



Approved Minutes

February 18, 2016

Ann Arbor Area Transportation Authority Board of Directors

Ann Arbor District Library, 343 South Fifth Avenue, Ann Arbor, Michigan, 6:30 p.m.

Board: Mike Allemang, Jack Bernard, Eli Cooper, Gillian Ream Gainsley, Eric Mahler (Chair)

Absent with Notice: Larry Krieg, Sue Gott, Charles Griffith, Stephen Wade

Staff: Jan Black, Terry Black, Matt Carpenter, Ron Copeland, Bill De Groot, Phil Webb, Chris White

Guests: Pam Hill and Josh Yde (Plante & Moran)

Recording Secretary: Karen Wheeler

Chairman Eric Mahler called the meeting to order at 6:42 p.m.

1.0 Public Hearing

There was no public hearing.

2.0 Communications and Announcements

Mr. Mahler appointed Gillian Ream Gainsley Acting Secretary.

3.0 Public Time – Comment on Agenda Items

Jim Mogensen appeared before the Board. Mr. Mogensen commented on third-party fares and urged the board to consider the difference between discounts. Mr. Mogensen stated that discounts for senior citizens, people with disabilities and school children are social discounts, and transfers are functional or operational discounts. Mr. Mogensen noted the difference in how discounts are calculated, and also noted that only 10% of MRide customers use transfers. Mr. Mogensen requested that the board postpone their decision on third-party fares and complete calculations to determine if partners have been undercharged. Mr. Mogensen suggested a conversation between AAATA and the University of Michigan to minimize the discount. Mr. Mogensen suggested that the

fares in AAATA's operational budget could create budgetary and political problems in the future.

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

4.0 Review and Approval of Minutes of January 21, 2016

Jack Bernard moved approval of the minutes as written with support from Mike Allemang. The motion passed unanimously.

5.0 Board and Staff Reports

5.1 Chief Executive Officer

Matt Carpenter reported that a lot of business had been conducted since the last board meeting. Mr. Carpenter reported on his attendance at the Washtenaw Area Transportation Study (WATS) Policy Committee meeting where participants received an update on new federal funding bills. Mr. Carpenter attended the Michigan Public Transit Association's Legislative Conference where attendees met with state elected officials and received updates on recent state funding legislation. Mr. Carpenter noted that the level of additional funding to roll down to a particular agency, from both new federal and state legislation, is not yet known.

5.2 Planning and Development Committee

Mr. Carpenter reported on the Planning and Development Committee (PDC) meeting. PDC discussed the Connector, Operational Space Assessment, and the annual grant application to the Michigan Department of Transportation (MDOT). The committee received a presentation on the technical background on the Alternatives Analysis phase of the Connector. Information on the status of the study will be shared at upcoming public meetings. Staff presented a recommendation to hire a consultant for the Operational Space Assessment project. The committee discussed the project and requested additional details on the scope of work before moving forward with hiring a consultant. PDC endorsed the annual application to MDOT.

5.3 Performance Monitoring and External Relations Committee

Mike Allemang reported on the Performance Monitoring and External Relations (PMER) Committee meeting. The Committee received a presentation from the auditors from Plante & Moran, and recommended that the board accept the audit. The Committee discussed the calculation for third-party fares and recommended approval of the methodology. Staff made a presentation on

performance measurements and ridership trends. MRide and go! Pass riders make up half of fixed-route ridership. Ridership in both fare categories is down. Without those two types of ridership, fixed-route ridership is up 4.8%. Mr. Allemang reported that additional data will soon be available from the onboard survey which will hopefully address why UM and go! Pass ridership is down. Staff presented the financial data which currently has a net operating gain. Mr. Allemang noted that cash reserves are currently above the 2.5 month level set by board policy. That will change with the next bus purchase, and PMER will address the reserves policy at a future meeting.

5.3.1 Audit Presentation

Pam Hill and Josh Yde from Plante & Moran presented a [letter](#) to the Board of Directors and the [audit report](#). Ms. Hill referred to the Independent Auditor's Report which indicates that the financial statements are presented fairly and free of material misstatements. Ms. Hill reported on highlights in the Statement of Net Position noting an increase in total capital assets due to the new millage. Ms. Hill noted that legacy costs are low due to a defined contribution plan for retiree health care. Ms. Hill referred to the Statement of Revenues, Expenses and Changes in Net Position noting an increase in expenses due to implementing the five year transit improvement plan, and an increase in the overall net position due to millage funds.

