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**ANN ARBOR AREA TRANSPORTATION AUTHORITY BOARD OF DIRECTORS**

DATE: Thursday, February 15, 2018

TIME: 6:30pm

PLACE: Ann Arbor District Library, 343 South Fifth Avenue, Ann Arbor MI 48104

MEETING CHAIR: Eric Mahler

**AGENDA**

<b>1) Opening Items</b>	<b>Detail</b>
a. Approve Agenda	
b. Public Comment	
c. General Announcements	
<b>2) Consent Items</b>	
a. <i>Approval of Minutes of January 18, 2018 (p. 1-6)</i>	
b. <i>Approval of Minutes of January 24, 2018 (p. 7-8)</i>	
<b>3) Policy Monitoring and Development</b>	
a. Board's Annual Plan of Work Item & Ends Policies (p. 9)	
b. Policy Monitoring and Committee Reports	
1. Monitoring: 4.0 Global Board-Management Delegation	Mahler
2. Audit Committee (p. 10); Audit Report under separate cover	Mahler
a. Presentation by Plante Moran	
3. Finance Committee (p. 11)	Cooper
4. Service Committee (p. 12-13)	Hewitt
c. Other Board Reports & Ownership Linkages	
1. LAC (separate cover), WATS, A2 Transportation Commission	Mozak-Betts, Krieg, Gururaja
<b>4) Strategy and Operational Updates: CEO</b>	Carpenter
a. <i>CEO Report (p. 14)</i>	
b. <i>Policy Monitoring: 2.1 Treatment of Riders (p. 15-34)</i>	
c. <i>Q1 Satisfaction and Service Performance (p. 35-39)</i>	
d. <i>Policy Monitoring: 2.5 Financial Conditions (p. 40-68)</i>	
e. <i>Q1 Financial Statement (p. 69-71)</i>	
f. <i>Millage Update (p. 72-75)</i>	
<b>5) Board Development</b>	Mahler
a. Board Education	
<b>6) Emergent Business</b>	
<b>7) Closing Items</b>	
a. Topics for Next Meeting	<i>Thursday, March 15, 2018 @ 6:30pm</i>
b. Public Comment	
c. Board Assessment of Meeting	
d. Adjournment	

## Monitoring Reports

### **Sample Motions**

**Accepting:** I move that:

- We affirm that Monitoring Report XYZ has been read by board members, and
- We accept this report as it provides
  - a reasonable interpretation of the policy and
  - evidence of compliance with that reasonable interpretation [or... while not in compliance, shows evidence of reasonable progress/commitment toward compliance]

**Not Accepting:** I move that:

- We affirm that Monitoring Report XYZ has been read by board members, and
- We do not accept this report
  - as the interpretation for XYZ.XYZ cannot be deemed reasonable by a rational person
  - A. OR
  - though it provides a reasonable interpretation, it does not adequately provide evidence of compliance for XYZ.XYZ.
- CEO will provide an updated Monitoring Report XYZ within ## months.

### ***If additional policy development is desired:***

Discuss in Board Agenda Item 3.0 Policy Monitoring and Development. It may be appropriate to assign a committee or task force to develop policy language options for board to consider at a later date.

## Emergent Topics

Policy 3.13 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

1. What is the nature of the issue? Is the issue within the scope of the agency?
  2. What is the value [principle] that drives the concern?
  3. Whose issue is this? Is it the Board’s [Policy, 3.0 and 4.0] or the CEO’s [running the organization, 1.0 and 2.0]?
  4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related? Does the Board wish to change what it has already said?
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Ann Arbor Area Transportation Authority Board of Directors  
Meeting Minutes  
Thursday, January 18, 2018  
6:30 p.m.  
Ann Arbor District Library, 343 South Fifth Avenue, Ann Arbor, Michigan

Present: Mike Allemang, Gillian Gainsley, Sue Gott, Prashanth Gururaja,  
Larry Krieg, Eric Mahler (Chair), Kyra Sims

Chairman Eric Mahler called the meeting to order at 6:32 p.m.

1) Opening Items

a. Approve Agenda

Chairman Mahler requested striking item 5a (Governance Policy Monitoring: 3.5 Chair's Role) from the agenda. A motion was made by Ms. Gainsley to approve the agenda, as amended, seconded by Ms. Gott. On a voice vote, Chairman Mahler declared the motion carried.

b. Public Comment

Jim Mogensen commented on attending the WATS Policy Committee meeting, planning and geospatial demographic challenges. Mr. Mogensen commented on fuel pricing and transit ridership, and the impact of the fare structure on people in the disability community.

c. General Announcements

None.

2) Consent Items

Dr. Krieg moved approval of the Consent Items, seconded by Mr. Allemang. On a voice vote, Chairman Mahler declared the motion carried.

a. Approval of Minutes of December 21, 2017

b. MDOT Annual Application

Resolution 4/2018

RESOLUTION OF INTENT TO APPLY FOR FINANCIAL ASSISTANCE  
FOR FISCAL YEAR 2019 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 2019 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 \$8,911,182, estimated state funds \$15,049,688, estimated local funds \$16,425,054, estimated fare box \$6,977,300, estimated other funds \$2,319,590, with total estimated expenses of \$49,682,814.

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 2019.

### 3) Policy Monitoring and Development

a. Board's Annual Plan of Work Item & Ends Policies  
No report.

#### b. Policy Monitoring and Committee Reports

1. Governance Committee: Retreat Planning; Board Code follow-up  
Chairman Mahler presented a revised draft agenda for the Board Retreat. Board members commented.

2. Finance Committee  
Mr. Allemang made a report on behalf of the Finance Committee; particularly: the Board Retreat, Millage Renewal, Policy Monitoring 2.3 Compensation and Benefits and Policy Recommendation 2.6 Investments.

a. Policy Recommendation 2.6 Investments

CFO John Metzinger summarized Policy 2.6 Investments.

A motion was made by Mr. Allemang to approve Resolution 5/2018 Adoption of Investment Policy and Related Changes to the Board Policy Manual, seconded by Dr. Krieg. On a voice vote, Chairman Mahler declared the motion carried.

Resolution 5/2018  
ADOPTION OF INVESTMENT POLICY AND  
RELATED CHANGES TO THE BOARD POLICY MANUAL

WHEREAS, the Ann Arbor Area Transportation Authority (AAATA) Board of Directors (Board) adopted its Policy Manual in June 2017 with *2.6 Investment Policy* to be added later, and

WHEREAS, Michigan State Law (PA 20 of 1943) requires public agencies to have a Board-approved investment policy and requires certain elements to be included;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby adopts the "Investment Policy to Comply with Michigan PA 20 of 1943: Investment of Surplus Funds of Political Subdivisions (last rev. 1997)," and so orders it to be added to the Policy Manual under Appendix F.

BE IT ALSO RESOLVED, that the Board of Directors hereby adopts *Policy 2.6 Investments* and so orders its addition to the Policy Manual.

BE IT ALSO RESOLVED, that the Board of Directors hereby deletes Policy 2.5.6, due to its redundancy with Policy 2.6.

3. Service Committee

Ms. Gainsley made a report on behalf of the Service Committee; particularly: the Millage, Retreat Agenda, and discussion and input on Policy 2.1 Treatment of Riders, spurred by input on the policy shared by Dr. Krieg in advance of the Monitoring Report due in February.

c. Other Board Reports & Ownership Linkages

1. Local Advisory Council

Larry Keeler made a report on behalf of the Local Advisory Council; particularly: reappointed Executive Committee members, Paratransit Study, ARide Report Card, LAC Charge and Bylaws, and identifying tasks for the Planning Committee.

2. Washtenaw Area Transportation Study  
Dr. Krieg made a report on behalf of the Washtenaw Area Transportation Study Policy Committee; particularly: Annual Audit, 2045 Long Range Plan, Proposal to Repurpose Funds for Route Study. Board members commented on the Route Study. Forest Yang, Deputy CEO for Planning and Innovation, and Mr. Carpenter responded to questions. Dr. Krieg read the outcomes for the Route Study, and Mr. Yang described more fully the work to be completed.
3. Ann Arbor Transportation Commission  
No report.

4) Strategy and Operational Updates: CEO

a. CEO Report

Mr. Carpenter referred to the written CEO Report and reported verbally on the prospect of a federal government shutdown. Mr. Metzinger reported on the negligible impact a federal government shutdown would have on the agency.

Mr. Allemang added to the report commenting on news coverage on the new Ypsilanti Township Express service.

b. Millage Recommendation

Mr. Carpenter reported on services provided with the 2014 millage and the impending millage renewal; particularly, a recommendation to place an initiative on the August 2018 ballot at a rate of 0.7 mills. Board members commented on the recommendation and Mr. Carpenter responded to questions.

A motion was made by Ms. Gainsley to approve Resolution 6/2018 Language Development for Ballot Question, seconded by Dr. Krieg. On a voice vote, Chairman Mahler declared the motion carried.

Resolution 6/2018  
LANGUAGE DEVELOPMENT FOR BALLOT QUESTION

WHEREAS, the Ann Arbor Area Transportation Authority (AAATA) received voter support in 2014 for a 5-year, 0.7 mill property tax for the purpose of expanding public transit services, and

WHEREAS, the AAATA will soon have implemented all aspects of service identified as part of the 2014 plan, and

WHEREAS, the millage will expire naturally in May 2019, and  
WHEREAS, a rate of 0.7 mills will be needed in order to maintain transit services for another five years, and

WHEREAS, the Board wishes to submit a question to the voters on the ballot of August 7, 2018, and

WHEREAS, voters in the communities of the City of Ann Arbor, the City of Ypsilanti, and the Charter Township of Ypsilanti, will need to approve said question.

NOW, THEREFORE, BE IT RESOLVED that the Board of the Ann Arbor Area Transportation Authority directs the CEO to develop appropriate ballot language for the Board to consider and ultimately approve for submission to the voters.

c. Policy Monitoring: 2.3 Compensation and Benefits

Mr. Carpenter presented a draft Monitoring Report for Policy 2.3 Compensation and Benefits. No action was sought from the Board. Board members commented on the draft report, and Mr. Carpenter and Gwyn Newsome, Manager of Human Resources, responded to questions.

5) Board Development

a. Board Education

Chairman Mahler reported on plans to revise the Board Development section of the meeting agenda to place more emphasis on Board Education. Chairman Mahler requested that Board members suggest topics and speakers. Board members made suggestions; particularly:

- Role of transit in helping equalize opportunity within the County
- Ridership v Coverage
- Future development of large employers within the area
- New American Center for Mobility
- University of Michigan Transportation Research Institute
- Washtenaw Area Transportation Study

6) Emergent Business

There was no emergent business.

7) Closing Items

a. Topics for Next Meeting:

- Development of Campaign Work
- Monitoring Reports
- Board Education

b. Public Comment

David Diephuis commented on the return on investment of service increases from the 2014 millage and the 2018 millage renewal.

Jim Mogensen commented on density and benefits to the University of Michigan and DDA through services provided with millage funds. Mr. Mogensen commented on an autonomous vehicle conference at the Ford School of Public Policy.

Michelle Barney commented on providing information on AAATA services at public meetings and millage preparations. Ms. Barney commented on her experience using ARide service.

c. Board Assessment of Meeting

No discussion.

d. Adjournment

A motion was made by Ms. Gott, seconded Ms. Gainsley, that the meeting adjourn. On a voice vote, Chairman Mahler declared the motion carried. The meeting adjourned at 8:50 p.m.

Gillian Gainsley  
Secretary, AAATA Board of Directors

DRAFT

Ann Arbor Area Transportation Authority Board of Directors  
Retreat Minutes  
Wednesday January 24, 2018  
9:00 a.m.  
Hilton Garden Inn, 1401 Briarwood Circle, Ann Arbor, Michigan

Board Present: Mike Allemang, Eli Cooper, Gillian Gainsley, Sue Gott, Prashanth Gururaja, Roger Hewitt, Larry Krieg, Eric Mahler (Chair), Kyra Sims

Executive Team: Matt Carpenter, John Metzinger, Bryan Smith, Forest Yang

Facilitator: Rose Mercier

Chairman Eric Mahler called the Retreat to order at 9:06 a.m.

- 1) Welcome and Overview  
Chairman Mahler welcomed Ms. Mercier. Attendees introduced themselves and shared ideas for how to have a productive meeting.
- 2) Strategy and Monitoring Overview  
Ms. Mercier presented on Strategic Foresight, Ownership Linkage, Monitoring Performance of the Organization/CEO and Strategic Planning. Ms. Mercier presented on information for Ends decisions and referred to a Strategic Plan created by the CEO to achieve the Ends. CEO Matt Carpenter made a presentation on a Strategic Planning Process.
- 3) Strategic Vision: Ideas and Analysis  
Attendees shared their individual ideas for internal and external Strengths, Weaknesses, Opportunities, Threats and Challenges, then worked in groups to organize the ideas into themes and categories. Attendees debriefed the group exercise.

There was a 45-minute recess for lunch.

- 4) Strategic Vision: Discussion and Development
  - a. Considerations for Ends Policies Development  
Ms. Mercier presented on development of Ends Policies. Attendees identified priorities among the themes developed during the group exercise with implications for Ends. Attendees discussed developing Ends from the highest priority themes. There was discussion around creating a vision statement for board governing and a resource allocation policy.

b. Considerations for Ownership Linkage and Board Education

Ms. Mercier presented on Ownership Linkage distinguishing between Owners, Beneficiaries/Clients and Stakeholders. Ms. Mercier presented on Legal and Moral Owners. Discussion was held around the Ends policies and identifying the Owners and making meaningful connections with Owners. There was consensus for continuing the discussion as part of development of the Work Plan.

c. Consideration for Strategic Planning

Mr. Carpenter reported further on development of a Strategic Plan.

5) Next Steps

Ms. Mercier commented on next steps including development of a report to include: details of input provided during the Retreat, Board Action to inform the Annual Plan of Work and non-Ends CEO Action Items.

Board members commented on topics to pursue further; particularly:

- Ends for consideration for further discussion
- Establishing a Strategic Vision
- Development of a long-term Transit Plan
- Ownership Linkage
- Orientation of Board
- Maintaining Board of Directors Excellence
- Framework and issue definitions regarding resource allocation

6) Public Time

David Diephius commented on development of a vision and mission, and detailed plans driven by long-term plans.

7) Adjournment

There being no further business, Chairman Mahler adjourned the meeting at 4:38 p.m.

