

Approved Minutes
March 24, 2010
Ann Arbor Transportation Authority
Board of Directors Meeting
AATA Headquarters, 2700 South Industrial Highway, 6:30 p.m.

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

Board Members Absent: Rich Robben

Staff Present: Michael Ford, Ron Copeland, Ed Robertson, Mary Stasiak, Phil Webb, Chris White

Recording Secretary: Karen Wheeler

Chairman Paul Ajegba declared that a quorum was present and called the meeting to order at 6:31 p.m.

1.0 *Public Hearing*

There was no Public Hearing.

2.0 *Communications and Announcements*

There were no communications or announcements.

3.0 *Public Time – Comment on Agenda Items*

Jeff Deason, Sales Director for Indian Trails Motor Coach appeared before the Board. Mr. Deason announced that Indian Trails provides service for the Chelsea Express, and read the following prepared statement:

“In 2008 we were selected as the provider to assist and partner with AATA on the A2 Express project. After substantial planning we launched the Chelsea Express in May of 2008. In the two years following the launch of the project Indian Trails has been a proud partner with AATA. We have had a very high service level and the ridership has been pleased with the quality of the equipment, professionalism of the drivers, and the amenities of the coaches. Our dispatch team has worked in unison with AATA dispatch. We have been fully accountable to AATA with the reports we have produced and generated. It is our understanding that because of the budget constraints currently in place, AATA has decided to bring the Chelsea Express in house. Knowing that the budget was an issue, and serving as a partner, we presented an alternate proposal to

save AATA a significant amount of expense. Unfortunately for us it has been recommended by the subcommittee that the Chelsea service is run by AATA. While we are disappointed with the recommendation, we feel it appropriate to thank the Board for the opportunity to partner with AATA. We firmly believe that public private partnerships of this nature are in the best interest of all the stakeholders of this service and we are appreciative that we were chosen to lead this project. We will continue to operate Canton Express Service, and we are optimistic that another opportunity to work with AATA will present itself in the future. Thank you.”

Jim Mogensen appeared before the Board. Mr. Mogensen commented on the Performance Monitoring and External Relations (PMER) Committee’s recommendation to continue operation of the Chelsea Express bus route and to use AATA personnel and equipment to provide the service. Mr. Mogensen noted the impending fare increase scheduled for May. Mr. Mogensen commented on recent service changes in his area, and speculated as to where additional funding would come from to support express bus routes. Mr. Mogensen urged the Board to consider the question as a policy issue and to think about the difference between the cushioned seats on over-the-road coaches versus AATA’s stock buses, and the absence of WiFi, which would be a different experience for riders. Mr. Mogensen commented on PMER’s recommendation for a new Board meeting location and encouraged the Board to make arrangements to extend the time to use the library past the closing hour to allow sufficient time for meetings.

Ted Annis appeared before the Board. David Nacht questioned whether Mr. Annis, a Board Member, could speak during Public Time. Paul Ajegba also questioned whether it was appropriate for Mr. Annis to address the Board as a member of the public. Staff indicated that the Bylaws did not appear to preclude Board members from addressing the Board as a member of the public.

Mr. Annis distributed a document to Board members and the audience. Mr. Annis read the “Preamble” of the document. Mr. Annis explained that the two Treasurer’s Reports, one dealing with the consequences of a cost-inefficient operation, and one including potential savings for on-demand services and a recommendation to hire a CFO, were previously submitted to the AATA Governance Committee. Mr. Annis further explained that the reports were denied by the committee and noted that the hiring of a CFO is in progress. A copy of the document is attached.

Mr. Ajegba announced that as a matter of protocol, there was a need to get an interpretation from AATA general counsel. Mr. Ajegba noted that the reports Mr. Annis submitted as a member of the public read “Treasurer’s Recommendations”. Michael Ford agreed to request an opinion from counsel.

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

4.0 *Review and Approval of Minutes*

4.1 *Review and Approval of Minutes of February 17, 2010*

Sue McCormick moved approval of the minutes as written with support from Jesse Bernstein. The motion carried with five affirmative votes; Charles Griffith abstained.