Mr. Yde referred to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements. There were no deficiencies in internal controls. Mr. Yde reported on one finding in the Schedule of Expenditures of Federal Awards (SEFA). The instance of noncompliance was related to the schedule of a testing item reported as a state expenditure which was related to federal dollars, which required an adjustment. Mr. Yde reported that the error was a minor item. The auditors recommend that a second person review the SEFA report to make sure that items are properly reflected. Ms. Hill noted that the SEFA amount was properly spent and recorded properly, just not prior to finalizing the federal audit.

Ms. Hill reported on significant changes in federal awards related to auditing and compliance for federal grants entered into after December 26, 2014. Ms. Hill offered to provide assistance with preparing for the changes. Ms. Hill referred to the letter to the Board noting that there were no deviations from the audit plan.

Ms. Hill responded to questions regarding managing risk and the SEFA error. Ms. Hill indicated that AAATA does a good job at managing risk

noting that the availability of funding is identified as a risk as part of the audit. Ms. Hill confirmed that the SEFA entry error was in materials submitted in preparation of the schedule for the audit, and not a material difference in the general ledger.

Ms. Hill responded to why the audit did not qualify as “low-risk” indicating that a finding in the past two years automatically requires an agency to have a rating other than “low-risk”. Phil Webb reminded the Board that in 2013 there was a problem with the calculation with depreciation.

Mr. Mahler suggested that the Board proceed with voting to accept the audit findings.

Mike Allemang moved the following resolution with support from Eli Cooper.

Resolution 15/2016

Acceptance of Audited Financial Statements
For the Year Ended September 30, 2015

WHEREAS, the Ann Arbor Area Transportation Authority (Authority) engaged Plante & Moran, PLLC, professional auditors, to perform a financial audit and Federal single audit for the year ended September 30, 2015, 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, and

WHEREAS, the Authority management has received and reviewed the communications required under Generally Accepted Auditing Standards, Section AU 260, *“The Auditor’s Communication with Those Charged with Governance,”* also known as a management letter,

NOW, THEREFORE, BE IT RESOLVED, that the Ann Arbor Area Transportation Authority Board of Directors acknowledges and accepts the audited financial statements for the year ended September 30, 2015, based upon the auditing firm presentation to the Board of Directors.

The motion passed unanimously.

5.4 Local Advisory Council

There was no report on the Local Advisory Council meeting.

5.5 Washtenaw Area Transportation Study

Mr. Carpenter reported on the Washtenaw Area Transportation Study (WATS) Policy Committee meeting as part of the CEO report.

6.0 Question Time

Mr. Cooper asked about the difference in the state funding information provided by the House Fiscal Agency and the Executive Department. Mr. Carpenter responded that while representatives from both agencies indicated that specifics on how much additional funding a particular agency would receive is unknown, they differ on how that conclusion was reached. Chris White responded to questions on additional monies in the Comprehensive Transportation Fund (CTF) that may be available. Mr. White explained that Local Bus Operating (LBO) funds (the source of additional funds for transit) are part of the CTF. LBO funds are determined annually by the legislature. Based on the Governor's budget proposal, AAATA could receive an additional \$586,000 from the LBO. Mr. White noted that the funding will be dependent on what the legislature does with other modes of transportation. Mr. White added that the Regional Transit Authority has the ability to determine how LBO funds get distributed to transit agencies within the RTA.

Mr. Cooper commented on ridership challenges and the impacts of decreasing gas prices, new modes of mobility and real-time information available with new modes. Mr. Cooper reported on frustration heard from bus riders about the lack of availability of real-time information, and asked when the real-time bus information system will be up and operating effectively. Jan Black responded that a new real-time information system is currently being installed and tested on a portion of the fleet. If the testing is sound, the new system is expected to be installed on the remainder of the fleet in the coming month. The target date for the fleet to be operational is May 1. Once it is determined that the data is good, the new system will be deployed for use by the public.

