Mr. Griffith to the office of Secretary, by acclamation. Mr. Annis supported the motion. The motion passed unanimously.

10.0 Public Time

Carolyn Grawi appeared before the Board. Ms. Grawi thanked David Nacht for his time serving as Chair. Ms. Grawi offered congratulations to incoming Chair Paul Ajegba. Ms. Grawi voiced concern that the community continue to move forward with regional transit as jobs are being cut across the county and transportation is vital to keep people's livelihood available to them. Ms. Grawi announced that there are 1,000 jobs in Pittsfield Township that have limited access to public transit. Ms. Grawi commented on her attendance at a county clerk's meeting, on cuts to state funding and her support as an Ann Arbor taxpayer of people who live in surrounding communities and need to get to Ann Arbor. Ms. Grawi indicated that it is necessary to have bus service on Research Park Drive and that a traffic light needs to be installed at Research Park and Ellsworth Road to allow for safe pedestrian crossing at the intersection.

Thomas Partridge appeared before the Board. Mr. Partridge called on every elected official in Washtenaw County to become personally involved in issues and decisions made now on transit and to lobby in Lansing and Washington, DC to support transportation services vital to the lifeline of seniors and disabled persons and to support related issues of affordable housing, healthcare, and education. Mr. Partridge claimed that residents of Scio Township are being disenfranchised and cut off from paratransit ride services and have inequitable opportunities for service because services are tilted toward the residents of the City of Ann Arbor. Mr. Partridge asked that a different direction be adopted by the Board to include providing service to Washtenaw Community College. Mr. Partridge claimed that the Board willfully schedules meetings on the very

same date and time as those of the Washtenaw County Board of Commissioners which makes it impossible for an individual to attend both meetings.

Tim Hull appeared before the Board. Mr. Hull thanked the Board for passing the Ypsilanti stimulus resolution. Mr. Hull announced that Arborland is still a problem and asked if the temporary solution could include a coordinated transfer between routes 4 and 22 that does not require passengers to cross Washtenaw Avenue which is unsafe. Mr. Hull commented on the proposed service changes in the Plymouth Road area and the public comment process. Mr. Hull suggested that it might be a problem for some residents to handle coordinated transfers.

Rebecca Burke appeared before the Board. Ms. Burke announced that elections for the Local Advisory Council (LAC) Executive Committee took place in October. Ms. Burke indicated that a memorandum regarding the committee's recommendation for the Board to appoint three candidates was submitted to AATA staff. Ms. Burke restated the committee's request to have a Board representative attend LAC meetings.

LuAnne Bullington appeared before the Board. Ms. Bullington thanked David Nacht for his service as Chair of the Board and Ted Annis for looking into areas to reduce costs. Ms. Bullington recommended that peer comparisons be made with Kalamazoo and East Lansing, both properties with regional transportation and in college towns. Ms. Bullington suggested that comparing cities closer to the AATA model will make AATA come out looking pretty good.

Sandra Holley appeared before the Board. Ms. Holley commented on a newspaper article in the Eastern Echo which contained negative information and could cause rumors. Ms. Holley suggested that someone from AATA speak to a representative at the newspaper. Ms. Holley offered to deliver a copy of the article to Mr. Ford.

No one further appearing, Mr. Nacht declared Public Time closed.

11.0 Adjournment

Mr. Bernstein moved to adjourn the meeting with support from Mr. Annis. The motion passed unanimously. The meeting was adjourned at 2:46 p.m.

Respectfully Submitted,

Charles Griffith, Secretary

WHAT THE NATIONAL TRANSIT DATABASE TELLS US ABOUT THE AATA

Richard C. Porter
26 August 2009

Summary

1. Various National Transit Database (NTD) data for the Ann Arbor Transportation Authority (AATA) are compared with the transit systems of 20 other U.S. cities. The other cities are the most comparable to the AATA in service-area population and bus ownership.

2. The AATA maintains more vehicles than most transit systems of its service-area population – 29% more buses and 79% more demand-response vehicles than the average of the 20 comparable cities systems. Moreover, the AATA maintains these vehicles at a higher total cost per vehicle than the average total cost per vehicle of the comparable cities systems.