5.0 *Board and Staff Reports*

5.1 *Chief Executive Officer*

Michael Ford announced that the Board packet contained a comprehensive report of the past month's events. Mr. Ford reported on meetings with stakeholders and elected officials to discuss the Transit Master Plan. Mr. Ford reported on a meeting with the President of the American Public Transit Association, and invitations extended to Congressman John Dingell, Senator Carl Levin and Senator Debbie Stabenow to participate in festivities related to the Plymouth Road and US-23 Park and Ride lot.

Mr. Ford reported on meetings related to prospective funding for the Fuller Road and other transportation projects, and on his attendance at the University of Michigan Transit Forum.

Jesse Bernstein commented on his attendance at the Transit Forum where the top University officials and key community representatives were present. Mr. Bernstein indicated that there was clear evidence of future opportunities to continue to build relationships and collaborate with the University.

Ted Annis requested that notes or reports on the outcomes from the session be sent to Board members. Mr. Bernstein requested that any information from the Transit Forum be made available on AATA's website.

5.2 *Planning and Development Committee*

Sue McCormick reported that the Planning and Development Committee handled a number of discussion items. The committee took action on one item and unanimously recommended holding a budget retreat and a strategic planning retreat. The budget session will be a half day retreat in late April or early May to identify short term goals and objectives as a look forward to the 2011 budget, and for making budget projections for the next five years. Ms. McCormick reported that Mr. Ford is giving consideration to using a facilitator and that he will report back to the Board with a specific proposal.

The strategic planning retreat is recommended to be held in the fall for the Board to discuss preliminary outcomes and recommendations from the Transit Master Plan, and how the recommendations inform some of the decisions that the Board will be looking at strategically for the future, including identifying long range funding and for improving transportation in Washtenaw County.

5.3 *Performance Monitoring and External Relations Committee*

Jesse Bernstein reported that the Performance Monitoring and External Relations (PMER) Committee recommended a number of resolutions included in New Business. Mr. Bernstein reported that in a week's time since the PMER meeting, staff has made progress on the Washtenaw Avenue corridor project and at the Plymouth Road Park and Ride lot where ridership has increased.

Mr. Bernstein requested that Sue McCormick provide an update on the Fuller Road Station project. Ms. McCormick agreed to address the issue under New Business.

5.4 *Local Advisory Council*

Rebecca Burke reported that Brian Clouse explained the Board's interest in changing the location of Board meetings to the Ann Arbor District Library. In response, the Local Advisory Council (LAC) drafted a letter outlining the challenges that might arise for people to get downtown to attend meetings.

Michael Ford announced that staff will work with the LAC to explore every avenue for making the transition as smooth as possible.

6.0 *Question Time*

David Nacht referred to the Management Letter accompanying the audit report which includes a number of suggestions to improve internal controls. Mr. Nacht asked what staff will be doing. Michael Ford responded that staff will implement the recommendations in concert with work from the Maner Costerisan internal audit outcomes. Mr. Ford will address the issues and report back to PMER. Mr. Nacht expressed appreciation for PMER's follow-through and for the specificity contained in the audit recommendations.

Mr. Nacht questioned continuation of the Chelsea route given the low rate of ridership. Mr. Ford responded that it was hoped that the one year period would provide an opportunity to see if the service will be viable under the Transit Master Plan. Mr. Ford described that varied plans that are in the works to attempt to boost ridership. In response to concerns raised during public time and restated by Mr. Nacht, Chris White indicated that the seating and WiFi are not the most important things to the riders. It

was recommended that staff conduct a more comprehensive survey.

7.0 *Old Business*

7.1 *Consideration of Approval of CEO Goals for FY2010*

Mr. Ajegba requested a motion to consider approval of the CEO Goals. Jesse Bernstein moved approval of the CEO goals as recommended, with support from Charles Griffith.

Ms. McCormick noted the absence of a specific objective to improve financial efficiency, but acknowledged the statement pointed to by Mr. Ford regarding fiscal efficiency: "Using the finds of the audit, CEO will support and encourage continuous improvement teams and the principles of six sigma and lean processes to eliminate waste and inefficiencies thereby controlling costs while enhancing performance."