Gillian Gainsley  
Secretary, AAATA Board of Directors

## Annual Plan of Work

<b>FY 2018</b>	<b>Annual Plan of Work and Ends Policies Development</b>	<b>Board Education</b>
<b>January</b>	<ul style="list-style-type: none"> <li>• Board Retreat</li> <li>• Finalize Annual Plan of Work</li> <li>• Ends: Development</li> </ul>	
<b>February</b>	<ul style="list-style-type: none"> <li>• Ends: Development</li> </ul>	
<b>March</b>	<ul style="list-style-type: none"> <li>• Ends: Finalize</li> <li>• Bylaw Update</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan Process and Introduction</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>• Plan CEO Evaluation procedures (conduct in June)</li> </ul>	<ul style="list-style-type: none"> <li>• Bus Stop Program</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>• Roles of Officers</li> <li>• Role of LAC</li> </ul>	<ul style="list-style-type: none"> <li>• Speaker: Land Use and Transit Oriented Development</li> </ul>
<b>June</b>	<ul style="list-style-type: none"> <li>• CEO Evaluation</li> </ul>	
<b>July</b>	No meetings planned	
<b>August</b>	<ul style="list-style-type: none"> <li>• Budget</li> <li>• Board Mechanics: Recruitment and Onboarding, Ongoing Training</li> </ul>	<ul style="list-style-type: none"> <li>• Speaker: New Mobility ITS Trends</li> </ul>
<b>September</b>	<ul style="list-style-type: none"> <li>• Budget</li> <li>• Bylaw Update</li> </ul>	<ul style="list-style-type: none"> <li>• Speaker: Ridership vs Coverage</li> </ul>
<b>October (FY19)</b>	<ul style="list-style-type: none"> <li>• Investment Policy: Development</li> </ul>	<ul style="list-style-type: none"> <li>• Speaker: Owner Outreach strategies</li> </ul>

This draft calendar addresses most topics of interest, though a few items have been left until FY2019

- Resource Allocation
- New municipalities joining the AAATA policy

Other Work items to consider:

- Exec. Limitation Policy “clean up” (from Monitoring process, Owner input, etc.)
  - e.g., 2.9 Ends Focus of Contracts language, etc.

Other Education items to consider:

- Various operational topics not covered in Monitoring/Strategic Planning

Meeting Summary  
Ann Arbor Area Transportation Authority Board of Directors  
Audit Committee  
Tuesday, February 6, 2018

Present: Eric Mahler (Chair), Eli Cooper, Kyra Sims

Staff: Matt Carpenter, John Metzinger, Bryan Smith, Mary Stasiak, Phil Webb

Guest: Pam Hill, Plante Moran

The meeting was called to order at 3:35 pm by Chairman Eric Mahler.

1) Operational Update

a. Presentation by Plante Moran

Ms. Hill reported on the audit process indicating that the audit yielded an unmodified opinion; the highest assurance that can be achieved. Ms. Hill reviewed the Financial Statements, Federal Compliance Report, and Audit Management Letter. Committee members commented on the audit, and Ms. Hill responded to questions.

b. Adjournment

Chairman Mahler adjourned the meeting at 4:14 p.m.

Respectfully Submitted,

Karen Wheeler

Meeting Summary  
Ann Arbor Area Transportation Authority Board of Directors  
Finance Committee  
Tuesday, February 6, 2018

Present: Eli Cooper (Chair), Eric Mahler, Kyra Sims

Staff: Matt Carpenter, John Metzinger, Bryan Smith, Mary Stasiak, Phil Webb

The meeting was called to order at 4:14 p.m. by Chairman Cooper.

1) Opening Items

a. Agenda (Additions, Approval)

The Committee approved the agenda by consensus.

b. Communications

None.

2) Policy Monitoring and Development

a. Monitoring Report 2.5 Financial Conditions

Mr. Metzinger reviewed Monitoring Report 2.5 Financial Conditions. Committee members commented on the report. Mr. Carpenter and Mr. Metzinger responded to questions.

b. Retreat Debrief

Committee members commented on the January Board Retreat.

3) Strategy and Operational Updates: CEO

a. Q1 Financial Statement

Mr. Metzinger presented the Q1 Financial Statement reviewing the Income Statement and Balance Sheet. Committee members commented, and Mr. Carpenter responded to questions.

b. Federal Transit Administration Triennial Review

Mr. Carpenter provided an update on preparing for the Triennial Review scheduled for May.

4) Closing Items

a. Topics for Next Meeting

- Monitoring Report 2.5 Investments

b. Adjournment

Chairman Cooper adjourned the meeting at 4:58 p.m.

Respectfully Submitted,  
Karen Wheeler

Meeting Summary  
Ann Arbor Area Transportation Authority Board of Directors  
Service Committee  
Wednesday, February 7, 2018

Present: Gillian Gainsley, Roger Hewitt (Chair), Larry Krieg, Kyra Sims

Staff: Matt Carpenter, John Metzinger, Bryan Smith, Mary Stasiak, Forest Yang

The meeting was called to order at 9:14 a.m. by Chairman Hewitt.

1) Opening Items

a. Agenda (Additions, Approval)

Chairman Hewitt requested changing the order of the agenda to address Retreat Debrief as the first order of business under Policy Monitoring and Development. The Committee approved the amended agenda by consensus.

b. Communications

Mr. Carpenter provided an update on the Regional Transit Authority.

2) Policy Monitoring and Development

a. Retreat Debrief

Chairman Hewitt opened the floor for committee members to share ideas for a Strategic Vision. Committee members engaged in discussion and provided input; particularly:

- Develop a 30-year Plan
- Look at high level Ends
- Establish measurable goals
- Include the Ridership v Coverage question as part of the vision and values process
- Develop a transit system that allows people to get to major destinations in the area faster than using an automobile
- Include community partners in development of a Strategic Plan

b. Monitoring Report 2.1 Treatment of Riders

Mr. Carpenter presented highlights from Monitoring Report 2.1 Treatment of Riders. Committee members commented on the report and Mr. Carpenter responded to questions.

The Committee reached consensus that Monitoring Report 2.1 Treatment of Riders is in compliance, with the exceptions noted, and should be forwarded to the full Board for consideration.

- i. Observations on Suggested Policy Changes  
Chairman Hewitt referred to an Issue Brief from Mr. Carpenter on “Observations on Suggested Policy Changes” presented in conjunction with Monitoring Report 2.1 Treatment of Riders.

Committee members engaged in discussion around suggestions to improve operations made by Dr. Krieg, and Mr. Carpenter’s responses to the suggestions. Dr. Krieg distributed a response to Mr. Carpenter’s responses and provided an explanation.

### 3) Strategy and Operational Updates: CEO

- a. Q1 Satisfaction and Service Performance  
Mr. Smith reviewed the Q1 Satisfaction and Service Report. Committee members commented and Mr. Smith responded to questions.
- b. Millage Update  
Mr. Carpenter and Ms. Stasiak provided an update on preparations for the Millage vote.
- c. FTA Triennial Review  
Mr. Carpenter and Mr. Metzinger reported on preparations for the Triennial Review scheduled for May.

### 4) Closing Items

- a. Topics for Next Meeting
  - Strategic Vision
- b. Adjournment  
Chairman Hewitt adjourned the meeting at 11:02 a.m.

Respectfully Submitted,

Karen Wheeler



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## CEO's Report

Board Meeting Date: February 15, 2018

Agenda Item #4a

### Operational and Project Updates:

- **Route 81 (Ypsi Twp Express)** – Service on Route 81 began on January 29 and had an average of four people a day in the first week of operations.
- **YTC** – Wendel has completed their review of our operations and the community's expectations. They have generated minimum land area requirements and general concept designs that will be made part of a technical memo to staff for review.
- **Paratransit** – The consultant was on-site for the project kick-off and immersion into our paratransit operations this past week. The consultant met internally with staff, the contractor RideCorp, and conducted some ride-alongs to experience the services.
- **Fare Study** – We have completed the procurement by signing contracts recently a consulting firm. The consultant has scheduled an on-site kick-off review for March 1 and 2 in which they will be meeting with key internal staff and reviewing our current fare structure.
- **Federal Transit Administration (FTA) Triennial Review** – Requested material was collected, prepared, and sent to FTA at the end of January and is now under their review. The site visit is scheduled for May 7-8. Final results will be reported to the Board thereafter.



## Issue Brief: [Monitoring Report 2.1 Treatment of Riders](#)

**Meeting:** Board of Directors

**Date:** February 15, 2018

Agenda Item #4b

**Recommended Action(s):**

- Accept/not accept Monitoring Report.

**Relevant Board Policies:** Policy 4.4: Monitoring CEO Process, Appendices A, B, C.

**Summary:**

Staff prepared the Monitoring Report for *Executive Limitation Policy 2.1: Treatment of Riders*.

**Background:**

Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:

1. CEO sends Monitoring Report and survey link to all board members
2. All board members complete survey on acceptability of Monitoring Report, looking particularly for two things in the Monitoring Report:
  - a. A reasonable interpretation of the policy
  - b. Evidence of compliance with the reasonable interpretation
3. Committee reviews survey results and develops recommendation to accept/not accept Monitoring Report
4. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)

**Impacts of Recommended Action(s):** Governance: perform key Policy Governance process

**Attachments:**

- Monitoring Report on 2.1: Treatment of Riders
- Survey Results

Author: Matt Carpenter

Reviewed by: Staff

Approved by: Matt Carpenter

Date: January 31, 2018

TheRide

## 2.1 Treatment of Riders

Monitoring Report

Period: December 31, 2016- January 1, 2018

Date of Report: January 31, 2018

Survey of Board due: Monday, February 5, 2018

Service Committee Review: February 7, 2018

Board Meeting: February 15, 2018

TheRide board;

In accordance with the Board's Policy Manual; I present the February Monitoring report on **Executive Limitation Policy 2.1: Treatment of Riders**. This report consists of internal report information from staff.

Though these policies were not all in affect during the previous year, I have assembled this report as if they were (where feasible).

These policies are in regards to how the agency treats riders. We have attempted to present evidence both from an objective perspective and from the riders' perspective (complaints and complaint rates). Hopefully this provides a balanced perspective on performance.

I certify that the information is true and complete.

Matt Carpenter,  
CEO  
Ann Arbor Area Transportation Authority

Policy being monitored:

<b>POLICY TITLE: <i>TREATMENT OF RIDERS</i></b>	<b>Report page</b>
2.1 With respect to interactions with riders and potential riders, the CEO shall not cause, allow or fail to address conditions, procedures, or decisions that are unprofessional, unsafe, undignified, disrespectful, unclear, or overly intrusive.	3
Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:	
2.1.1 Provide facilities, vehicles, or services that are not reasonably accessible to potential riders regardless of mobility limitations.	4
2.1.2 Allow anyone, including people who have disabilities or seniors to be discriminated against with respect to the AAATA’s services.	5
2.1.3 Operate without providing effective, comprehensible, accessible, and timely information.	6
2.1.4 Discourage persons from asking questions, airing a complaint, or being heard.	9
2.1.5 Operate without established and enforceable standards for customer service and rider safety.	10
2.1.5.1 Fail to communicate standards and expectations to the public and riders.	11
2.1.6 Use methods of collecting, reviewing, transmitting, or storing personal information that allows improper access or inappropriate disclosure	13
2.1.6.1 Use forms that elicit personal information for which there is no clear necessity	14

## **EL 2.1**

*With respect to interactions with riders and potential riders, the CEO shall not cause, allow or fail to address conditions, procedures, or decisions that are unprofessional, unsafe, undignified, disrespectful, unclear, or overly intrusive.*

### **Current Interpretation & Rationale**

I understand “riders and potential riders” to mean anyone physically located in the areas where AAATA services are available. Otherwise, the Board has fully defined their intent with this policy in lower level policies:

- Unprofessional is addressed in 2.1.5
- Unsafe is addressed in 2.1.5 and Ends policy 1.3.1
- Undignified is addressed in 2.1.1, 2.1.2, 2.1.4, and 2.1.5
- Disrespectful is addressed in 2.1.4 and 2.1.5
- Unclear is addressed in 2.1.3 and 2.1.5.1
- Overly intrusive is addressed in 2.1.6 and 2.1.6.1

### **Evidence**

Compliance with the lower level policies demonstrates compliance with this policy statement.

### **Conclusion on Compliance**

In compliance.

### **EL 2.1.1**

*The CEO shall not... Provide facilities, vehicles, or services that are not reasonably accessible to passengers and visitor, regardless of mobility limitations.*

#### **Current Interpretation & Rationale**

All buildings and vehicles that carry passengers will be fully accessible as defined by the Americans with Disabilities Act, whether they are operated by or in partnership with the AAATA.

#### **Evidence**

- **Federal Audit:** In 2015 the Federal Transit Administration audited the AAATA and found no deficiencies regarding compliance with the Americans with Disabilities Act. Such audits cover: fixed route and complementary paratransit services; vehicles; facilities; information provided; operational policies; training; function, availability, and maintenance of equipment; changes in service or policies; performance measures of contractors, and more. Examples of Americans with Disabilities Act compliance include:
  - 100% of the bus fleet is wheelchair accessible.
  - 100% of passenger and public facilities are wheelchair accessible.
  - Information for consumers is provided in accessible formats.
  - Reciprocal eligibility: Americans with Disabilities Act-eligible visitors certified by another transit agency, can have their application transferred to AAATA and qualify for the same services as if they were traveling on their home transit system
  
- **Customer Complaints:** We have received no valid accessibility-related complaints during the monitoring period.

#### **Conclusion on Compliance**

In compliance.

## **EL 2.1.2**

*The CEO shall not... Allow anyone, including people who have disabilities or seniors, to be discriminated against with respect to the AAATA's services.*

### **Current Interpretation & Rationale**

I understand this policy to mean that dissimilar treatment of individuals within a protect category is not permissible by the AAATA. At a minimum, the AAATA will comply with Federal requirements of the Americans with Disabilities Act and Title VI pertaining to discrimination. Protected status categories for AAATA are:

- Race and national origin,
- Gender,
- Gender identify, sexual orientation, and gender expression,
- Religion,
- Age,
- Degree of physical or cognitive ability. (In addition, the AAATA will take legally required steps to reasonably accommodate disabilities.)

However, programmatic requirements may allow dissimilar treatment in certain circumstances. For example, under federal law persons with no mobility limitations are not eligible to use paratransit.

### **Evidence**

- **Federal Audit:** AAATA's 2015 Triennial audit conducted by the Federal Transit Administration found no deficiencies at the AAATA with respect to the Americans with Disabilities Act or Title VI. The audit covered requirements such as disparate impacts, disproportionate burdens, equity analysis, Limited English Proficiency, public participation, service change policies, etc.
- **Customer Feedback:** In the monitoring period, AAATA has received no valid complaints regarding discriminatory treatment of passengers.
  - One incident that occurred between a youth and a police officer at the Blake Transit Center on September 26, 2017 is still under review by the City of Ann Arbor Policy Department (AAPD). The AAATA is awaiting the outcome of the AAPD review to see if any further action is required.

### **Conclusion on Compliance**

In compliance.

### **EL 2.1.3**

*The CEO shall not... Operate without providing effective, comprehensible, accessible, and timely information.*

#### **Current Interpretation & Rationale**

I understand this policy to mean that the information on how to use transportation services must be provided in a manner that can be used by the vast majority of the travelling public, must meet minimum standards required by law (Americans with Disabilities Act, Title VI), and that ineffective information should never be a barrier to using our services.