3. The differences in total costs between the AATA and other comparable cities systems are not caused by any great difference in the sources of the systems' revenues.

4. If the operating costs per bus of the AATA were as low as the average of the 20 comparable bus systems, the AATA would have reduced its costs by \$4.1 million in 2006 – a sum slightly larger than the total revenue the AATA collects in fares on all its transit services.

5. Obsolescence does not explain the higher costs of the AATA buses. The average age of the AATA buses is about a half year less than the average age of the 20 comparable cities buses.

6. Employee work-hours per bus are no higher for the AATA than for the 20 comparable bus systems. Excessive or inefficient labor allocation cannot explain the higher costs of the AATA buses.

7. Operating costs per work-hour are much higher for the AATA buses than for the average of the 20 comparable cities bus systems. The AATA's total cost per work-hour is high for the bus-operation jobs (i.e. bus driving and maintenance) and is even higher for the non-bus-use jobs (non-bus maintenance and general administration). If the AATA operating costs per work-hour had been reduced to the average of the 20 comparable cities, the AATA would have reduced its costs by \$4.4 million in 2006 – an amount half a million dollars larger than all AATA fare collections.

8. The AATA also spends more (per bus-mile) on its purchases of materials and services than does the average of the 20 comparable cities systems. If the AATA expenditure on materials and services had been reduced to the average of the 20 comparable cities, the AATA would have reduced its costs by \$1.1 million in 2006.

The service area of Bay Metro Transit is Bay County, Michigan

Bay County Population:	105,000 [2009 estimate]
Bay City Population:	36,000 [2009 estimate]
Bay City Urbanized Area Population:	74,000
Bay County Size:	447 square miles

NOTE: Bay Metro Transit also oversees the operation of the rural dial-a-ride system in Arenac County.

Bay Metro Transit Operating Data:

Total Employees:	105 [95 full-time; 10 part-time]
Vehicle Operators [bus drivers]:	70
Unionized Workforce:	United Steelworkers [vehicle operators, service workers, mechanics] Teamsters [staff employees, supervisors] Union members constitute 95% of workforce
Service Schedule:	[Monday - Friday] 6:30 am - 6:30 pm [Saturday] 8:30 am - 6:30 pm [Sunday] none [some subcontracted service]
Annual Service Miles:	1,500,000 miles
Annual Service Hours:	86,000 hours
Annual Riders:	650,000 [excludes subcontracted services]
Revenue Vehicles:	47 Buses 30 Orion II [22 seats] 3 Gillig [40 ft] 7 Gillig [30 ft] 7 Thomas [28 ft] 14 Ford vans **

** Countywide demand-response service [paratransit/dial-a-ride service] is operated exclusively with lift vans.

Annual Operating Expense:	\$7,140,000 [FY 2009]
Fully Allocated Hourly Operation Cost:	\$85.27 [FY 2008]
Marginal Cost:	\$41.83 [FY 2008] ##

The marginal cost is defined as the direct cost to add one additional hour of transit service [cost of vehicle operator, fuel expense, maintenance expense, etc] assuming basic fixed costs are not impacted [additional supervisors, extended hours of operations center/maintenance garage, etc].

NOTE: While 70% of the county's population resides within the Bay City urbanized area [about 10% of the county's land area] about 45% of BMTA's service is considered 'non urban' based on service miles operated and vehicle assignments on routes that operated outside the urbanized boundary.

Date: 2 Sept 2009
To: Michael Ford
From: Ted Annis, AATA Planning and Development Committee (PDC) Chair
Subject: 2010 Budget – Additional cost reduction opportunities

At our PDC meeting of 31 August 2009, the other two PDC members (Robben, Ajegba) did not want to pursue operating cost reductions over and above the \$958,000/year identified by staff; they halted further discussion regarding cost reductions.