Ms. McCormick indicated that she was looking for a metric. Board members engaged in a lengthy discussion around the content of the goals document. Specific reference was made to the use of preventive maintenance dollars as a "quick fix" for the budget. It was noted that the proposed goals have been in committee for some time, and that the CEO's contract expires in July. The discussion concluded with agreement to align the following items for next fiscal year: the CEO's contract, the CEO's goals and objectives (to include a specific financial directive and target completion dates), and the budget. There was also agreement to discuss the topic at the upcoming Budget Retreat.

Jesse Bernstein reported that he and Rich Robben are working on an evaluation document that they will present to the full Board.

The motion carried with five affirmative votes: Ajegba, Bernstein, Griffith, McCormick, and Nacht; Annis abstained.

8.0 *New Business*

Mr. Ajegba reported on a telephone conference that included Ted Annis, Michael Ford, Jerry Lax, and himself regarding the Bylaws. Mr. Ajegba reported on the Governance Committee's findings and concurrence from AATA counsel, that the reports produced by the Treasurer have not been consistent with the language in the Bylaws regarding the content of a treasurer's report. Mr. Ajegba indicated he felt that it was necessary to make a thorough review of the Bylaws to make them consistent with the new Board committee structure.

After receiving concurrence from David Nacht regarding his willingness to serve, Mr.

Ajegba appointed Mr. Nacht chair of an Ad Hoc Committee to identify irregularities in the Bylaws. Mr. Nacht indicated that he would assess the availability and interest of other Board members to contribute to the committee.

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

8.1 *Consideration of Resolution Receiving Audited Financial Statements for the Year Ended September 30, 2009*

WHEREAS, the Ann Arbor Transportation Authority engaged professional auditors to perform a financial audit and Federal single audit for the year ended September 30, 2009, and

WHEREAS, the Authority management has prepared financial statements and the auditing firm has completed their audit of the financial statements and Federal grant programs and summarizing their findings,

WHEREAS, the Authority management has received and reviewed the management letter and has agreed to act on the recommendations,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors acknowledges and accepts the audited financial statements for the year ended September 30, 2009, based upon the auditing firm presentation to and recommendation from the Performance Monitoring and External Relations Committee, and in lieu of a formal presentation by a representative of the auditing firm to the entire Board of Directors.

Mr. Annis provided an overview of the audit presentation made by Dave Fisher from Rehmann Robson to PMER. Mr. Annis reported that prior to PMER he, Michael Ford and Phil Webb met and conducted a thorough review of the financial statements. Mr. Annis indicated that the findings are in order, and that staff will follow the recommendations set forth by the auditors.

The motion passed unanimously.

The following resolution was moved by David Nacht with support from Charles Griffith.

8.2 *Consideration of Resolution Recommending Continuation of A2 Chelsea Express Service*

WHEREAS, the Ann Arbor Transportation Authority (AATA) has operated, via contract services, the Ann Arbor to Chelsea Express Bus Service and,

WHEREAS, AATA staff evaluated the service and determined that ridership can likely be increased by more focused marketing and,

WHEREAS, AATA staff has determined that takeover of the service by direct AATA operation will lead to reduced costs compared to the current operation and compared to a recent vendor proposal to reduce costs and,

WHEREAS, AATA staff believes it is desirable to continue this new form of service in order to provide information that can be used by the upcoming Transit Master Plan effort,

NOW, THEREFORE, BE IT RESOLVED, that the Ann Arbor Transportation Authority Board of Directors authorizes the CEO to continue operation of the Ann Arbor to Chelsea Express through May of fiscal year 2011 with the following changes to the program: internal operation of the service using AATA transit buses and AATA personnel; a fare reduction from \$125 for a thirty day pass to \$99 per month, and; establishment of an intensified, focused marketing effort.

In response to a question from Mr. Nacht regarding fares, Chris White reported that the current fare at the current rate of ridership will cover 1/3 of the cost to provide service. State revenue may well be available to cover another 1/3, and the worst case scenario is that AATA would need to cover remaining 1/3. Mr. White noted consideration of an additional stop that might attract additional ridership. Mr. Nacht suggested exploring creative ideas for selling tickets, and requested a report on the service at each Board meeting.