In addition, I further interpret “**effective**” to mean that the information is both accurate (i.e. without error) and presented in a manner that is successful in helping the consumer understand how to use the services. I further define effective as incorporating industry best practices and standards, as appropriate.

- I interpret “**comprehensible**” to be a further definition of effective which means written or depicted in a manner that is intelligible to most people given the complexity of information displayed, and must meet legal requirements for non-English translations from Title VI.
- I interpret “**accessible**” to be a further definition of effective which means that the information is in compliance with the Americans with Disabilities Act.
- I interpret “**timely**” to be a further definition of effective which means that information is available prior to the delivery of the service and far enough in advance to allow comprehension, trip planning and personal preparation. In general, static information will be available three weeks before service begins and will remain available throughout operations.

However, if information was available but a rider did not utilize the information until it was too late, this does not count as ineffective or untimely.

Furthermore, the interpretation of “reliable” in Ends policies 1.3.1 relies on delivering services *as they were promised*. The information provided to customers constitutes the original promise of what will be delivered. If information is not delivered effectively, it can compromise the concept of reliability.

#### **Evidence**

- 1) **Rider Feedback:** 84% of responding riders were satisfied with the quality of consumer information (2017 Rider Satisfaction Survey). Consumer information was rated at 5.87 out of 7 in 2017.
  - a. **Complaints & Suggestions:**
    - i. There were no formal customer complaints regarding information accessibility.
    - ii. There were <5 formal customer complaints regarding typographical errors.
    - iii. There were <5 formal complaints regarding on-line language translation.
    - iv. There were several formal complaints regarding real-time information.
    - v. There were several formal complaints that the website was hard to use.
- 2) **Ridership:** Ridership on almost all services has been growing, indirectly suggesting that consumer information is not acting as a barrier.

- 3) **Consumer Input:** To ensure comprehension, public information in use during the monitoring period was adjusted based on feedback from consumers. Anecdotally, staff report fewer complaints after changes were adopted in 2015. Consumer feedback efforts included:
  - a. A-Ride User's Guide and website were reviewed by the LAC (2016).
  - b. 121 responses to surveys regarding content and layout of the Ride Guide (2015).
  - c. Ten members of the public participated in two focus groups to solicit feedback on the content and layout of the Ride Guide (2015).
  
- 4) **Industry Best Practice:** Consumer information in use during the monitoring period was developed after review of industry best practices, including:
  - a. System maps of 25 other transit agencies were reviewed in 2015 and changes made to the AAATA maps in 2016. Timetable design was review in 2011 against 12 other agencies. Maps and tables have not substantially changed during the monitoring period.
  - b. Best practices were incorporated as appropriate from the following sources:
    - i. National Center for Transportation Research Report 77710 - Designing Printed Transit Information Materials: A Guidebook for Transit Service Providers
    - ii. Transit Cooperative Research Program Report 45 – Passenger Information Systems: A Guidebook for Transit Systems
    - iii. Transit Cooperative Research Program Synthesis Report 68 - Methods of Rider Communication
    - iv. Transit Cooperative Research Program Synthesis Report 17 - Customer Information at Bus Stops
    - v. Transit Cooperative Research Program Synthesis Report 43 - Effective Use of Transit Websites
  - c. The AAATA used an outside vendor to assess our website for accessibility, accuracy/quality, and search-engine optimization. As judged against the Web Content Accessibility Guidelines (WCAG 2.0), improvements were required on 57 pages out of 587 pages.
  
- 5) **Timeliness:**
  - a. **Ride Guide:** Within the monitoring period three new editions of the printed Ride Guide were published. About 205,000 individual Ride Guides were distributed (an average of about 67,000 per edition).
    - i. All were distributed to outlets more than three weeks prior to beginning of service (on buses, in transit centers, and at over 300 various private and public properties).
    - ii. When exhausted, stock in outlets were replenished in a reasonable time. At no time did the community run out of Ride Guides.
  - b. **Website:** The AAATA website is used accessed on average about 32,600 times per week.
    - i. The website was redesigned during the monitoring period to speed up access to relevant information.
    - ii. The website has experienced several hours of downtime due to upgrades to back-office systems. In total the website was down less than 24 hours in total.
    - iii. The My Alert system provided timely notice by email of service disruptions (e.g. detours) to 500 registered users.

- c. **Real-Time Information:** Upgraded in 2016, real-time information now updates automatically every 30 seconds, is available on the AAATA website, is available on third-party apps, and mobile devices
    - i. Unfortunately, the new system experienced intermittent technical challenges throughout 2017 that impact riders' ability to use the system effectively. These issues are still being resolved
  - d. **Variable Message Signs:** Seven signs have been installed at major boarding locations (Blake Transit Center, Ypsilanti Transit Center, Dawn Gabay Operations Center) since 2015, most within the last year. The follow best-practice document was consulted during the deployment:
    - i. Transit Cooperative Research Program Synthesis Report 104 - Usage of Electronic Passenger Information Signage in Transit
- 6) **Federal Audit:** The Federal Transit Administration triennial audit in 2015 found no deficiencies with regard to consumer information, including: accessibility, paratransit information, and translation of material (Spanish, Korean, and Chinese (top languages in area) and Google Translate for the website. No significant change to information has occurred since 2015.

### **Conclusion on Compliance**

In compliance.

#### **EL 2.1.4**

*The CEO shall not... Discourage persons from asking questions, airing a complaint, or being heard.*

#### **Current Interpretation & Rationale**

I understand this policy to mean that CEO shall take all reasonable steps to ensure that there are no passive or active deterrents or barriers for anyone to communicate with the agency or the Board of Directors. FOIA requests will be promptly resolved as per internal policy.

This policy does not require staff to tolerate abusive communication indefinitely. If the manner of communication is abusive, harassing, profane, or threatening, it can be discouraged and, in extreme cases, suspended (see also policy 2.2.1 Treatment of Staff).

#### **Evidence**

- **Complaints:** There were no recorded complaints or concerns suggesting communications were discouraged.
- **FOIA:** The agency received 10 FOIA requests during the monitoring period. All but one were responded to in accordance with internal policy (one response was delayed). All FOIA requests for information were fulfilled.

#### **Conclusion on Compliance**

In compliance.

### EL 2.1.5

*The CEO shall not... Operate without established and enforceable standards for customer services and rider safety.*

#### Current Interpretation & Rationale

I interpret this policy to have two parts:

1. **Customer service:** I understand this element to mean that the AAATA must have written expectations for staff on how customers are to be treated and how services are to be provided, and for safe operation of AAATA services. These standards apply to AAATA staff, contractors, etc. Customer services include clear expectations for professional, respectful, dignified, and customer-satisfaction oriented behavior in interactions with patrons and members of the general public. These standards also related to the quality of services delivered. All such standards must be implemented in a manner that allows accountability and improvement for staff (see also 2.2.2).
2. **Public Behavior:** I understand this element to mean that the AAATA will establish, communicate and enforce expectations of behavior for the public while on AAATA property or vehicles. Such information will be available to the public in advance and upon entering AAATA property.

#### Evidence

##### 1. **Customer Service Standards and Enforcement**

- a. **Personal Treatment:** Customer service expectations and enforcement mechanisms (discipline) for unionized staff are outlined in the collective agreement, job descriptions and the non-union staff handbook. Expectations are reinforced during training.
  - i. In total, there were 38 valid complaints against AAATA regarding staff errors (e.g. courtesy, driving, pass ups, etc) during the monitoring period. For 2017, the annual rate was 0.56 valid complaints per 100,000 passenger boardings (38/6,700,000 trips). Appropriate corrective actions were enforced in all situations. *(Please note that Quarterly Reports count more categories of complaints.)*
- b. **Bus Condition:** Expectations for safety, cleanliness of buses, as well as passenger crowding, are contained in the Service Standards (1981). Safety, cleanliness and crowding are tracked, and reported quarterly to the Board and monitored daily by staff.
- c. **Safety:** Safety items such as Drug and Alcohol policies and procedures, Accident reporting, etc are audited in the Triennial Review. The 2015 Federal Transit Administration audit found no deficiencies in these areas. Safety statistics are reported quarterly to the Board and monitored daily by staff.
- d. **On-Time Performance:** Expectations for reliability of services are contained in the Service Standards (1981). On-time performance is tracked and reported quarterly to the Board, and is monitored daily by staff.

2. **Public Behavior:** During the monitoring period, six members of the public were temporarily banned from the AAATA services, vehicles or property. For 2017, the annual suspension rate was 0.09 suspensions per 100,000 passenger boardings.

**Conclusion on Compliance**

In compliance.

### EL 2.1.5.1

*The CEO shall not... Fail to communicate standards and expectations to the public and riders.*

#### Current Interpretation & Rationale

I interpret this policy to have two elements:

1. The AAATA will clearly articulate the quality of service delivery the riding public can expect.
2. I understand this policy to mean that the AAATA will establish, transmit and enforce expectations for *public behavior* while on AAATA property or vehicles. Such information will be readily available to the public in advance and upon entering AAATA property.

#### Evidence

- **Passenger Charter:** TheRide has never before made a commitment to the riding public about the quality of service they can expect. This is sometimes called a "[Passenger Charter](#)".
- **Code of Conduct for the Public:** The AAATA does have a "Code of Conduct" which is available in both transit centers, on all buses, in the Ride Guide, and on the website. The AAATA Code of Conduct reads:

*For your safety and comfort, TheRide does not permit the activities listed below on any of the TheRide vehicles or property. Violations may result in banning from TheRide property and loss of riding privileges.*

*TheRide prohibits the following on its vehicles and property:*

- *Smoking (including e-cigarettes)*
- *Possession or consumption of alcohol or illegal substances*
- *Lack of proper attire (i.e. shirts and shoes)*
- *Loitering at transit centers and other bus stops*
- *Panhandling, soliciting, harassing or intimidating any person*
- *Disorderly, loud or disruptive behavior, including, but not limited to:*
  - *Obscene, threatening, inciting or insulting language and/or gestures*
  - *Running, yelling or throwing objects*
  - *Spitting, littering, vandalism or graffiti*
  - *Fighting, mock fighting or roughhousing*
  - *Standing, sitting, or walking in a way that inconveniences, obstructs or interferes with others (i.e. blocking doors, feet on seats, etc.)*
  - *Any actions which may interfere with or disrupt safe operation of TheRide vehicles and properties*
- *Use of radios, CD players, or other sound-producing devices without the use of personal headphones*
- *Bicycling, rollerblading or skateboarding, or wearing skates on TheRide vehicles*
- *Weapons of any kind or possession of any hazardous material or item*
- *Animals, except those used for service (i.e. guide dogs), must be transported in a suitable crate or container*
- *AAATA is not responsible for lost items*

#### Conclusion on Compliance

The CEO reports partial compliance. The AAATA will work to develop a Passenger Charter before January 2020.

### **EL 2.1.6**

*The CEO shall not... Use methods of collecting, transmitting, or storing client information that allows improper access to the material gathered or inappropriate disclosure of information protected under Privacy regulations.*

#### **Current Interpretation & Rationale**

I understand this policy to mean that personal information regarding riders/customers that is in the possession of the AAATA must be handled and stored in a manner such that it can only be accessed by staff who are using it for legitimate business reasons. Staff must secure the information in accordance with the Americans with Disabilities Act requirements on maintaining Confidentiality of Applicant Information.

#### **Evidence**

- All paratransit-related, GoldRide and Fare Deal forms are secured in locked filing cabinets or offices, with access restricted to only certain authorized staff. In 2015, the Federal Transit Administration found no deficiencies with this approach.
- Inactive forms are destroyed after seven years.

#### **Conclusion on Compliance**

In compliance.

### **EL 2.1.6.1**

*The CEO shall not... Use forms that elicit personal information for which there is no clear necessity.*

#### **Current Interpretation & Rationale**

I understand this policy to mean that the agency will not seek information from or about members of the public unless there is a legitimate and unavoidable business-related need for that information (i.e. information we are legally required to collect, information needed to effectively administer programs, information needed to increase safety or security of the public or staff, and information needed to document relevant processes).

I interpret “**form**” to mean any written or electronic means of information collection that can be stored and reviewed later. This would include all paper and electronic forms, and audio or visual recordings.

#### **Evidence**

The CEO conducted a limited survey of agency’s most highly-used forms. In his judgement, none appeared to be seeking unnecessary information. Forms surveyed include:

- Application forms (Americans with Disabilities Act, Fare Deal, Senior),
- Complaints/suggestions forms, and
- Operational forms: accident report, exoneration form, compliment card, emergency card.

Based on this sample, the CEO has no reason to believe other forms are seeking inappropriate information. Nevertheless, a systemic review of all forms will be required to demonstrate total compliance by January 2019.

#### **Conclusion on Compliance**

In compliance.

### Notes: CEO Comments on Written Policy

- The CEO would suggest the Board consider moving Ends policies 1.2.1 and 1.3 into section 2.1 Treatment of Riders, and restate those policies in the proscriptive, negative format of Executive Limitations. The rationale is that 1.2.1 and 1.3 speak to how existing riders are to be treated. These expectations should be a given of today's operations, not an aspiration for the future. There is also some overlap between these policies that creates redundancies (i.e. safety, equity/discrimination) and consolidation may be necessary.
- Policy 2.1.5 is mixing expectations for staff, and expectations for riders. This feels awkward. The CEO would like to ask the Board to consider whether separate new policies, specific to both circumstances, might be preferable.
- Policy 2.1.5 seems to combine expectations for staff and expectations of the public. It seems awkward to try to cover to fundamentally different issues in the same policy. The CEO would ask the Board to consider whether these issues should be separated into different policies. There may also be overlap with 2.2 Treatment of Staff.

**Record of Board Decision Regarding Monitoring Report**  
**(To be filled in based on Board action after submission)**

**Policy: EL 2.1 Treatment of Riders**

**Date Submitted:** Feb 7, 2018

**Date of Board Response:** TBD

The Board has received and reviewed the CEO's Monitoring Report references above. Following the Board's review and discussion with the CEO, the Board makes the following conclusions:

**Executive Limitations Report (select one)**

The Board finds that the CEO:

- A. Is in compliance
- B. Is in compliance, except for item(s) noted.
- C. Is making reasonable progress toward compliance.
- D. Is **not** in compliance or is **not** making reasonable progress toward compliance
- E. Cannot be determined.

