

Issue Analysis
Expansion of AAATA by Adding Ypsilanti Township
DRAFT

Background: On September 9, 2013, the Ypsilanti Township Board unanimously passed a resolution requesting membership in the AAATA, and forwarded that request to AAATA the following day. To implement this requested change to the Authority, attorneys for the 4 affected jurisdictions (AAATA, Ypsilanti Township, the City of Ypsilanti and the City of Ann Arbor) would jointly draft, for consideration by the affected jurisdictions, Amended Articles of Incorporation that recognize Ypsilanti Township as a member and provide Ypsilanti Township with Board representation.

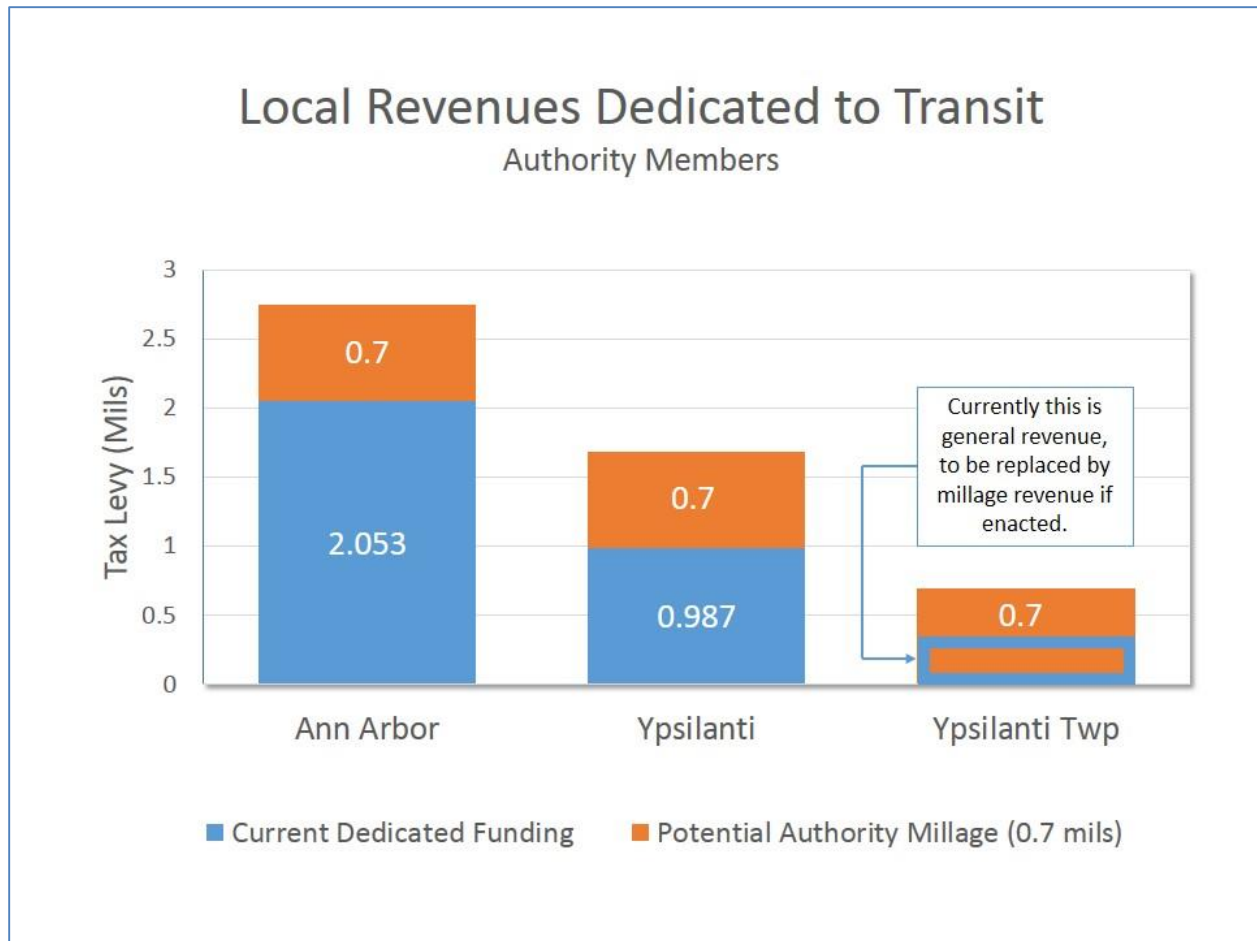
The amendments to the Articles, and the proposed method by which those amendments are adopted and filed with the Washtenaw County Clerk and the Michigan Secretary of State, would be developed in accordance with the requirements of Act 55 of 1963, and would be discussed among the attorneys for the four parties, before being presented to the policy-makers for consideration and action. The Amended Articles of Incorporation would be adopted by the AAATA Board, Ypsilanti Township and the City of Ann Arbor, and then filed by the City of Ann Arbor. The City of Ypsilanti, although technically not required to adopt the Articles, would be encouraged to do so as a signal of support for the revised composition of the Authority, and all indications are that they would be willing to do that.

Decision: The AAATA Board must now decide whether to accept and approve the request from Ypsilanti Township, and if so, then notify the City of Ann Arbor of its decision and request that the City assist in its implementation by filing the amended articles of incorporation with the State and County.