Mr. Annis supported continuation of the service indicating that it was a learning experience. Mr. Griffith echoed the support indicating that the countywide assessment may well clearly identify this as a viable service and noted that collaborative marketing efforts might exist.

The motion passed unanimously.

The following resolution was moved by Jesse Bernstein with support from David Nacht.

8.3 *Consideration of Resolution Amending Bylaws to Change the Day and Location of AATA Board of Directors Meetings*

WHEREAS, Section 1 of the AATA Bylaws specify the day, time, and location for the monthly Board meeting, and

WHEREAS, several alternative locations have been considered to provide more room for the public, improve access, and permit videotaping for broadcast on

community television, and

WHEREAS, the Ann Arbor District Library main branch on Fifth Avenue at William has been identified as the best location, and

WHEREAS, the third Thursday of the month is the only day available at the library,

NOW, THEREFORE, BE IT RESOLVED that the AATA Board hereby revises Section 1 of the AATA Bylaws as follows: *The Board shall meet in public session generally once each month, usually on the third Thursday of the month, at 6:30 p.m. at the Ann Arbor District Library, 343 S. Fifth Ave., Ann Arbor. Meetings may be held on another day or time, and at another location, provided that such a change is given public notice in accordance with Section 7.*

Sue McCormick noted the issues raised by the Local Advisory Council regarding the relocation of Board meetings. Ms. McCormick indicated that if there are accessibility issues, it is incumbent upon staff to make sure that people are notified in plenty of time. Michael Ford restated his commitment to work with Library representatives to address the issues. Mr. Bernstein confirmed that due to full schedules, coverage on the Community Television Network would be on demand for now, but that it was hoped that over time there might be an opportunity to get a live broadcast.

The motion passed unanimously.

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

8.4 *Consideration of Resolution Authorizing Funding for Personnel Needs*

WHEREAS, the Ann Arbor Transportation Authority (AATA) is the area's primary public transportation agency and has a vision to expand its services throughout Washtenaw County and to connect with other transportation providers from outside the County, and

WHEREAS, commuter services such as park-and-ride lots, commuter buses, and commuter rail lines; high capacity transit corridors; innovative fares and subsidy programs; new funding mechanisms; and other transportation-related projects are being expanded or investigated, and

WHEREAS, there is an increasing need for data to improve transparency to the community and to increase communication between AATA and its constituents, to utilize data to better manage resources, develop long-range transportation plans, provide critical backup for grant management and compliance, and improve project management, financial analysis and succession planning, and

WHEREAS, savings have been identified in the current fiscal budget that may be used toward additional human resources necessary to accomplish these initiatives and to meet increasing administrative needs, now therefore

BE IT RESOLVED, that the Chief Executive Officer is authorized to utilize funds currently available within the FY2010 budget toward meeting AATA's needs for sufficient professional personnel, and

IT IS FURTHER RESOLVED, that sufficient funding for such human resources shall be included in future budgets for consideration by the Board of Directors.

Sue McCormick noted that the resolution did not specify a number of full time employees. Jesse Bernstein indicated that was by design to give Michael Ford the flexibility and option of using full time employees, contractors, or a combination, to get the job done. Board members discussed legacy costs that extend beyond a single budget year.

David Nacht moved to amend the "BE IT RESOLVED" clause of the resolution to read:

BE IT RESOLVED, that the Chief Executive Officer is authorized to utilize funds currently available within the FY2010 budget toward meeting AATA's needs for up to three additional Full Time Equivalent professional personnel, and

Sue McCormick supported the friendly amendment. The motion to amend passed unanimously. Mr. Annis accepted the friendly amendment.

The amended motion passed unanimously.

8.5 *Fuller Road Station*

Sue McCormick agreed to a briefing on Fuller Road Station at the April Board meeting.

9.0 *Public Time*

Sandra Holley appeared before the Board. Ms. Holley commented on extremely lengthy trip times to get from the new Plymouth Road and US-23 Park and Ride lot to the University of Michigan Medical Center. Ms. Holley indicated that the East Ann Arbor Medical Center is not include in the ARide service area and the fare to the facility from Ann Arbor is \$9 one way, which is not feasible for someone on a fixed income. Ms. Holley indicated that customers are frustrated, and urged AATA staff to attempt to coordinate bus service from the Green Road Park and Ride lot with the University of Michigan Medical Center shuttle bus service.