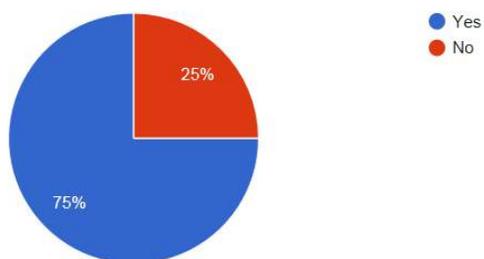
Board notes:

## Survey Results: Evaluation of Monitoring Report 2.1 Treatment of Riders

### Board Assessment of CEO/Org Performance

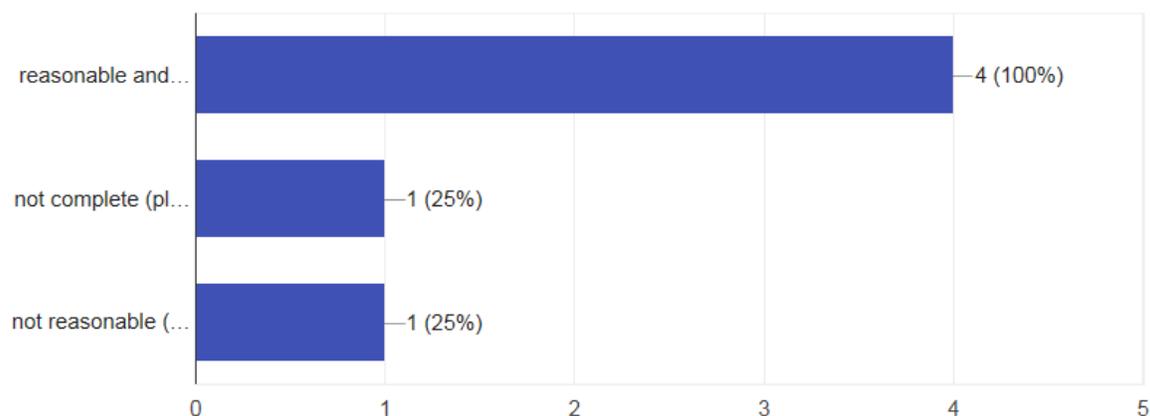
Was this report submitted when due?

4 responses



Do you find the CEO Interpretation for each policy/subpolicy to be:

4 responses



Reasonable and complete (4)

Not complete (please specify) – 1

Not reasonable (please specify) – 1

Please note that one respondent chose each of the three answers for this question.

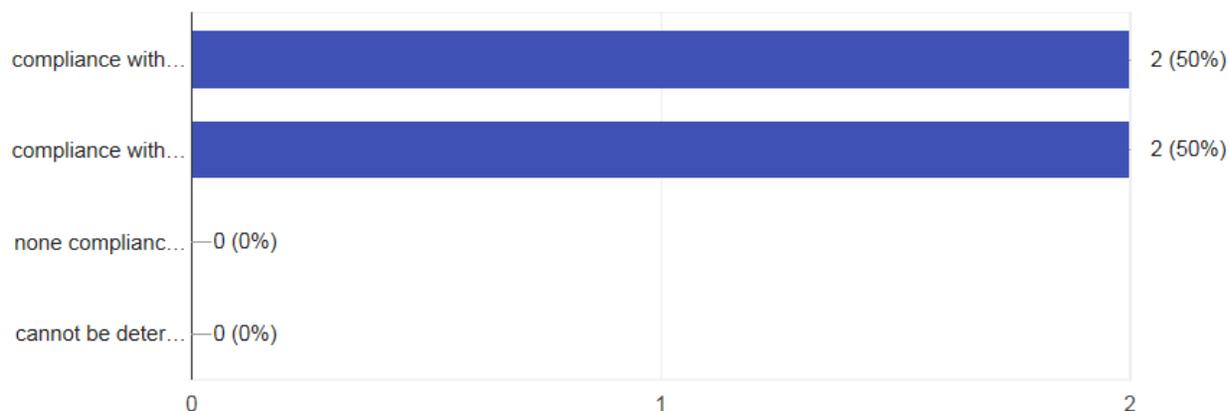
CEO Interpretations that were incomplete or unreasonable (if any):

1 response

2.1, the placement/reliance on bus stops without lead walks and loading platforms is not a very good practice. both unsafe and undignified.

## Do you find the CEO's evidence and data shows..?

4 responses



### Compliance with policy (2)

Compliance with policy, except for item(s) noted below, and is making reasonable progress toward compliance (2)

### Items not in compliance (if any):

1 response

2.1.1 ADA compliance is an issue where no lead walks or loading platforms are available. some stops do not have proper crosswalks, there is a need to assure safe and accessible access to service. 2.1.c how can we be in compliance when the web based system is still undergoing adjustments. 2.1.5 why are shelters and benches not included in this area.

### **OPTIONAL: potential Policy development**

Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy? What is the value that drives your concern?

2 responses

addressing the need for hard loading platforms, safe access to bus stops on both sides of the street , proper and safe shelters and waitgin areas at stops. Posted schedules - route strips at key stops along a route and other means to better communicate with riders. the failure of the web based system to be operation is another area of interest and concern.

just the CEO recommendations for changes

## What policy language would you like to see incorporated to address your worry?

1 response

like staff to decide which issues are appropriate and then we can address the policy language.

### OPTIONAL: Comments for the CEO

#### Commendations on this topic:

4 responses

Does the AAATA have standards re: mobility limitations of riders that exceed those set within the ADA? I would like more information if there have been complaints or requests from riders or groups (ex: LAC) for higher standards. I would've also liked more information pertaining to what solutions are in place to improve the real time information issues discussed under 2.1.3.

Thoughtful and clear explanations

another good start, but needs a bit of additional emphasis

A subjective topic that is challenging for objective measurements

#### Potential improvement(s):

3 responses

Include reference to internal FOIA policy for completeness on that interpretation. State conclusion on compliance before Evidence.

see comments about customer access. Should not require riders to have boots in mud piles or puddles this is primarily and urban-not rural bus service

Future data will make the report much more useful.

#### Comments on the report itself:

3 responses

I found the "Abstracting Up" article extremely helpful for thinking about policy implementation going forward.

what's here is presented similar to other policy areas. would appreciate a closer look into areas that were listed as areas of interest.

A good first report.



## Issue Brief: 2018 Q1 Satisfaction and Service Report

**Meeting:** Board of Directors

**Date:** February 15, 2018

**Agenda Item #** 4c

**Recommended Action(s):** Receive as CEO Operational Update

### Prior Relevant Board Actions and Policies:

- 2.11.1.5 CEO shall not...Let the Board be unaware of...operational... [and] customer satisfaction metrics...
- Appendix A: Informational Reports schedule specifies quarterly Customer Satisfaction and Service Performance reports in Nov, Feb, May, Sept

### Issue Summary:

Staff present the Quarterly Satisfaction and Service Report populated with currently available and reportable data/targets for Fixed Route service. Information is sorted into several Ends Policy categories. Staff will continue to work on defining and populating the remaining items for Fixed Route and for other services. Targets, when possible, will be set in Ends Policy Interpretations. A glossary of terms for currently tracked metrics is attached.

### Attachments:

- Guide to Terms
- Highlights Brief
- FY 2018 Q1 Satisfaction and Service Report

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Author: Bryan D. Smith

Reviewed by:

Approved by:

Date:

## Quarterly Satisfaction and Service Report: Guide to Terms

### **Boardings** (“Unlinked Passenger Trips,” a Transit industry standard metric)

The number of passengers who board public transportation vehicles. Passengers are counted each time they board a vehicle no matter how many vehicles they use to travel from their origin to their destination. Also reported to National Transit Database.

### **Per Capita in Service Area.**

Population that lives in the AAATA service area, calculated using census tracts (retrospective measure). Also reported to National Transit Database.

### **Preventable accidents and Passenger Injuries.**

Total number of accidents that have been judged to be preventable and any passenger injuries. Serious accidents and all injuries are reported to National Transit Database.

### **On-time performance.**

Percentage of buses that leave scheduled timepoints within 0-5 minutes past the posted schedule. Transit industry standard metric.

### **Miles between Road Calls.**

The average number of times a bus must be taken out of service because of equipment issues, divided by how many miles the fleet has run. Transit industry standard metric.

### **Complaints**

A complaint is when a customer or non-customer communicates to AAATA that something is unsatisfactory or unacceptable. All complaints are looked into and referred to appropriate staff.

### **Bus Stops with Shelters**

AAATA, based on the industry standard, puts shelters at stops that have an average of 50 or more riders per weekday. A bus stop is considered to meet these standards if there is shelter in close proximity to the stop making an AAATA installation redundant. Only shelters that *may* be possible are included in the metric. Not included are several 50+ rider/day bus stops where a stop is not currently possible because private property owners have explicitly denied permission (3%) or there is insufficient space in dense, downtown areas (13%).

### **Condition of Vehicle**

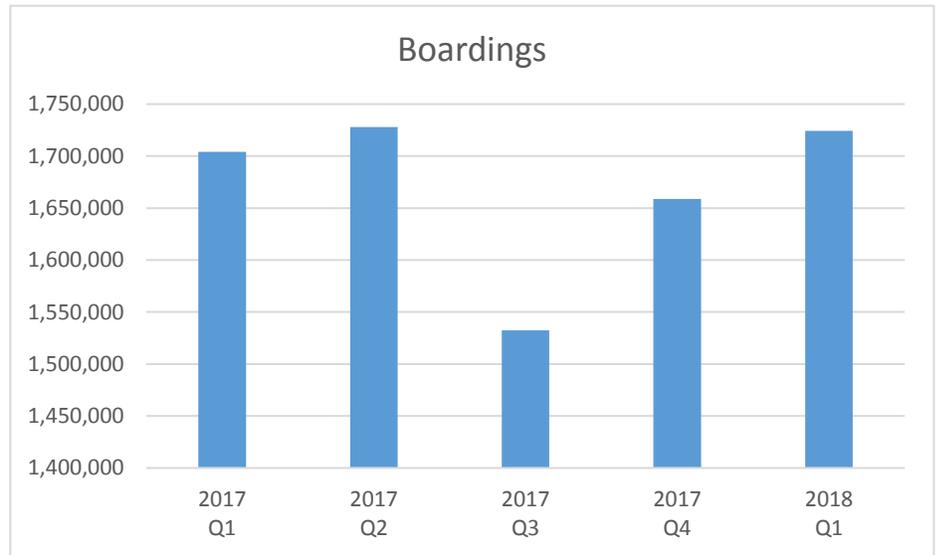
The image of the transit system, including the condition of the transit vehicles is an important factor in determining user satisfaction. The 100-point system is aligned with industry study: Climate Control (20), Interior Cleanliness (30), Exterior Cleanliness (10), Repair of Seats (20), Interior Lighting (10), General Repair (10).

## Service and Satisfaction Report Highlights

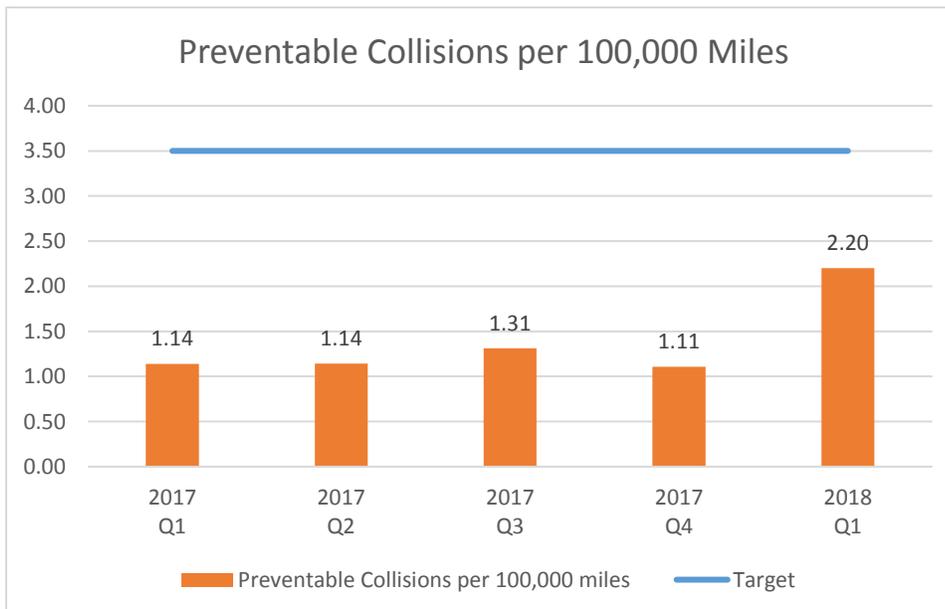
10/01/2017 through 12/31/2017

### Ridership

Ridership continues to grow, with a 1% increase in ridership from the same quarter last year. The chart to the side shows the cyclical nature of our service, with a dip in the summer time. We have had a slight increase in population for the service area, which led to the decrease in boardings per capita.



### Safety



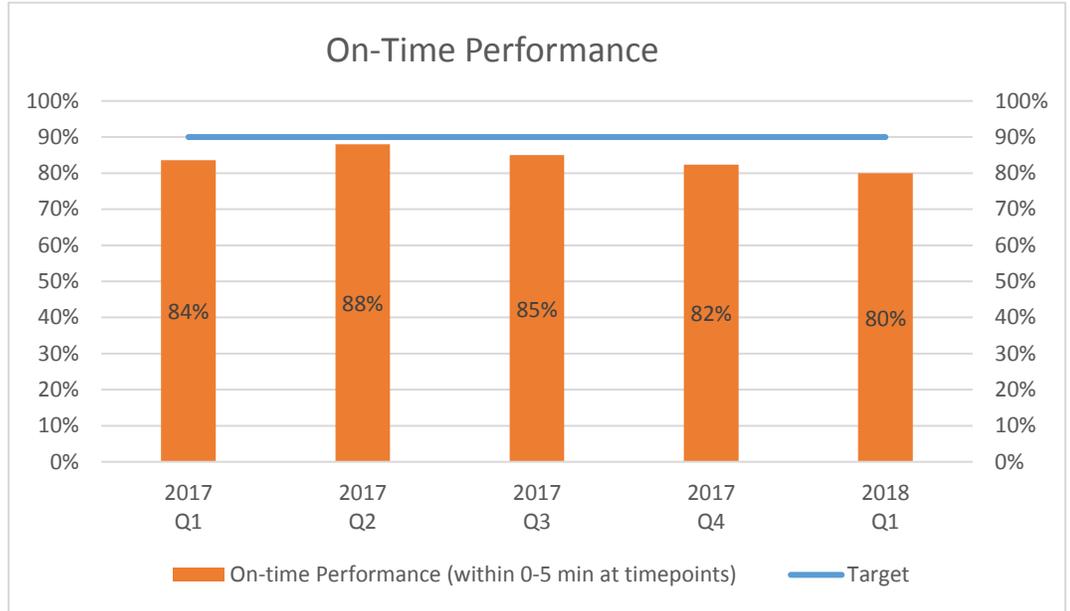
There was an increase in the number of preventable accidents and injuries in the last quarter.

Almost a third of the incidents were on-property preventable accidents, and we are addressing that with additional training and safety signage.

We are analyzing the last three months carefully to identify any other trends to mitigate this upswing.

**Reliable**

On-time performance has declined for three consecutive quarters. This development is troubling. Although this performance is still within industry norms (TCRP: buses in mixed traffic, small cities) it is below our 90% target and historically reported performance. If this continues, lower reliability could begin to affect customer satisfaction.