After that PDC meeting, you asked me what other cost reductions opportunities I had identified. They aggregate to \$1.3M/year and are as follows:

	<u>Per year</u>
1. Eliminate MPTA membership	\$20,000
2. Change the APATA membership from Corporate (\$26,000/year) to Individual (\$2,000/year or so)	24,000
3. Cut OT of \$455,000/year by 50%	225,000
4. Reduce executive headcount by two FTEs net	250,000
5. Reduce mid-level executive headcount by two FTEs	125,000
6. Reduce "ExtraBoard" (the daily job bank)	100,000
7. Bring the Go-pass programs in-house (without adding headcount) and eliminate the payment to the AA Chamber of Commerce	85,500
8. Redesign the YTC so that the private security is no longer needed	112,200
9. Redesign the BTC so that contracted security is no longer needed	65,000
10. Outsource the Facility Maintenance and Vehicle Cleaning, currently \$485,000/year	100,000+
11. Remove one FTE from Vehicle Service and Maintenance	60,000
12. Reduce Custodial Services for dry areas from daily to MWF	30,000
13. Eliminate external media of \$102,000 and use the buses	100,000

Staff's reductions were offset largely by 2010 contract increases, the net effect of which is that the AATA would continue to operate at about \$103/bus service hour. The above cost reduction opportunities could bring that hourly cost down to about \$96/bus service hour, which remains above AATA's peers and well above UoM's \$55/bus service hour.

I recommend that AATA staff look more closely at the UoM bus system to understand how their low operating cost is achieved. Historically, staff has been quick to point out that the UoM bus system enjoys certain "free" benefits from the UoM infrastructure, seems to feel exonerated, and does not adequately explore UoM's methods. The differential of \$48/bus service hour cannot be due solely to UoM's infrastructure benefits.

The above differential in hourly operating costs suggests that further cost reductions of \$8.8M/year, or substantial fraction thereof, are possible for the AATA. Note that Ann Arbor taxpayers pay \$9.7M/year (2.06 mills) to the AATA.

-End-

MEMO:

TO: PMER Committee
RE: Preliminary FY 2009 Activities Report
FROM: Continuous Improvement Teams
DATE: 9/4/09

The attached report is to provide the PMER Committee with a preliminary look at the FY 2009 cost savings efforts of the Continuous Improvement Teams (CIT's) formed in the summer of 2008. Projects implemented by these teams are on track to produce well over \$500,000 in annual savings for AATA. A final report for FY 2009 will be provided following the completion of the fiscal year. (Note: The original "Part Time Employees Team" has been more appropriately renamed the "Labor & Benefits Team").

Some FY 2009 projects will not realize their full potential in this fiscal year. For these projects, the savings realized during part of this year is in parentheses following the full annual effect of the cost-saving strategy. For instance, the full savings associated with hiring part-time drivers will not be realized in the first year of their employment due to: a) the cost of their recruitment and training, and b) AATA's Pension/Health Care Savings Plan contributions would not otherwise be contractually required if these were full time employees until their first anniversary.

The first part of the preliminary report highlights those projects that have been completed, or are well underway. Some projects consisted of one-time actions that do not require maintenance of effort. For instance, the removal of the AS 400 system was accomplished during FY 2009. There is nothing left to do on this project to continue its annual cost savings in out years.

Other projects, however, require maintenance of effort to continue reaping cost savings. Whenever appropriate, cost saving actions have been institutionalized as "the way we do things" to insure savings in out years. For example, recycling used bus route signs and the inclusion of shelter amenities in shelter purchase specifications (so they will be paid with capital rather than operating dollars) will require ongoing efforts to guarantee future cost savings. Therefore, cost reduction strategies have been incorporated as standard procedures in how bus route signs are handled and how shelters are purchased.

The last part of the preliminary report highlights projects identified (to date) for CIT attention in FY 2010. Most FY 2009 projects were easily harvested "low hanging fruit". The anticipated FY 2010 projects represent "opportunities" for additional cost savings; however, they will likely require more time and effort than FY 2009 strategies. Some new ideas may incorporate policy decisions that must be made by the Board prior to implementation. Others may require testing and information gathering to insure their savings are justified.

Future reports on CIT activities will be issued intermittently during the coming year with an annual summary prepared at the close of FY 2010.