Mr. Ajegba asked Mr. Ford to investigate the feasibility of having the East Ann Arbor Medical Center ARide included in the program service area.

Carolyn Grawi appeared before the Board. Ms. Grawi commented the lengthy trip times using fixed-route and connecting bus service to get from Ann Arbor to the East Ann Arbor Medical Center. Ms. Grawi distributed an agenda to a Michigan Public Transit Association Rural Workshop and an accompanying Partners in Transit Conference. Ms. Grawi noted that the discussion topics included countywide service and rural transit service and partnerships. Ms. Grawi strongly urged that a representative from AATA attend both meetings. Ms. Grawi commented on bus advertising in Oakland County, and suggested that staff investigate whether Board meetings being recorded could be streamed live to the AATA website.

Rebecca Burke appeared before the Board. Ms. Burke thanked Terry Black for updating the Local Advisory Council on developments related to redevelopment of the Blake Transit Center. Ms. Burke indicated that the presentation renewed interest of LAC members in terms of being involved in planning and development of the new facility.

Jim Mogensen appeared before the Board. Mr. Mogensen commented on the operation of express route buses and urged the Board to figure out how to subsidize the cost of that service, noting that how the service is subsidized will be important. Mr. Mogensen cautioned against using Ann Arbor millage money which could otherwise be used to subsidized fixed route service.

Nancy Kaplan appeared before the Board. Ms. Kaplan inquired as to how the Fuller Road Station project will enhance or change AATA service to that area.

Paul Ajegba responded that AATA staff involved in the project. Michael Ford added that there is more detailed work to be done on the project before Ms. Kaplan's question can be answered. Jesse Bernstein added that it was hoped that the station would provide a terminus and expanded opportunities and connections for the large number of people commuting from the east. Mr. Bernstein noted that it was hoped that the site would eventually include a train station to provide even more options within the county.

Nancy Kaplan inquired as to why it was not possible now to have an express bus from Ypsilanti serve the University directly.

David Nacht announced that public time was not a question and answer session where Board members have dialogue, and requested that the meeting order be restored.

Mr. Ajegba directed staff to review the document presented by Mr. Annis during the first public time session, and give the Board feedback; addressing the concerns of Mr. Annis, particularly the concern regarding the use of \$10.7 Million of "Capital funds".

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

10.0 *Adjourn*

Ted Annis moved to adjourn the meeting with support from Sue McCormick. The motion passed unanimously, and the meeting adjourned at 8:01 p.m.

Respectfully Submitted,

Charles Griffith, Secretary

Date: 24 March 2010
To: AATA Board
From: AATA Treasurer, Ted Annis
Subject: Report to the Board through February 2010 -- Cost-efficient Operation

Preamble

This report and the December 2009 Treasurer's Report are provided to the Board at Public Time. The AATA Governance Committee eliminated the traditional slot on the Board agenda used by the Treasurer. As explained by the Board Chairman, Board members have complained that the last three Treasurer's Reports have ranged beyond the reporting upon the monthly financial statements and that they do not wish to be exposed to the Treasurer's presentations. The offending reports have included an analysis of countywide millage funding, a request for transparency, a request for appropriate Board meeting accommodations, a suggestion of a budgeted operating amount to guide the outside consultant designing the countywide bus system, a computation of savings available from cost-efficient operations, and the hiring of a CFO (Chief Financial Officer).

Treasurer's Recommendations

- Without another year's delay, place into the CEO's Goals and Objectives cost-efficiency goals for the fixed-route bus system. The following are recommended:
 1. \$95/bus service hour by year-end 2010
 2. \$85/bus service hour by June 2011
 3. \$75/bus service hour by year-end 2011

The Consequences of Cost-inefficient Operation

Cost/bus service hour is the metric by which fixed-route bus systems are measured for cost efficiency and compared to one-another. (Cost/rider is not a measurement of operating efficiency; it is a measurement of the public's efficiency of usage.)

As previously seen in the comparisons to the other 12 public bus system in Michigan, the AATA operates in the quartile containing the least cost-efficient bus systems.