The Operations and Planning divisions are working together to review data, identify the cause, and develop effective remedies to this emerging challenge. Because AAATA bus operations have not changed, outside factors are likely the cause. Anecdotal staff observations point to increasing rush hour traffic on weekday afternoons. These observations are supported by some data. More work is needed to parse the data and localize lower performing areas and infer causation. Once the cause(s) have been identified, short-term solutions will be developed and deployed. This work is part of a larger assessment of the 5YTIP services.

## FY 2018 Q1 Satisfaction and Service Report

Service: Fixed Route (Local + ExpressRide)

Previous quarters

End/Outcome	Measure	Target*	2018 Q1	2017 Q1	Year to Year Trend	2017 Q4	2017 Q3	2017 Q2
<b>Ridership</b>	Boardings	Green > last yr's Q	1,724,420	1,704,139	1%	1,658,771	1,532,241	1,727,966
	Boardings per Capita in Service Area	-- --	7.5	7.6	0%	7.4	6.8	7.7
<b>Satisfaction</b>	User Surveys (every 2 years)	-- "High"		--		--	--	--
	Composite Service Performance Score	--		--		--	--	--
<b>Safe</b>	Preventable accidents + pass. injuries per 100,000 miles	Green < 3.5	2.16	1.14	89%	1.11	1.31	1.14
	% bus stops compliant with industry standards (TCRP)	--		--		--	--	--
<b>Reliable</b>	On-time Performance (within 0-5 min at timepoints)	Red 90%	80%	84%	-4%	82%	85%	88%
	% passengers on an on-time bus	--		--	-4%	--	--	--
	Miles between road calls	--	20,143	21,478	-6%	19,109	11,167	13,684
<b>Courteous</b>	Complaints per 100,000 boardings	--	2.4	1.5	56%	1.7	1.2	2.3
	% complaints investigated and followed up w/ Customer	--		--		--	--	--
<b>Comfortable</b>	Crowding	--		--		--	--	--
	% of qualifying, possible bus stops with shelters	--	88%			87%		
	Condition and cleanliness of bus: % buses scoring 80+/100	Green >80%	81%	82%	-2%	84%	82%	82%
<b>Eff. Stewardship</b>	Boardings per Revenue Hour	Red >25	24.8	24.2	3%	21.8	24.3	24.2
	Cost per Revenue Hour (note: cumulative over fiscal year)	--	\$ 102.1	\$ 103.5	-1%	\$ 102.4	\$ 99.3	\$ 103.5

\*Targets based on existing 1981/2014 Service Standards

Green= target being met

Red = target not being met

Blank = no target established (anticipated in Ends Interpretations)



## Issue Brief: [Monitoring Report 2.5 Financial Conditions and Activities](#)

**Meeting:** Board of Directors

**Date:** February 15, 2018

Agenda Item #4d

### Recommended Action(s):

- Accept/not accept Monitoring Report and accompanying Audit Report.

**Relevant Board Policies:** Policy 4.4: Monitoring CEO Process, Appendices A, B, C.

**Summary:** Staff prepared the Monitoring Report for *Executive Limitation Policy 2.5: Financial Conditions and Activities*. The recently completed financial audit for FY2017 supports this report and is attached.

### Background:

Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:

1. CEO sends Monitoring Report and survey link to all board members
2. All board members complete survey on acceptability of Monitoring Report, looking particularly for two things in the Monitoring Report:
  - a. A reasonable interpretation of the policy
  - b. Evidence of compliance with the reasonable interpretation
3. Committee reviews survey results and develops recommendation to accept/not accept Monitoring Report
4. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)

**Impacts of Recommended Action(s):** Governance: perform key Policy Governance process

### Attachments:

- Monitoring Report on 2.5: Financial Conditions and Activities
- Survey Results

Author: John Metzinger

Reviewed by: Matt Carpenter

Approved by: Matt Carpenter

Date: January 30, 2018

TheRide

## 2.5 Financial Conditions and Activities

Monitoring Report for the Period: October 1, 2016 – September 30, 2017

Date of Report: Tuesday, January 30, 2018

Board Survey due: Monday, February 5, 2018

Finance Committee Review: Tuesday, February 6, 2018

Board Review: Thursday, February 15, 2018

TheRide Board of Directors;

In accordance with the Board's Policy Manual; I present the February Monitoring report on **Executive Limitation Policy 2.5: Financial Conditions and Activities**. This report combines an external report information from the financial auditor and internal report information from staff. The auditor examines the financial statements, investments, Federal grant funds, and fund handling, but not the budget. Though these policies were not all in affect during FY2017, I have assembled this report as if they were.

I certify that the information is true and complete.

Matt Carpenter,  
CEO  
Ann Arbor Area Transportation Authority

## Policy being monitored:

### 2.5 FINANCIAL CONDITION AND ACTIVITIES

	<b>Page</b>
With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:	3
2.5.1 Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.	7
2.5.2 Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.	10
2.5.3 Receive, process or disburse funds under controls that are insufficient to meet the board-appointed auditor's standards.	11
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**Executive Limitations Policy 2.5**

*With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies.*

**Current Interpretation & Rationale**

I understand this policy to mean that I am obligated to proactively prevent or resolve situations which could place AAATA’s financial condition, including its treasury funds and revenues, at risk of harm, loss, or failure which would risk the agency’s ability to deliver the Board’s Ends outcomes. I interpret “fiscal jeopardy” to mean permitting insufficient or unrealistic revenue projections to provide for budgeted operating and capital expenditures for the current fiscal year and four subsequent years, or permitting any fiscal period to end with insufficient liquid or near liquid assets to sustain normal operations for at least 2.5 months.

Further, all of TheRide’s activities and costs must be demonstrably related to accomplishing the Board’s Ends. I interpret this to mean that I must not permit resources to be applied in such a way that the Ends cannot be achieved according to the priorities specified by the Board.

Compliance will be demonstrated when:

- 1) Reserve: Financial reporting will show at least 2.5 months expenses in liquid or near-liquid unrestricted net assets for 12 preceding months.
- 2) Revenues: At no point in time will Federal and state grant funds, property tax revenues, fares, or other operating revenues fail to be available for the current year to meet the budget for expenditures, or fail to be planned and programmed for subsequent years.
- 3) Expenditures: Planned expenditures will be demonstrably sufficient so that Board’s Ends are being achieved.

**Evidence**

1) Reserve: TheRide’s budgeted operating expense for FY2018 is \$43.258 million. Therefore, 2.5 months’ operating expenses would be \$9.01 million. At this point in the year (end of first quarter) we have \$8.1 in reserve as shown in the *FY2018 First Quarter Balance Sheet*. These assets are liquid or can be converted to liquid assets upon no more than 30-days’ notice. (Not compliant. Additional discussion has been provided in the Monitoring Report for Policy 2.5.8.)

2) Revenues: The Board-adopted *FY2018 Operating and Capital Budget* plans \$43.258 million in operating expense and \$4.206 million in capital expense. The following revenues are available and adequate to cover FY2018 budgeted operating expenses:

<b>Revenue Source</b>	<b>Millions of Dollars</b>
Passenger Revenue	\$8.950
Local Property Tax Revenue	\$15.566
State Operating Assistance	\$14.355

Federal Operating Assistance	\$3.250
Other Federal Operating	\$1.597
Advertising, Interest, Other	\$0.318
<b>Total Revenue:</b>	<b>\$44.036</b>

For FY2017, actual revenues totaled \$41.688 million, which was 5.8% lower than budgeted. However:

- TheRide had a \$1.3 million surplus of revenue over expense for the fiscal year, which is favorable.
- Revenues were lower than budgeted by \$2.5 million, and expenses were \$3.8 million below budget.
- AAATA ended the year in sound financial condition with revenues sufficient to meet expenses.

Budgeted capital expenditures for FY2018 are as follows:

<b>Expenditure</b>	<b>Millions of Dollars</b>
State of Good Repair	\$3.123
Value Added	\$0.103
Expansion	\$0.980
<b>Total Expenditure:</b>	<b>\$4.206</b>

Adequate federal and state funds exist in fully executed grant agreements so we are ready to meet these expenditures.

The adopted budget includes operating projections through FY2024 and capital projections through FY2027. Operating and capital revenues for subsequent years are programmed in the Transportation Improvement Plan (TIP) and are anticipated be available as planned for the next five years. However, local property tax revenues as projected are dependent upon passage of the renewal/replacement millage later this year, and federal funds will be dependent upon annual federal funding authorizations.

4) Expenditures: AAATA delivered the services promised in the FY2017 budget toward achieving the Board's ends (note: FY2017 data is not final and subject to review by FTA).

<b>ALL MODES</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<i>All Modes (Combined)</i>			
Operating Expense	32,827,801	32,802,465	39,495,051
Revenue Hours	349,509	411,032	438,733
Revenue Miles	4,757,609	5,197,510	5,565,881
Unlinked Passenger Trips	6,687,825	6,653,770	6,941,860
Passenger Miles Traveled	30,023,229	26,879,979	27,580,499
Cost Per Revenue Hour	93.93	79.81	90.02
Cost Per Revenue Mile	6.90	6.31	7.10
Cost Per Passenger Trip	4.91	4.93	5.69
Cost Per Passenger Mile	1.09	1.22	1.43

<b>Fixed-Route Bus (MB DO)</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<i>Fixed-Route Bus, Directly Operated</i>			
Operating Expense	27,251,090	27,984,278	30,268,598
Revenue Hours	219,272	246,278	280,886
Revenue Miles	2,681,362	3,026,342	3,460,748
Unlinked Passenger Trips	6,327,729	6,291,695	6,596,905
Passenger Miles Traveled	25,589,993	22,461,351	23,183,887
Cost Per Revenue Hour	124.28	113.63	107.76
Cost Per Revenue Mile	10.16	9.25	8.75
Cost Per Passenger Trip	4.31	4.45	4.59
Cost Per Passenger Mile	1.06	1.25	1.31

<b>Commuter Bus (CB DO)</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<i>Fixed-Route Commuter Bus, Directly Operated</i>			
Operating Expense	314,128	284,700	264,309
Revenue Hours	2,081	2,083	2,083
Revenue Miles	55,078	55,114	55,078
Unlinked Passenger Trips	32,249	29,414	26,212
Passenger Miles Traveled	581,891	499,744	445,342
Cost Per Revenue Hour	150.95	136.68	126.89
Cost Per Revenue Mile	5.70	5.17	4.80
Cost Per Passenger Trip	9.74	9.68	10.08
Cost Per Passenger Mile	0.54	0.57	0.59

<b>Commuter Bus (CB PT)</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<i>AirRide, Purchased Transportation</i>			
Operating Expense	1,285,970	195,924	1,366,918
Revenue Hours	8,961	9,141	8,997
Revenue Miles	290,810	296,671	279,442
Unlinked Passenger Trips	80,350	84,429	84,752
Passenger Miles Traveled	2,264,263	2,379,209	2,247,623
Cost Per Revenue Hour	143.51	21.43	151.93
Cost Per Revenue Mile	4.42	0.66	4.89
Cost Per Passenger Trip	16.00	2.32	16.13
Cost Per Passenger Mile	0.57	0.08	0.61

<b>Demand Response (DR PT)</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<i>A-Ride, WAVE, People's Express, JFS, Avalon, Purchased Transportation</i>			
Operating Expense	2,142,457	4,094,887	6,816,993
Revenue Hours	76,206	135,708	129,673
Revenue Miles	1,025,334	1,602,189	1,575,589
Unlinked Passenger Trips	148,973	216,988	205,791
Passenger Miles Traveled	910,075	1,325,027	1,409,147
Cost Per Revenue Hour	28.11	30.17	52.57
Cost Per Revenue Mile	2.09	2.56	4.33
Cost Per Passenger Trip	14.38	18.87	33.13
Cost Per Passenger Mile	2.35	3.09	4.84

<b>Demand Respose Taxi (DT PT)</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
<i>Demand Taxi, NightRide &amp; HolidayRide, MyRide, Purchased Transportation</i>			
Operating Expense	1,156,046	129,106	649,939
Revenue Hours	42,989	17,822	17,094
Revenue Miles	705,025	217,194	195,024
Unlinked Passenger Trips	98,524	31,244	28,200
Passenger Miles Traveled	677,007	214,648	294,500
Cost Per Revenue Hour	26.89	7.24	38.02
Cost Per Revenue Mile	1.64	0.59	3.33
Cost Per Passenger Trip	11.73	4.13	23.05
Cost Per Passenger Mile	1.71	0.60	2.21

### **Conclusion on Compliance**

The CEO reports non-compliance due to inadequate reserves. While there are developing risks to our financial condition, the CEO is not causing, allowing, or failing to address each concern:

1. The reserve fund balance is lower than needed to support 2.5 months' operating expense. However, corrective steps were taken with the development of the FY2018 budget and will continue to be addressed in budgeting for next fiscal year. It will take time for the reserve balance to consistently reach the policy threshold. We will continue to monitor as the fiscal year progresses.
2. AAATA's 0.7 millage is set to expire in FY2019. However, the CEO has not failed to address this concern. Efforts are underway to place a millage renewal and replacement before voters in August, and authorization by voters appears to be promising.
3. Political volatility in Washington D.C. which resulted in a federal government shutdown in January is beyond the CEO's ability to control. The FY2018 federal budget is being authorized through continuing resolutions; while the federal fiscal year is midway through its second quarter, the federal government is not fully-funded for the fiscal year. Any fiscal jeopardy which results will not be realized by AAATA until FY2019 because federal funds budgeted for this year were authorized in last year's budget and awards. We will need to continue keeping a close eye upon the status of federal funding for next year's budget.

**Executive Limitations Policy 2.5.1**

*...the CEO shall not ... Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.*

**Current Interpretation & Rationale**

I interpret this policy to mean TheRide will meet Governmental Accounting Standards Board (GASB) and Internal Control (cash handling, fund handling, and financial management) standards. On an annual basis, an external audit firm will assess TheRide’s policies, processes, and procedures for compliance and appropriateness. I will incorporate auditor’s suggestions when appropriate.

**Evidence**

Financial Auditors recently completed an audit on FY 2017. They particularly focus on accounting, but report on weaknesses they come across in Internal Controls. In 2009, AAATA had a thorough review of Internal Controls done by a firm, Maner Costerisan, and updated Internal Controls procedures. For FY2017 there were no findings of deficiencies in accounting practices or internal controls. Pertinent evidence from both sources is provided here:

**Accounting:** Selections from the Independent Auditor’s Management Letter (pp.3-5):

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements related to the following:

- OPEB (other postemployment benefits) costs, including the actuarial methods and assumptions. These assumptions used are based on plan provisions, healthcare-related trends, and payroll data.
- Allowance for collectability reserve related to local revenue source receivables. The assumptions are based on communications from the City of Ann Arbor, the City of Ypsilanti, and Ypsilanti Township, combined with management’s estimates for uncertainties and historical results.
- Reserve for Act 51 operating assistance revenue. The assumption is based on the estimated reduction of the collective qualifying expenditures by the Authority and RTA member agencies, which could result in less total eligible expenditures to be reimbursed by Act 51 monies from the State of Michigan through the Regional Transportation Authority (RTA). There was no reserve recorded at September 30, 2017.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

***Internal Controls:*** Selections from the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (p.43):

In planning and performing our audit of the basic financial statements, we considered Ann Arbor Area Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.... Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In 2009, AAATA worked with a firm, Maner Costerisan to develop “agreed upon procedures” to ensure an appropriate Internal Control system. All the identified risks from that engagement have been resolved. The Point of Sale system was installed in November 2017.