Mr. Cooper suggested sharing the data in a beta testing mode, once it has passed internal checks, as opposed to waiting until May. Mr. Cooper acknowledged that while the information may not be 100% reliable, perhaps it would be better than what is available today.

Mr. Bernard stated the importance of making sure that the interface is user friendly, and consideration given to how a user is going to experience the website, and how users will access the interface on a variety of different devices. Mr. Bernard indicated that the

system must be accessible to users with disabilities on the day it is launched, and suggested conducting focus groups to receive feedback.

Mr. Mahler thanked staff for the clean audit. Mr. Mahler referred to the non-current liabilities and asked if that position would increase, if a capital asset were financed through incurring debt. Mr. Webb responded that non-current liabilities are offset by capital assets, noting that incurring debt to buy an asset for future value benefit would allow for retaining cash assets. Current assets would remain the same, and liabilities would increase some for the current portion of the debt.

Mr. Allemang asked about past debt and policies regarding incurring debt. Mr. Webb responded that the agency has not had debt since 1978. At that time debt was incurred to cover a negative fund balance to make expenses.

7.0 Old Business

There was no Old Business for the Board to consider.

8.0 New Business

Mr. Carpenter introduced the resolution on the MDOT annual application. Mr. White reported that the application requires submission of a projected operating budget and capital program for FY2017, both of which can be adjusted.

Gillian Ream Gainsley moved approval of the following resolution with support from Jack Bernard.

8.1 MDOT Annual Application

Resolution 14/2016

RESOLUTION OF INTENT TO APPLY TO APPLY FOR FINANCIAL ASSISTANCE FOR FISCAL YEAR 2017 UNDER ACT 51 OF THE PUBLIC ACTS OF 1951, AS AMENDED

WHEREAS, pursuant to Act 51 of the Public Acts of 1951, as amended (Act 51), it is necessary for the Ann Arbor Area Transportation Authority (AAATA) established under Act 55 of 1955 to provide a local transportation program for the state fiscal year of 2017 and, therefore, apply for state financial assistance under provisions of Act 51; and

WHEREAS, it is necessary for the AAATA, to name an official representative for all public transportation matters, who is authorized to provide such information as deemed necessary by the State Transportation Commission or department for its administration of Act 51; and

WHEREAS, it is necessary to certify that no changes in eligibility documentation have occurred during the past state fiscal year; and

WHEREAS, the performance indicators for this agency have been reviewed and approved by the AAATA; and

WHEREAS, the AAATA, has reviewed and approved the proposed balanced budget and funding sources of estimated federal funds \$4,894,243, estimated state funds \$11,425,944, estimated local funds \$18,713,913, estimated fare box \$7,236,000, estimated other funds \$286,000, with total estimated expenses of \$42,556,100.

NOW THEREFORE, be it resolved that the AAATA hereby makes its intentions known to provide public transportation services and to apply for state financial assistance with this annual plan, in accordance with Act 51; and

HEREBY, appoints Matthew Carpenter as the Transportation Coordinator, for all public transportation matters, who is authorized to provide such information as deemed necessary by the State Transportation Commission or department for its administration of Act 51 for 2017.

The motion passed unanimously.

Mr. Carpenter introduced the resolution on the Procedure for Determining Third-Party Fare Rate. Mr. Carpenter reported that agreements with the Ann Arbor Downtown Development Authority (DDA) and University of Michigan (UM) led to significant growth in revenue, ridership and community benefits to riders throughout the system. Approval was requested for the methodology of calculating new agreements with the DDA and UM.

Mr. White made a [presentation](#) on Third-Party Fares. In FY2015 ridership from the MRide and go! Pass programs accounted for 49.4% of fixed-route ridership and 60.3% of fare revenue (not including federal funds included in MRide). Mr. White reported on growth in MRide ridership and go! Pass ridership, and the mutually beneficial nature of the two programs.

Mr. White reviewed the proposed fare calculation for the two programs noting an additional 10% discount for bulk purchase of fares adopted by the Board in 1993. Mr. White reported on discounts for employers given by other transit agencies.