Advantages to Accepting Ypsilanti Township as an Authority Member:

- Admission of Ypsilanti Township to the Authority does not impose any additional costs or financial obligations on the Authority
- AAATA has supplied the Ypsilanti Township with transit services for nearly three decades, under a purchase-of-service agreement whereby Ypsilanti Township pays for the full cost of service. Ypsilanti Township's membership in the Authority will formalize this arrangement and give Ypsilanti Township rights to participate in policy decisions made by the Board.
- AAATA's funding base will be made more stable by Ypsilanti Township's membership since Ypsilanti Township has pledged funding, equal to the cost of acquiring services through the Purchase-of Service Agreement, to the Authority for transit purposes. This pledge is contained in the Township's resolution requesting service and will be further documented in a memorandum of understanding. Note that the nature of Ypsilanti Township's commitment will change in the event of any Authority millage, that is, the commitment of Ypsilanti Township's general revenues can be reduced by the amount of revenue produced by the township's share of an Authority millage. In other words, a .7 mil Authority levy, if enacted, would produce enough revenue in Ypsilanti Township to fully cover the cost of both existing and proposed new

services in the township, making a contribution from their general fund unnecessary. This is illustrated in the accompanying chart, below.



(NOTE: An authority millage has been discussed as a funding source for the Urban Core Transit Plan, but any decision on a millage would have to first be approved by the AAATA Board and then by a referendum of voters in the Authority area.)

- Regional transit will be more stable under this arrangement, by allowing the possible creation of a new funding source for Ypsilanti Township (and Ann Arbor and Ypsilanti as well; an “Authority millage” under Act 55) that would otherwise be unavailable to Ypsilanti Township.
- Ypsilanti Township’s admission to the Authority is another important step toward the goal of an Authority that is properly sized to meet growing urban core transit needs, and properly funded to pay for the services required to meet those needs.

Risks / Issues Related to Accepting Ypsilanti Township as an Authority Member:

- What additional burden is placed on AAATA by having Ypsilanti Township as a member rather than as a POSA partner? Answer: In terms of staff time, probably none. Staff deals on a regular

basis with POSA partners to monitor service, solve any problems that may arise, and plan for the future. With Ypsilanti Township as a member, this process would be more streamlined. No significant additional costs are associated with Ypsilanti Township as member.

- What if the Authority does not put a funding referendum on the ballot any time soon? Answer: AAATA can continue to maintain a POSA relationship with Ypsilanti Township as it has always done.
- Is it OK to accept Ypsilanti Township as a member first, and defer any action regarding funding until later? Answer: Yes, acceptance of Ypsilanti Township does not force the Authority to place any funding initiative on the ballot.
- What if Ypsilanti Township withdraws its financial support from the Authority? Answer: In the case of a POSA arrangement, nothing changes from the current situation. If a POSA partner today decided to withdraw financial support, the AAATA would discontinue services to that jurisdiction. If Authority millage revenues are used to supply services to a jurisdiction, by law that jurisdiction must continue to contribute those revenues to AAATA even if they withdraw from the Authority. This commitment would exist for the life of the millage, typically five years.
- What if another jurisdiction would like to join the Authority? Answer: New membership requests should be considered on their own merits. All new potential members must make the request based on a majority vote of their legislative body, and that request must be approved by the process already described. In any event, it is not believed that any other jurisdiction is currently planning to seek membership in the near future.

Other questions related to this issue:

- Question: Is it required that the Ann Arbor City Council approve the addition of the township? Answer: Although Act 55 does not require that the City approve entry of new authority members, it is the City which must file amended articles with county and state officials. As a practical matter, discussion with the City concerning new members is therefore appropriate.
- Question: What happens if the township fails to continue to maintain their general fund contribution for existing service? How does this play out with or without an authority millage? Answer: Without a millage, the process would be identical to the current process. Ypsilanti Township would be bound by their POSA to pay for the service they receive, and if they failed to pay, service would ultimately be discontinued via the process currently in place. This process has existed for over thirty years without a problem.
- Question: What is the recourse the Township would have if they are upset about their level of service for their general fund contribution? For their authority millage? Answer: In either case, the ultimate recourse would be to leave the Authority. This would be a last resort, only if discussions about the issue at hand could not work out a satisfactory solution. The odds of such disputes arising are minimized by the fact that the Authority has detailed the service levels in advance that would be realized for a given contribution.

- Question: What would the process be for removing a member municipality from the AAATA? Answer: Act 55 requires that the majority of the legislative body of the member seeking removal would vote to ask to be removed, and that the majority of the AAATA Board would approve such removal. However, the member seeking removal, if removed, must still meet any financial obligations incurred, including contribution of millage revenues, and the Authority must still provide the service to which that member is entitled.
- Question: If Ypsi Township becomes part of the AAATA organization, will they no longer have to pay for services under a POS contract? Answer: Only if Ypsi Twp becomes a member AND there is a successful millage, would Ypsi Twp stop paying for service from their general fund and start paying the full cost of service through their millage contribution.
- 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. We can also increase service to the nearby communities if they are willing to increase their POSA payments.

Staff Finding / Recommendation: Staff recommends that Ypsilanti Township be admitted as a member of the Authority with representation on the Authority Board. Consistent with the procedure used when the City of Ypsilanti joined the Authority, staff recommends that the AAATA Board 1) pass a resolution acknowledging the Township's request and directing staff to work with the attorneys of the affected parties to draft Amended Article of Incorporation, and 2) upon agreement among the parties with respect to said Articles, pass a resolution approving said Articles and requesting the Ann Arbor City Clerk to file the Articles with the County and the State.

mrb 9-25-13 final