**Conclusion on Compliance**

In compliance.

**Executive Limitations Policy 2.5.2**

*...the CEO shall not ... Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.*

**Current Interpretation & Rationale**

AAATA will operate in compliance with regulations, master agreements, federal circulars, and state manuals. AAATA will take care in its administration of grants. Federal compliance will be tested annually by an independent audit firm, and federal compliance every three years by a Federal Transit Administration auditor (2015). AAATA will have an active procurement manual that includes the latest requirements.

**Evidence**

***Federal Compliance:*** Selections from the Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance (p.46):

**Opinion on Each Major Federal Program**  
In our opinion, Ann Arbor Area Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

***FTA Triennial Review:*** In 2015 the FTA found no problems with the AAATA’s internal control or business decisions that would jeopardize federal funding.

***State Compliance:*** Grant agreements from the Michigan Department of Transportation are fully awarded and executed for FY2018.

***Procurement Manual:*** The current procurement manual (adopted 2013) is up-to-date insomuch as it complies with known regulations. However, it is dated (approved in 2013), somewhat cumbersome and may not incorporate best practices developed since its adoption. While the manual meets all known rules, the CEO does not feel that it is up-to-date and as effective as it could be. An update is planned before the end of 2019.

**Conclusion on Compliance**

In compliance.

### **Executive Limitations Policy 2.5.3**

*...the CEO shall not ...Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.*

### **Current Interpretation & Rationale**

I understand this policy to mean that staff are prohibited from handling the AAATA's funds while using Internal controls that are insufficient to meet the Board's auditor's standards.

Internal controls are defined as processes designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. This is the most widely accepted definition and comes from the Committee of Sponsoring Organizations (COSO). It focuses upon the fiduciary responsibilities of the Board of Directors, management, and other personnel, given that AAATA is a local government entity that handles public funds.

### **Evidence**

AAATA is using an Internal Control System that was developed in 2009 with consultation by Maner Costerisan. That consultant was hired to develop agreed upon procedures to ensure use of an appropriate Internal Control System. All the identified risks from that engagement have been resolved over recent years. In FY2017, AAATA implemented a Point of Sale system as the last recommendation from this study, to provide adequate segregation of duties with regard to handling of fare sales by call-taking personnel.

### **Conclusion on Compliance**

In compliance.

**Executive Limitations Policy 2.5.4**

*...the CEO shall not ... Compromise the independence of the Board’s audit or other external monitoring or advice.*

**Current Interpretation & Rationale**

I understand this policy to mean that staff should in no way hinder any Board inspection of financial information. The Board’s audit, and other inquiries, should be truly independent opinions free of staff influence. The CEO shall not engage the auditing firm to be advisors or consultants. CEO and staff are resources to the auditor, not supervisors or authors of audit opinions. The Board shall have direct and unfettered access to the auditing firm through the firm’s pre-audit communication and a post-audit communication as required by US Generally Accepted Auditing Standards, in addition to an auditor’s presentation to the Board at a public meeting.

**Evidence**

Financial auditors recently completed an audit on FY2017 Financial Statements and Federal Programs, following Generally Accepted Auditing Standards, which include stringent independence standards. The Auditors sent a Pre-Audit communication letter in November 2017 to the Board’s Audit Committee. The Draft Independent Auditor’s Report has been provided to the Audit Committee, and the auditor will offer a presentation in February to the Board. The auditing firm, Plante Moran, does no consulting or advising with AAATA.

From the Auditor’s Management Letter (p. 4):

***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Conclusion on Compliance**

In compliance.

### **Executive Limitations Policy 2.5.4.1**

*...the CEO shall not ... Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.*

### **Current Interpretation & Rationale**

I interpret this policy to mean that I am to inform the Board in a timely manner upon becoming aware of fraud, suspected fraud, or financial mismanagement. Fraud is defined as “wrongful or criminal deception intended to result in financial or personal gain.” Financial mismanagement refers to manners of handling AAATA’s finances that could be characterized as without due regard for future implications, as well as “wrong, bad, careless, inefficient or incompetent,” whether deliberate or not.

### **Evidence**

An effective internal control system is in place to guard against fraud. Neither I, the CFO, nor the Manger of Finance are aware of any occurrences of fraud or suspected fraud since I have begun my work as CEO.

In FY2017, at the CEO’s direction, AAATA completed a financial assessment which indicated that future financial resources were over-committed and the Authority’s financial stability was at risk. I did immediately inform the Board of these findings in May and June of 2017. Several corrections were adopted with the FY2018 budget (August 2018), and continue to be led by the Deputy CEO Finance and Administration.

The FY2017 annual audit has been drafted. From the auditor’s Opinion, p. 1:

The basic financial statements ... present fairly, in all material respects, the financial position of AAATA as of September 30, 2017 and 2016 and the changes in financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States.

### **Conclusion on Compliance**

In compliance.

### **Executive Limitations Policy 2.5.4.2**

*...the CEO shall not ... Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud, or financial mismanagement.*

### **Current Interpretation & Rationale**

I interpret this policy to mean that I must make available any financial information the Board and its auditors request, which includes transparency about internal controls.

### **Evidence**

The Board's primary mechanism to review for fraud and financial mismanagement is the annual financial audit. From the Draft FY2017 audit, p. 1:

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

No material weaknesses or significant deficiencies were found in the FY2017 audit (FY2017 Audit, p. 50).

On internal controls, from the Draft FY2017 audit, pp. 43-44:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

There have been no other times when the Board, as a whole, has requested access to this information. There are no motions or resolutions on-record requesting such information.

### **Conclusion on Compliance**

In compliance.

### **Executive Limitations Policy 2.5.5**

*...the CEO shall not ... Allow expenditures that exceed the overall Board-approved budget.*

### **Current Interpretation & Rationale**

I interpret the phrase “overall Board-approved budget” to refer to the operating budget for the fiscal year. Use of the word “overall” implies that the Board is most concerned that the bottom line of the budget is not exceeded, even though variances may exist among the contributing categories of expense that comprise the total budget. Non-compliance would therefore be indicated if total expenses exceed the overall budgeted amount.

- For FY2017, the board approved operating expenditures of \$44.173 million (Resolution 25/2016).
- For FY2018, the board approved operating expenditures of \$43.258 million (Resolution 21/2017).

Compliance is determined if actual expenditures did not exceed these amounts.

### **Evidence**

- The *FY2017 Fourth Quarter Financial Statement* shows total operating expenses were \$40.408 million; under budget for the fiscal year by \$3.765 million.
- The *FY2018 First Quarter Financial Statement* shows total to-date operating expenses were \$9.863 million, which is less than the to-date budgeted expense of \$10.566 million, as of December 31, 2017.

### **Conclusion on Compliance**

In compliance.

**Executive Limitations Policy 2.5.5.1**

*...the CEO shall not ... Allow cost overruns on capital projects.*

**Current Interpretation & Rationale**

I interpret this policy to mean that I may not allow expenditures greater than budgeted for each of the capital items listed in the adopted budget.

Capital projects are improvements and additions to AAATA’s assets such as acquisition, construction, expansion, renovation, or replacement of facilities, vehicles, and equipment. Capital assets, rather than being expensed, are depreciated over the useful life of the asset.

For FY2017, the Board adopted a Capital and Categorical Grants program with projects totaling \$8.425 million for the following capital projects:

**FY2017 Capital Plan Adoption:**

<b>Category</b>	<b>Project</b>	<b>Budget</b>
<b>State of Good Repair</b>	Large Bus Replacement	2,400,000
	Hybrid Increment	600,000
	Small/Medium Bus Replacement	120,000
	Vanpool Vehicles	850,000
	Maintenance Components, Tools/Equip.	250,000
	IT Hardware and Software	515,000
<b>Value Added</b>	2700 Facility Upgrades	300,000
	Rider Amenities/Accessibility	100,000
	DriverMate Paratransit Software	90,000
<b>Expansion</b>	Large Bus Expansion	2,400,000
<b>R&amp;D</b>	YTC Planning	400,000
	Connector Study	400,000
<b>Total</b>		<b>8,425,000</b>

## Evidence

Following are actual expenditures and variances from budget. No cost overruns for capital projects occurred.

### **FY2017 Capital Budget and Expenditures**

<b>Category</b>	<b>Project</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Variance from Budget</b>	<b>Cost Overruns?</b>	<b>Project Status</b>
<b>State of Good Repair</b>	Large Bus Replacement	2,400,000	2,341,765	(58,235)	No	Complete
	Hybrid Increment	600,000	600,000	-	No	Complete
	Small/Medium Bus Replacement	120,000	125,310	5,310	No	Complete
	Vanpool Vehicles	850,000	146,876	(703,124)	No	Complete, Rem. Funds Reallocated
	Maintenance Components, Tools/Equip.	250,000	-	(250,000)	No	Ongoing
<b>Value Added</b>	IT Hardware and Software	515,000	438,603	(76,397)	No	Ongoing
	2700 Facility Upgrades	300,000	37,701	(262,299)	No	Ongoing
	Rider Amenities/Accessibility	100,000	95,693	(4,307)	No	Complete
<b>Expansion</b>	DriverMate Paratransit Software	90,000	-	(90,000)	No	Deferred
	Large Bus Expansion	2,400,000	2,340,865	(59,135)	No	Complete
<b>R&amp;D</b>	YTC Planning	400,000	-	(400,000)	No	Ongoing
	Connector Study	400,000	-	(400,000)	No	Ongoing
<b>Total</b>		<b>8,425,000</b>	<b>6,126,813</b>	<b>(2,298,187)</b>		

## Conclusion on Compliance

In compliance.

**Executive Limitations Policy 2.5.6.**

~~...the CEO shall not ... Invest or hold operating capital in insecure instruments, including uninsured checking accounts, or bonds less than AA rating at any time, or non interest bearing accounts, except where necessary to facilitate ease in operational transactions.~~

**Current Interpretation & Rationale**

This language has been deleted from Policy 2.5 and included in the new Policy 2.6 Investments. Monitoring report will be presented in March 2018.

**Executive Limitations Policy 2.5.7**

*...the CEO shall not ... Authorize contracts not anticipated in the current budget with a value greater than \$250,000.*

**Current Interpretation & Rationale**

I interpret this policy to mean that I must obtain Board approval for contracts with a value greater than \$250,000 that are not specifically listed in the budget document. A list of authorized contracts was included in the FY2018 budget’s appendices on page 46. I can authorize unbudgeted contracts valued at \$250,000 or below without additional approval by the Board.

A prior policy which required contracts over \$100,000 to be sent to the Board for approval was in effect for most of FY2017.

**Evidence**

The following contracts were awarded in FY2017 with a >\$100,000 threshold requiring Board approval:

<b>CONTRACT DESCRIPTION</b>	<b>DATE AWARDED</b>	<b>VENDOR</b>	<b>AWARDED AMOUNT</b>	<b>BOARD APPROVAL OBTAINED</b>
Purchase and Installation of New Engines	10/20/2016	Cummins Bridgeway	\$317,800	Yes
Lift-Equipped Van Purchase	10/20/2016	Mobility Transportation	\$125,310	Yes
Airport Transportation Service (AirRide)	2/16/2017	MI Flyer	Over \$100,000	Yes
Communications and Marketing Services	2/15/2017	Berline	Over \$100,000	Yes
Bus Stop Concrete	6/15/2017	Saladino	Over \$100,000	Yes
YTC Passenger Terminal Needs Assessment	6/15/2017	Wendel Architecture	\$195,000	Yes
Vanpool Services	6/15/2017	Enterprise	Over \$100,000	Yes
Bus Shelters and Benches	6/15/2017	Duo Gard	Over \$100,000	Yes
FlexRide	6/15/2017	Golden Limo/Mode	Over \$100,000	Yes

No unbudgeted contracts greater than \$250,000 were awarded in July through September, FY2017.

**Conclusion on Compliance**

In compliance.

### **Executive Limitations Policy 2.5.7.1**

*...the CEO shall not ... split purchases or contracts into smaller amounts in order to avoid the above limit.*

### **Current Interpretation & Rationale**

I interpret this policy to mean that the staff and I cannot attempt to avoid the requirements of Policy 2.5.7. Contracts with the same vendor must not be broken into smaller contracts in order to be under the limit set above, for contracts not anticipated in the budget.

### **Evidence**

The Purchasing Manager found no vendors were awarded multiple contracts bringing award totals above the thresholds of policy in FY2017.

### **Conclusion on Compliance**

In compliance.

**Executive Limitations Policy 2.5.8**

...the CEO shall not ... Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.

**Current Interpretation & Rationale**

I understand this policy to mean that I must establish an administrative policy that identifies an appropriate level of operational reserve funding that would insulate the AAATA from financial disruptions or emergencies. Furthermore, this reserve fund must be fully funded and ready to be used if needed.

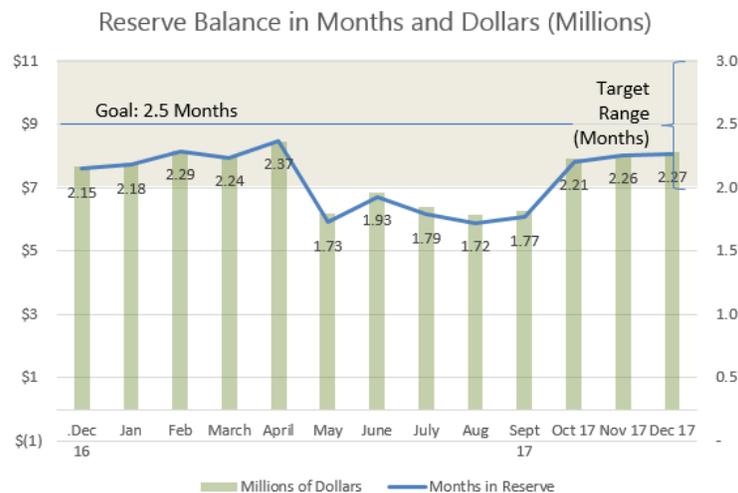
In the recent past, near-term core operating expenses was defined as unrestricted net assets available to support 2.5 months of normal operations. Retained “unrestricted net assets” comprise the “reserve fund.”

Staff and I have since determined that our reserve policy target should remain at 2.5 months of operating expenses available for operations. Recent research on public sector practices has confirmed that 2.5 months is a reasonable standard. It is my interpretation that we will be in compliance with this policy when AAATA’s quarterly financial statements demonstrate a reserve balance of at least 2.5 months of operating expenses consistently for a period of one year.