DRAFT: FOR DISCUSSION ONLY

**CONTINUOUS IMPROVEMENT TEAMS
ANNUAL PROGRESS REPORT as of 9/30/09
COMPLETED AND/OR ONGOING PROJECTS**

TEAM	PROJECT NAME	SAVINGS	COMMENTS
1	Holiday Service Post Holiday Service Levels	\$40,000 in FY 09	Service reductions were implemented between 12/24/08 and 1/2/09 based upon previous ridership history. Additional temporary service reduction opportunities for future holiday periods are under investigation by a joint Labor/Management Committee
2	Energy Conservation Removal of AS 400 System	\$5,440 per year	Annual savings comes primarily from the reduction in power necessary to maintain the antiquated AS400 system.
3	Energy Conservation Switch to VOIP and ISP Systems	\$25,000 per year	This project was successfully completed by becoming a member of the City of Ann Arbor/Washtenaw County's VOIP and ISP systems.
4	Facilities Maintenance Recycle Route Signs	\$560 per year	Ongoing project. Used signs are now recycled, recovered, and ut back into the system. Incorporated as standard operating procedure
5	Facilities Maintenance - Labor & Benefits Hire Facilities Maintenance Technician with higher skills set	\$60,000 per year	A retiring Facilities Maintenance Technician was replaced with an individual able to perform repair and maintenance on all hydraulic systems (including all vehicle lifts). This work was previously contracted out at a cost of \$5,000 per month.
6	Facilities Maintenance Bus Shelter Amenities	\$3,600 per year	Ongoing project. Shelter amenities once purchased separately are now included in original purchase specifications so they can be included as part of the capital cost of the shelter. Incorporated as standard operating procedure
7	Facilities Maintenance Shelter Maintenance Agreements	\$52,000 per year	Agreements now exist with 45 property owners covering 65 bus shelter locations where property owners have agreed to assume snow and trash removal responsibilities. Total annual savings will be influenced by annual snow totals.
8	Labor & Benefits Hire Part Time Drivers	\$98,000 per year (\$55,000 in FY 09)	The first class of 7 PT drivers was hired, trained and began work in the first quarter of FY 09. A second class of PT drivers is scheduled for spring 09.
9	Labor & Benefits Half Time Maintenance Adm Asst	\$30,000 per year (\$7,500 in FY 09)	Upon the retirement of the Maintenance Administrative Assistant, the work formally assigned to this full time position was evaluated, taking into account the effects of the new Ultramain maintenance software system, and as a result this position was restructured to a permanent half-time position as of April 2009
10	Labor & Benefits Hire Part Time Drivers	\$126,000 per year (\$32,000 in FY 09)	A second class of 9 PT drivers was hired in the Spring, was trained, and began work in the third quarter of FY 2009.

COMPLETED AND/OR ONGOING PROJECTS

	<u>TEAM</u>	<u>PROJECT NAME</u>	<u>SAVINGS</u>	<u>COMMENTS</u>
11	Labor & Benefits	Half Time Wally Coordinator	\$40,000 per year (\$10,000 in FY 09)	Following the resignation of the Wally Coordinator, the work previously assigned to this full time position was evaluated and re-distributed so that the position was restructured to make it a temporary half-time position in July 2009.
12	Vehicle Maintenance	Waste Oil Disposal	\$4,750 per year	Ongoing project. AATA was able to locate a buyer for waste oil, rather than having to pay to have it removed and safely disposed. Incorporated as standard operating procedure
13	Vehicle Maintenance	Support Vehicle Maintenance	\$3,000 per year	Ongoing project. PM servicing of non-revenue vehicles was brought in-house, PM inspection forms were developed, and necessary filters and other consumable supplies were placed into stock. Incorporated as standard operating procedure
14	Vehicle Maintenance	Shop Material Supplies	\$5,000 per year	New lower cost brake cleaner solvents were successfully tested and put into use.
15	Vehicle Maintenance	Service Lane Cleaning Supplies	\$3,000 per year	New lower cost multi-use non-aerosol cleaners were successfully tested and are being purchased in cost saving bulk quantities
16	Vehicle Maintenance - Labor & Benefits	Increased Maintenance Technician Efficiency	\$70,000 per year (\$17,500 in FY 09)	As a result of changes in maintenance processes and procedures, the efficiency of the Maintenance Technician work force has improved to the point that a retiring Maintenance Technician was not replaced in July 2009.
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18		<u>ANNUAL PROJECT SAVINGS</u>	\$566,350	
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23		<u>NEW PROJECTS AND POSSIBILITIES</u>		
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25	Energy Conservation	Automate Interior Garage Door	not yet known	Consultant has been contacted to determine the cost of retro-fitting the interior garage door and the expected energy savings as a result.
26	Vehicle Maintenance	Switch to #2 Ultra Low Sulfur Diesel Fuel	not yet known	Testing will be undertaken to determine if the improvements in both quality of fuel and engine efficiency will permit changing from the more expensive #1 ULS fuel to a less expensive #2 ULS fuel.
27	Internal Culture	Internal Culture Survey	not yet known	Surveys will be used to set benchmarks. Future surveys will measure progress. Relationship between internal culture and efficiency/cost savings is yet to be determined