The fares, local transportation property tax revenue, payments from our neighboring political entities, and State support received by the AATA do not cover its excessive spending. The shortfall is covered by transferring Capital funds available from the Federal government into Operating Revenue in order to produce a "balanced budget." This happens every annual budget cycle. As seen in the Attachment, the accumulative five-year effect of this is that \$10,773,000 has been removed from the Capital funds account to cover excessive operating expenses. This practice continues in the current budget cycle.

Had this substantial amount of Capital funds been left intact, it would now be available for strategic Capital uses such as a new transit center or a refurbished rail station.

Informal feedback from WATS indicates that the AATA needs to demonstrate cost-effective operation before the county would accept a countywide service with the accompanying millage. The current cost-inefficient operation remains as a barrier to the acceptance of a countywide system.

Ann Arbor Transportation Authority

Portion of Federal Formula Funds Used for Operating Expenses

2/15/2010

Fiscal Year	2005	2006	2007	2008	2009	Total
Total Section 5307 Allocation	\$4,194,529	\$3,901,351	\$4,224,205	\$4,588,670	\$4,873,644	\$21,782,399
UM Portion of Sec. 5307 Allocation	\$669,196	\$651,308	\$676,952	\$829,802	\$894,799	\$3,722,057
Non-UM Portion of Section 5307 Allocation	\$3,525,333	\$3,250,043	\$3,547,253	\$3,758,868	\$3,978,845	\$18,060,342
Portion of Total Section 5307 Allocation used for Operating Expenses*	\$2,448,000	\$1,120,000	\$2,300,000	\$2,180,000	\$2,725,000	\$10,773,000
Portion of Non-UM Section 5307 Allocation Used for Operating Expenses*	\$1,778,804	\$468,692	\$1,623,048	\$1,350,198	\$1,830,201	\$7,050,943

* Operating Expenses include preventive maintenance, associated capital maintenance, capital cost of contracting, planning, and the Connector Study in 2009.

Date: 11 January 2010
To: AATA Board
From: AATA Treasurer, Ted Annis
Subject: Treasurer's Report for December 2009 --
CFO, Economic Improvement of the On-demand Services

Treasurer's Recommendations

- Without further delay, begin the process to hire a mature, experienced, and competent CFO; and have that position report to either the Board chairman or the Treasurer.
- Conduct a critical analysis of the on-demand services (either by a CFO or a third-party) and improve its economic efficiency and thereby save what appears to be over \$1,000,000/year.

CFO (Chief Financial Officer)

The Board and its committees make financial decisions ranging into the millions of dollars. An independent financial assessment of staff's proposals and spending is not the norm. A CFO is needed to provide independent financial assessments and bring competency in the following areas:

- Financial analysis
- Budgeting
- Long-range financial planning
- Responsible management of the Capital funds
- Comparative economic analysis (to other transit organizations)
- RFP recommendations and economic analysis of responses
- Tax analysis

On-demand Services

The on-demand services account for about 20% of total AATA expenditures. Historically, this Treasurer has focused on the fixed-route bus services, as it is the major expense and has great room for efficiency improvements. University of Michigan Economics Professor, Dr. Richard C. Porter, has analyzed both AATA services. His report of 26 August 2009 identifies a potential savings of \$1,600,000/year in the on-demand services.

These potential savings do not account for the additional costs for vehicles equipped to handle wheel chairs and would be reduced by these costs. Dr. Porter notes that the National Transportation Database does not collect useful information when private vehicles are used and that high numbers or costs of on-demand vehicles may mean better service, a wider range of services, or high cost. An excerpt from his report is as follows:

“Assuming the Ann Arbor taxi industry is competitive, the cab companies would require that the \$8.26 be reimbursed by the AATA. But the excess of the AATA cost per trip over the fare revenue collected per trip, as we have seen, is on average \$16.90 – about double the \$8.26 amount that the AATA needs to spend to compensate the taxis for their foregone fare revenue. Good question -- where does the rest go? – to which the entire answer cannot be the cost of administering the DR system. If the excess of \$16.90 over \$8.26 could all be saved with a more efficient operation (and there were still 188,400 rider-trips per year), then the AATA could reduce costs by \$1.6 million per year.”