Mr. White reported on the proposed fare rate for UM of \$1.19 per boarding, a 10.7% increase over the current rate, and 53% higher than the average fare per boarding by cash rider (\$0.78). The proposed fare rate for the go! Pass program is \$1.03 per

boarding, a 14.4% increase over the current rate and 32% higher than the average fare per boarding by cash rider (\$0.78).

Board members commented on the presentation. Suggestions included consideration for riders who pay the full cash fare of \$1.50, and including in the MRide and go! Pass program agreements the need to promote transit as part of the program.

Mr. White responded to questions about new partnerships and equity of the fare structure. Mr. White indicated that the fare methodology, in conjunction with ridership estimates, would be used as a starting point for negotiations with a prospective new partner. With regard to equity, Mr. White indicated in other transit systems, free fares for seniors and people with disabilities is unusual, although discount fares for people with disabilities on fixed-route service is effective to reduce door-to-door service costs.

Eli Cooper moved the following resolution with support from Mike Allemang.

8.2 Third-Party Fare Payment Policy

Resolution 16/2016

APPROVAL OF PROCEDURE FOR DETERMINING THIRD-PARTY FARE RATE

WHEREAS, organizations including the University of Michigan and Downtown Development Authority desire to pay the fare for employees, staff and students, and

WHEREAS, fares paid by a third-party have proven to be a powerful tool to encourage people to choose transit, which increases ridership and provides increased productivity and funding to add service benefitting all riders, and

WHEREAS, the fare charged by the AAATA should be reasonable for the purchaser, comparable with fares paid by individuals, and based on a clear rationale, and

WHEREAS, AAATA now has data on passenger boardings from the go!pass and MRide programs including transfer rates and eligibility for discount fares, and

WHEREAS, staff has used the data to compute the fare for the trips taken based on the current AAATA fare structure, and

WHEREAS, AAATA has provided a 10% discount for the bulk purchase of fares since 1993,

NOW, THEREFORE, BE IT RESOLVED, that the Ann Arbor Area Transportation

Authority Board of Directors hereby adopts the attached *Third-Party Fare Payment Methodology* to determine the average fare per boarding.

Attachment

Third-Party Fare Payment Methodology

To calculate the fare per boarding for third-party fare payment programs:

- For existing programs, use actual ride data to determine rates for the fare categories below.
- For new programs, use existing programs to estimate rates for the first two years, and then use actual data to adjust rates for the succeeding years.

Current AAATA Fare Structure

\$1.50 Full cash fare

\$0.00 Transfer to another bus within 90 minutes (round trip not permitted)

\$0.00 Free fare for people with disabilities qualified for ADA and seniors age 65+

\$0.75 Half fare for low-income persons, seniors age 60-64, people with disabilities

Procedure

Calculate average fare per boarding based on:

- percentage of passenger boardings which are transfers
- percentage of fare-paying riders eligible for free fare
- percentage of fare-paying riders eligible for half fare
- percentage of full fare riders

Third-Party Fare Payment = number of passenger boardings x average fare per boarding x 10% discount for bulk purchase of fares if the total fares qualify

Jack Bernard abstained. The motion passed.

9.0 Public Time

Michelle Barney appeared before the Board. Ms. Barney commented on a book, Cities in the Wilderness, and drew an analogy to the book's information on the development of rural America to growing pains still experienced in communities today. Ms. Barney

commented on development of the website suggesting that users are given the opportunity to preview new site features. Ms. Barney requested instructions on how to navigate My Alerts on the website, and requested that applications be made as simple as possible.

Jim Mogensen appeared before the Board. Mr. Mogensen commented on the matching program for non-profit agencies. Mr. Mogensen suggested integrating the matching program with agencies to increase support for people in need. Mr. Mogensen commented on a transit research report about university/transit agency combinations. Mr. Mogensen noted that UM is a public university, and the DDA is a public authority. Mr. Mogensen suggested looking into the allocation of public money moving forward.

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

10.0 Adjourn

Jack Bernard moved to adjourn the meeting with support from Gillian Ream Gainsley. The motion passed unanimously, and the meeting adjourned at 8:15 p.m.

Respectfully Submitted,

Gillian Ream Gainsley, Acting Secretary