**Evidence**

AAATA ended the 2017 fiscal year with a reserve balance of \$6.3 million, or 1.77 months of operating expenses as indicated on the *FY2017 Fourth Quarter Balance Sheet*. Over the last ten years the size of the reserve has declined to a point that it has been consistently below the Board’s policy threshold, due to the rising costs of expansion. This concern was discussed in detail in the *FY2018 Operating and Capital Budget* documentation (see p. 16).

At the end of the first quarter, 2018, the reserve balance was \$8.1 million or 2.27 months of operating expenses, as shown on the *FY2018 First Quarter Balance Sheet*. Over the last 12 months, the reserve balanced has not been consistently at or above the policy target of 2.5 months:



### **Conclusion on Compliance**

The CEO reports non-compliance with this policy. Although a clear standard has been adopted (2.5 months) the reserve fund has not yet been replenished. While significant changes were adopted with the FY2018 budget which will help contribute to the reserve balance, and additional improvements are planned as the FY2019 budget is prepared, it will take time for the reserve balance to consistently reach the policy threshold. We will continue to monitor its progress this year.

### **Executive Limitations Policy 2.5.9**

*...the CEO shall not ... Adjust transit passenger fares or tax rates assessed by the Authority.*

### **Current Interpretation & Rationale**

I understand this policy to mean that staff cannot change the prices for any passenger fares (cash, tokens, tickets, passes, etc) without Board authorization. Furthermore, staff cannot adjust the tax rate levied by the AAATA without Board authorization.

Tax rates refers to local property taxes levied upon property owners who live in our taxation districts.

The CEO must bring any fare or tax adjustments to the Board for approval. In Michigan, taxes may be changed only with signature of the Board Chair and Secretary on Michigan Form L4029. Tax proposals and renewals must be approved by governance bodies and voters.

### **Evidence**

The contract with Enterprise for VanPool includes annual user fee increases which were accepted by the PMER Committee and Board of Directors in June 2017 prior to contract award.

TheRide did not adjust passenger fares or tax rates in FY2017. All current fares are available on the website at <http://www.theride.org/Fares-Passes>.

### **Conclusion on Compliance**

In compliance.

### **Executive Limitations Policy 2.5.10**

*...the CEO shall not ... Acquire, encumber, or dispose of real estate.*

### **Current Interpretation & Rationale**

I understand this policy to mean that staff are prohibited from purchasing or selling land, buildings or any other fixed physical asset without Board authorization. Furthermore, prohibited encumbrances include saddling real estate with debt or mortgages, leasing or selling rights to AAATA-owned property, and making encumbrances to real estate which would limit or restrict its use by the AAATA.

Specifically, this Policy applies to three real estate properties owned by the AAATA:

1. Dawn Gabay Operations Center
2. Blake Transit Center
3. Ypsilanti Transit Center

Should the AAATA need to acquire, encumber, or dispose of real estate, I understand this Policy to mean that the Board's approval would be required first. This policy does not apply to renting property, buildings or facilities needed to facilitate AAATA operations or implementation of Board policies.

### **Evidence**

The FY2017 Statements of Net Position (Annual Audit, p. 7, also Note 7, pp. 18-19) demonstrate that there has been no change in the valuation of land and improvements (\$2,270,821), or buildings and improvements (\$28,048,161) for FY2017 compared to FY2016. This is evidence that no real estate was acquired or disposed of in FY2017.

No properties were encumbered through leasing, mortgaging, or transfer of rights to other parties. All AAATA-owned real estate is available for the Authority's use.

### **Conclusion on Compliance**

In compliance.

(To be filled in based on Board action after submission)

**Policy: 2.5 Financial Condition and Activities**

**Date Submitted:** Feb 15, 2018

**Date of Board Response:** TBD

The Board has received and reviewed the CEO's Monitoring Report references above. Following the Board's review and discussion with the CEO, the Board makes the following conclusions:

**Executive Limitations Report (select one)**

The Board finds that the CEO:

- A. Is in compliance
- B. Is in compliance, except for item(s) noted.
- C. Is making reasonable progress toward compliance.
- D. Is **not** in compliance or is **not** making reasonable progress toward compliance
- E. Cannot be determined.

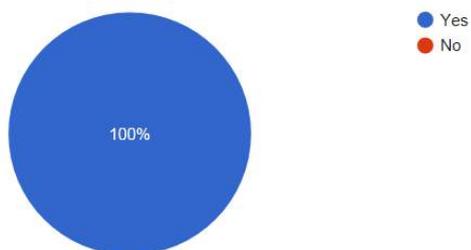
Board notes:

## Survey Results: Evaluation of Monitoring Report 2.5 Financial Conditions and Activities

### Board Assessment of CEO/Org Performance

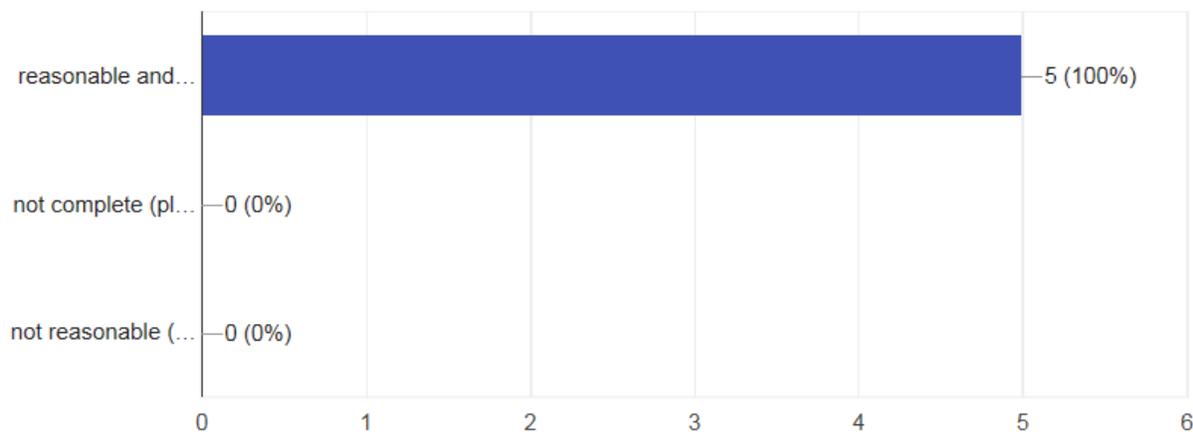
Was this report submitted when due?

5 responses



Do you find the CEO Interpretation for each policy/subpolicy to be:

5 responses



Reasonable and complete (5)

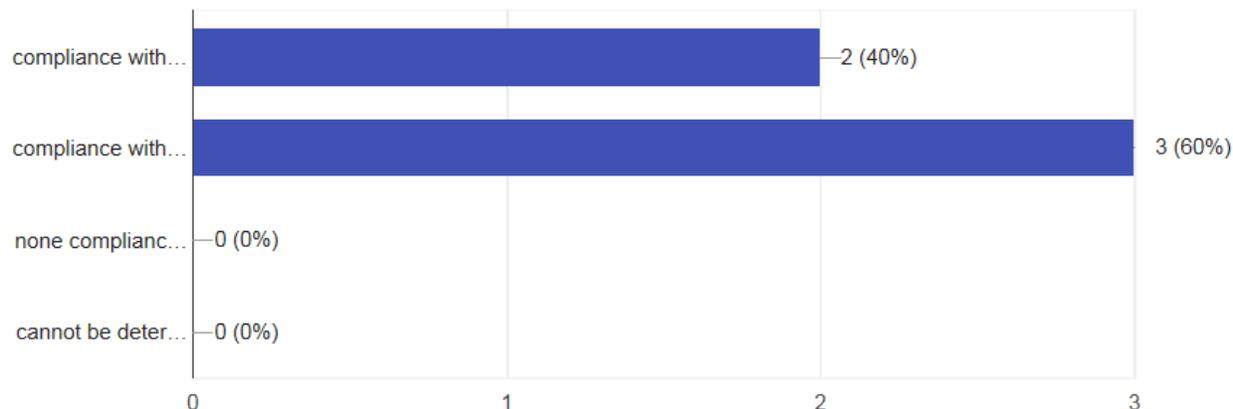
CEO Interpretations that were incomplete or unreasonable (if any):

1 response

I wonder if the interpretation 2.5.5.1 is too restrictive. Even small cost overruns for individual capital projects would be out of compliance

## Do you find the CEO's evidence and data shows..?

5 responses



### Compliance with policy (2)

Compliance with policy, except for item(s) noted below, and is making reasonable progress toward compliance (3)

### Items not in compliance (if any):

3 responses

Lack of 2.5 months reserve acknowledged by CEO with timeline of expected remedy.

Non compliance as listed by the CEO

Reserve policy

## OPTIONAL: potential Policy development

Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy? What is the value that drives your concern?

Be interested in "fuel futures" and the manner this fits in the financial considerations and policies.

no

I have concerns about independent checks against fraud, kickbacks and personal use of Authority property. I am not sure that the independent audit would catch all possible misconduct.

What policy language would you like to see incorporated to address your worry?

Look at the role of innovative (futures) or cooperative fuel acquisition methodologies

I am not sure how to address this issue.

## OPTIONAL: Comments for the CEO

3 responses

lots of data - I hope we have opportunity to explore more than once a year. Various costs and cost incurred as it changes, i.e., commuter service ridership weakness.

It is difficult to determine what depth the board go into when examining the financial reports.

Good report with clear explanations

Potential improvement(s):

3 responses

Make sure there is good information to allow the Board to be aware of changing financial conditions.

I would like more information about internal and external checks and balances.

The conclusion on compliance should be stated before the Evidence.

Comments on the report itself:

2 responses

Its a step in the right direction. Thanks

Very thorough for the first financial monitoring report.



## Issue Brief: FY2018 Q1 Financial Statement Report

**Meeting:** Board of Directors

**Date:** February 15, 2018

**Agenda Item #** 4e

**Recommended Action(s):** Receive as CEO Operational Update

### Prior Relevant Board Actions and Policies:

- 2.11.1.5 CEO shall not...Let the Board be unaware of... incidental information (including) quarterly budget to actual financial reports.
- Appendix A: Informational Reports schedule specifies quarterly Financial Statement reports in November, February, May, and September.

### Issue Summary:

Staff present the First Quarter Financial Statement with currently available and reportable financial information for the period ending December 31, 2017.

### Attachments:

- FY 2018 Q1 Financial Statement (Income Statement and Balance Sheet)

### Background:

Financial highlights from the first quarter (October, November, and December 2017) include:

- TheRide operated within the budget.
- There was a \$427,00 surplus of revenue over expense.
- Revenues were lower than budgeted by \$226,000, and expenses were \$703,000 below budget.
- Cash flow was adequate to cover expense; quarter ended at \$15.1 million in cash/ investments.
- The reserve balance was \$8.13 million, \$223,000 higher than first quarter end last year.
- The number of months of operating reserve is at 2.27, below the target of 2.5 months.

### Next Steps:

- Q2 2018 financial reports due in May will further illustrate the effect of corrective measures approved in the 2018 budget. The fiscal year will be half complete.

Author: John Metzinger

Reviewed by: *Matt Carpenter*

Approved by: *Matt Carpenter*

Date: February 8, 2018



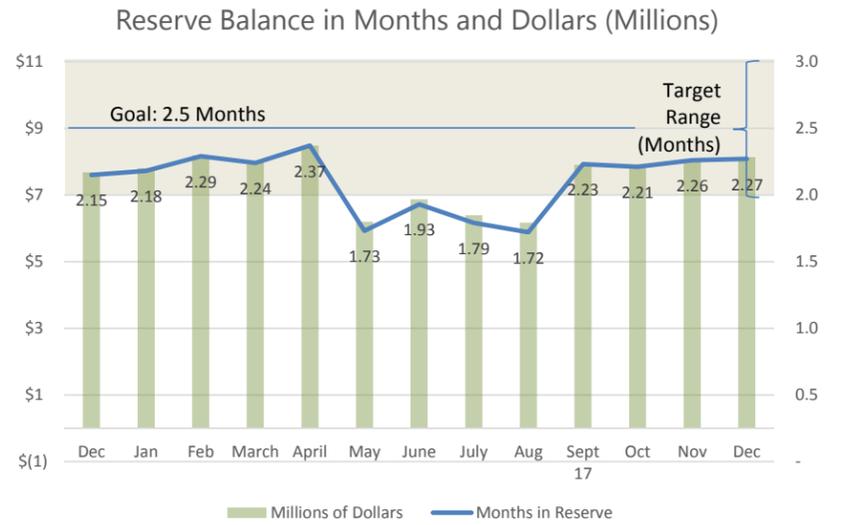
## Balance Sheet

For the Period Ended December 31, 2017

### Balance Sheet and Reserve

In Thousands of Dollars (which means add a comma and three zeros), With Prior Year Comparison.

	Current Quarter 12/31/2017	Last Quarter 9/30/2017	Last Year 12/31/2016
<b>ASSETS</b>			
Cash & Investments	\$ 15,120	\$ 15,639	\$ 16,638
Other Current Assets	\$ 8,765	\$ 8,508	\$ 6,563
Capital Assets	\$ 54,691	\$ 54,644	\$ 55,297
<b>Total Assets</b>	<b>\$ 78,576</b>	<b>\$ 78,791</b>	<b>\$ 78,498</b>
<b>LIABILITIES</b>	4,123	4,908	3,854
<b>NET POSITION</b>	<b>\$ 74,453</b>	<b>\$ 73,883</b>	<b>\$ 74,643</b>
<b>Reserve Balance</b>	<b>\$ 8,126</b>	<b>\$ 7,903</b>	<b>\$ 7,681</b>
<b>Months in Reserve</b>	<b>2.27</b>	<b>2.23</b>	<b>2.15</b>



### Statement of Cash Flows (in Thousands of Dollars)

In Thousands of Dollars (which means add a comma and three zeros).

	FY2016			Fiscal Year 2017				Fiscal Year 2018
	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
<b>Cash &amp; Investments</b>								
Beginning Balance	\$ 14,073	\$ 13,120	\$ 6,383	\$ 16,736	\$ 16,638	\$ 12,985	\$ 7,538	\$ 15,639
Effect of Operations	(65)	3,577	2,515	(6)	(1,263)	3,859	(137)	(1,519)
Effect of Capital	49	(4,371)	(5)	(11)	48	(1,958)	(447)	-
Effect of Investments	(936)	(5,943)	7,842	(80)	(2,438)	(7,349)	8,685	1,000
<b>Ending Balance:</b>	<b>\$ 13,120</b>	<b>\$ 6,383</b>	<b>\$ 16,736</b>	<b>\$ 16,638</b>	<b>\$ 12,985</b>	<b>\$ 7,538</b>	<b>\$ 15,639</b>	<b>\$ 15,120</b>

### Investments Summary

In Thousands of Dollars (which means add a comma and three zeros).