COMPLETED AND/OR ONGOING PROJECTS

	<u>TEAM</u>	<u>PROJECT NAME</u>	<u>SAVINGS</u>	<u>COMMENTS</u>
28	Paratransit	Shopping Trips	not yet known	Analysis of how shopping trips may reduce Paratransit cost is ongoing
29	Paratransit	Personal Care Assistant (PCA)	not yet known	PCA verification policies and procedures are under development
30	Paratransit	Fuel Cost Adjustment	not yet known	Fuel cost adjustment issues have been clarified and will be utilized in future service contracts
31	Paratransit	Free Fare on Fixed Route	not yet known	Free fares to attract high paratransit cost passengers to fixed route service has been coordinated with the new Fare Structure
32	Paratransit	Eligibility Denials	not yet known	Standardization of denial criteria is being developed
33	Paratransit	Companion Fare	not yet known	Companion fare increases have been coordinated with the new Fare Structure
34	Paratransit	Non ADA Trip Demand Control	not yet known	Policies and procedures for controlling non-ADA trips are under development
35	Paratransit	Assessment	not yet known	Viability of establishing in-house assessment is ongoing and grant funding is being investigated to fund any new position.
36	Paratransit	Travel Training	not yet known	Investigating the potential of grant funding to pay for this program
37	Paratransit	Agency POSA	not yet known	Identification of agency consumers who receive their own transportation funding is ongoing
38	Paratransit	Advanced Scheduling	not yet known	Advanced booking issues are being identified for inclusion in new policies
39	Paratransit	Advanced A-Ride Booking Window	not yet known	Investigating narrowing the advanced booking window from 2 weeks to 1 day to reduce or eliminate cancellations, no-shows, Call Taker hours, and stand-by vehicles.
40	Vehicle Maintenance - Labor & Benefits	Reduction in Service Crew	not yet known	Changes in processes and procedures are underway aimed at the eventual elimination of at least one full time Service Crew position.
41	Vehicle Maintenance	Vehicle Idle Reduction Program	not yet known	Electronic Control Modules have been developed to shut down engines that have been idling for a specified period of time. Unresolved problems pertaining to fast idling vehicles (for air conditioning purposes) and ongoing battery drain on vehicles that are shut down are still being investigated.
42	Vehicle Maintenance - Labor & Benefits	Development of Service Utility Position	not yet known	Investigations are underway as to the possibility of designing a new job description that would perform ordinary vehicle inspections, thus freeing more expensive Maintenance Technicians for higher functioning tasks.
43	Labor & Benefits	Hire Part Time Drivers	not yet known	Depending upon attrition and operating needs, a new class of Part Time Drivers will be hired during FY 2010
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COMPLETED AND/OR ONGOING PROJECTS

	<u>TEAM</u>	<u>PROJECT NAME</u>	<u>SAVINGS</u>	<u>COMMENTS</u>
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49	CIT TEAM LEADERS:			
50	CIT Coordination Team:	Dawn Gabay		
51	Holiday Service	Ron Copeland		
52	Energy Conservation:	Tom Borowski		
53	Facilities Maintenance:	Jeff Murphy		
54	Internal Culture:	Connie Curry		
55	Paratransit	Brian Clouse		
56	Vehicle Maintenance:	Terry Black		
57	Labor & Benefits	Ed Robertson		
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