Type of Purchase	Date of Maturity	Interest Rate	Total as of 12/31/2017
Bank of AA - CDARS	1/18/2018	0.1%	\$ 9,001
RBC Futures Account	Daily	0.1%	588
Key Bank Money Market	Daily	0.1%	5
MERS Retirement Savings			106
<b>Total Investments:</b>			<b>\$ 9,701</b>

The majority of Operating Capital and Long Term Reserves are FDIC insured. CDARS (certificate of deposit account registry service) allows AAATA funds to be distributed to various banks to ensure funds remain under the FDIC \$250,000 limit. This is facilitated by Bank of Ann Arbor. Accounts that are not FDIC insured are used for day-to-day working capital including a fuel futures commodity account and a money market account. MERS Retirement Savings is not operating capital and is managed by Municipal Employee's Retirement System of Michigan.

### Cash and Investments History

Total Cash and Investments by Month and Year (2014 to 2018 YTD)

In Millions of Dollars.





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## Issue Brief: Draft Ballot Language for Consideration

**Meeting:** Board Meeting

**Date:** February 15, 2018

**Agenda Item#:** 4f

### Recommendation:

The Board receive the attached ballot language for consideration and discussion, in advance of potential Board approval in March or April. Additional outreach with elected leaders in the City of Ypsilanti and Ypsilanti Township is required. Ballot language must be approved on or before April 19, 2018 in order to be properly certified and placed on an August Ballot.

### Prior Relevant Board Actions and Policies:

- 2018 Resolution - Language Development for Ballot Question (1/18/18)

### Issue Summary:

The AAATA's 2014 millage (0.7 mills) expires in 2019. The Board has directed the CEO to provide draft ballot language for the Board's consideration on the premise that the existing millage will be renewed and restored at the 0.7 mill rate on the August 2018 primary election. Minimum legal requirements and draft language is provided in Attachments 1 and 2.

On review, it became apparent that agreements signed in 2014 obligate the AAATA to solicit advice from municipal councils in the City of Ypsilanti and Ypsilanti Township. Arrangements are being made to take this step before the next meeting of the AAATA Board (March 15, 2018). The relevant excerpt of these agreements is provided in Attachment 3.

### Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** Replacement of the existing 0.7 millage will sustain existing services.
- **Social:** The draft ballot language appears to be clear and should be easily understandable.
- **Environmental:** The ballot question itself does not have a direct environmental impact.
- **Governance:** Only the Board can approve ballot language.

### Attachments:

Attachment 1 – Minimum Legal Requirements for Ballot Language

Attachment 2 – Draft Ballot Language (AAATA Millage)

Attachment 3 – 2014 Agreement on Soliciting Advice

---

Author: Bill De Groot

Reviewed by: Matt Carpenter

Approved by: Matt Carpenter

Date: 2/6/18

## Attachment 1 – Minimum Legal Requirements for Ballot Language

In order for a ballot question to be placed on a ballot within the State of Michigan it must meet minimum legal requirements. Staff has condensed the applicable state laws into the list below:

### MINIMUM LEGAL REQUIREMENTS

Michigan property tax law (MCL 211.24f) and election law (MCL 168.646a and 168.643a) set forth the following minimum requirements related to a ballot issue

- The ballot shall fully disclose each local unit of government to which the revenue will be disbursed.
- The millage rate to be authorized
- The estimated amount to be collected in the first year
- The duration of the millage in years
- A 'clear statement of the purpose' of the millage
- Statement as to whether the millage is a renewal or new
- Question shall be worded so that a 'yes' vote is in favor of the measure
- Language may not be biased for or against the issue

**Attachment 2 – Draft Ballot Language (AAATA Millage)**

AAATA staff has worked with the legal counsels in various jurisdictions to develop language that meets the minimum requirements above and is offered as a starting point for Board deliberations:

**PROPOSED BALLOT LANGUAGE**

*To maintain the expanded levels of available public transit and paratransit services—including, and services for seniors and people who have disabilities—shall the Ann Arbor Area Transportation Authority (TheRide) renew and restore an annual tax of 0.7 mills (\$0.7000 per \$1000 of taxable value) on all taxable property within the City of Ann Arbor, the City of Ypsilanti, and the Charter Township of Ypsilanti for the years 2019-2023 inclusive? An annual tax of 0.7 mills was first approved in 2014. This millage has been reduced to 0.6860 mills under the Headlee Amendment. This proposal would renew the millage and restore it to the originally approved 0.7000 mill amount. The estimate of revenue if this millage is approved is \$4,849,066 for 2019. This revenue will be disbursed to the- TheRide and, as required by law, a portion may be subject to capture by the downtown development authorities of Ann Arbor and Ypsilanti, the Washtenaw County Brownfield Redevelopment Authority, and the local development finance authority of the Charter Township of Ypsilanti.*

**Attachment 3 – Excerpt from 2014 Agreements**

The following text is excerpted from signed agreements between the City of Ypsilanti or Ypsilanti Township, and the AAATA.

*Major Policy. On major, long-term decisions dealing with public policy actions of transportation services, whether or not they represent financial expenditures, the AAATA will apprise City Council/Township Board and solicit (their) advice prior to making the decision.*

UNLESS POSTED, LAC MEETINGS ARE HELD THE SECOND TUESDAY OF EVERY MONTH (EXCEPT JULY) FROM 10 A.M. TO 12 NOON AT AAATA'S MAIN OFFICE: 2700 S. INDUSTRIAL HWY., ANN ARBOR (734) 973-6500

## 1.0 INTRODUCTION OF ATTENDEES

**LAC Executive Members Present:** Kathleen Mozak-Betts, Larry Keeler, Deb Poster, Clark Charnetski, Jody Slowins, Rebecca Burke, Steven McNutt

**LAC Executive Members Absent:** Liz Aldridge, Cathy-Alice Koyanagi, John Kuchinski

**Board Liaison:** No Appointment

**TheRide Liaison:** Brian Clouse

**LAC Members:** Cheryl Weber, Andrea Henry (CIL), Janet Nutt, Mary Wells

**LAC Guests:** Darryl Johnson (RC), Julia Roberts (AAATA), Michaelene Pawlak (WAVE), Doug Anderson (PEX), Melissa Buhr (WISD), Tim Simpson

Commonly Used Acronyms	
AAATA	Ann Arbor Area Transportation Authority
AAA1B	Area Agency on Aging 1B
AADL	Ann Arbor District Library
ADA	Americans with Disabilities Act
BTC	Blake Transit Center
CAC	Citizens Advisory Council (RTA)
CIL	Center for Independent Living
CSR	Customer Service Representatives
ETA	Estimated Time of Arrival
FOIA	Freedom of Information Act
JFS	Jewish Family Services
LAC	Local Advisory Council
MDOT	Michigan Department of Transportation
PPA	Partners in Personal Assistance
PEX	Peoples Express
PMER	Performance Monitoring and External Relations
RC	Ride Corp
RFP	Request for Proposal
RTA	Regional Transportation Authority
SMART	Suburban Mobility Authority for Regional Transportation
WATS	Washtenaw Area Transportation Study
WISD	Washtenaw Intermediate School District
WAVE	Washtenaw Area Value Express

**2.0 COMMUNICATIONS AND ANNOUNCEMENTS**

2.1 Mr. Charnetski commented on Amtrak ridership increases due to improved services.

**3.0 REVIEW AND APPROVAL OF MINUTES**

3.1 The January draft minutes were approved with amendments to item 2.2 to include “and Detroit” and 6.5 to replace “Board” with “Executive Committee”.

**4.0 PUBLIC COMMENT TIME (5 MINUTE TIME LIMIT PER SPEAKER)**

4.1 There were no public comments.

**5.0 AAATA BOARD MEETING REPORT**

5.1 Mr. Keeler reported on the January Board meeting. Ms. Weber provided an explanation of the Board’s use of the Policy Governance model.

**6.0 BUSINESS ITEMS (NEW BUSINESS)**

**6.1 Agenda Review & Approval**

Ms. Mozak-Betts opened the agenda for review and approval. Mr. Charnetski’s motion for one new item was placed on the agenda. The agenda was approved with no further amendments.

**6.2 MDOT Vehicle Accessibility Plan Review**

Representatives from AAATA, WAVE and People’s Express presented their respective Vehicle Accessibility Plan for 2019. The LAC reviewed and discussed the Vehicle Accessibility Plans. Representatives from WAVE, People’s Express and Northfield Human Services responded to LAC inquiries on the services they provide in the urban areas.

**6.3 Farewell to Ms. Koyanagi & LAC Executive Appointment**

Ms. Mozak-Betts thanked Ms. Koyanagi for her commitment and dedication to the LAC and community. The LAC considered application statements from three candidates, Ms. Wells, Ms. Nutt and Ms. Henry. Through majority vote the LAC recommended Ms. Henry as the next LAC Executive Committee member. Ms. Henry’s recommendation will be presented to the AAATA Board of Directors for confirmation of appointment.

**6.4 LAC Code of Conduct Review**

Ms. Mozak-Betts explained the review is for the LAC to become better informed of the public input process. She asked Executive members to review the code of conduct for discussion at next month's meeting.

**6.5 Subcommittee Review**

Ms. Mozak-Betts deferred this review to next month's meeting.

**6.6 Paratransit Study Update**

Mr. Clouse read a statement from Mr. DeGroot summarizing the kickoff meeting between AAATA and KFH staff. Mr. Clouse explained that KFH is interested in interviewing LAC Executive members. Mr. Clouse said the LAC will remain involved and informed.

**6.7 A-Ride Report Card**

Mr. Clouse presented the January A-Ride performance report card.

**7.0 PUBLIC COMMENT TIME (5 MINUTE TIME LIMIT PER SPEAKER)**

7.1 There was no public comment.

**8.0 FUTURE AGENDA ITEMS**

- LAC Executive Appointment
- LAC Code of Conduct Review
- Transportation Riders United
- Subcommittee Review
- A-Ride Report Card

**9.0 ADJOURN:** Meeting unanimously adjourned at 12:00 p.m.

**LAC Executive Chair**

*Kathleen Mozak-Betts*

**Kathleen Mozak-Betts**

Respectfully Submitted:

Brian Clouse, Paratransit Coordinator

**Next Meeting, Tuesday, March 13, 2018, 10:00 a.m. to 12 noon**

# **REPORT OF BOARD WORKSHOP**

# **AAATA**

**January 24, 2018**

**Prepared by Rose Mercier**

**Tel. 613-548-0614 Mobile 613-529-1652**

**rose@governancecoach.com**



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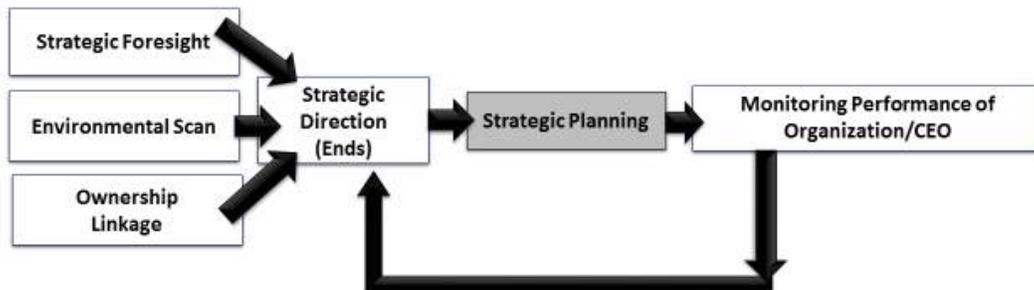
## 1. Workshop Objectives and Agenda

The January 24<sup>th</sup> retreat for the board and senior staff focused on strategic vision and how to move the most important ideas forward into the board's Ends policies or the CEO's strategic plan. The workshop agenda focused on four areas:

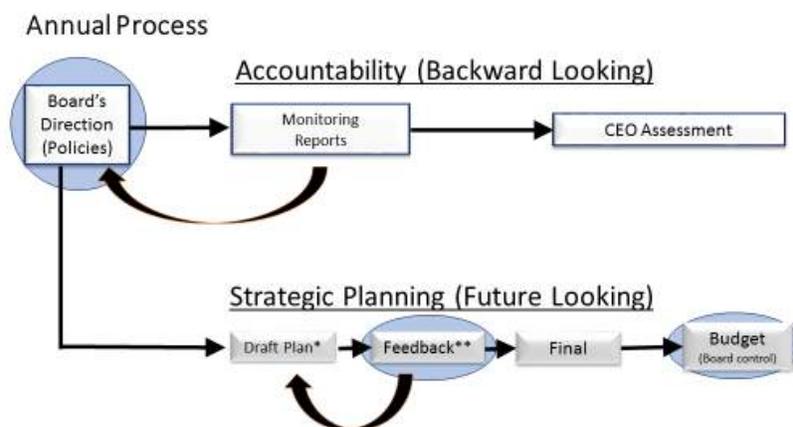
- Strategy & Monitoring Overview
- Strategic Vision: Ideas & Analysis
- Strategic Vision: Discussion and Development
- Next Steps

## 2. Strategy & Monitoring Overview

The first part of the workshop was designed to illustrate the continuing cycle of the board setting strategic direction through its Ends policies, the CEO translating strategic direction into a strategic plan, and the board monitoring achievement of its Ends policies (reasonably interpreted) and combining this knowledge of achievement or progress with information from environmental scanning, consideration of future scenarios and input from ownership linkage activities to refine or redevelop its Ends policies.



The CEO provided an overview of his strategic planning process and the points where he will be seeking feedback and advice from board members as individuals with expertise and experience.



## 3. Strategic Vision: Ideas and Analysis

Board members were asked to identify strengths and weaknesses of the organization, and driving forces that could produce opportunities, and challenges for the Authority. Driving forces were defined as (a) a variable that is already clearly defined and understood, e.g. aging population; or a variable with a wide spectrum of uncertainty, affected by multiple trends and drivers, e.g. autonomous vehicles, RTA; (b) something that would impact on the AAATA "micro-environment" (people, e.g. employees, municipal

councils, vendors, riders, etc. and systems, e.g. scheduling, maintenance and repair, purchasing, complaint resolution, etc.); and (c) something where the AAATA is able influence its impact.

Board and staff did the first part of this work individually, writing their ideas about each category (strengths, weaknesses, opportunities, challenges), using one post it note for each idea. At the end of specified time, the individual post its notes were collected and affixed to the wall. The ideas identified in each of the four categories are recorded verbatim in Appendix 5.

Once the four individual rounds were complete, retreat participants were divided into four pre-assigned groups. The groups were asked to organize the individual input into categories and identify the main themes. Below are the themes as they were identified and presented by each group<sup>1</sup>. There was an opportunity for everyone to ask questions about each list. The next action by the group was to consider which of the ideas that had emerged had implications for the boards' Ends policies. Board members were given red dots to indicate such ideas; staff were given yellow dots. (The yellow dots have been replaced by green dots for ease of reading.) In the presentation below, the dots are presented as they were listed.

---

## STRENGTHS

### *Community*

- ★ ○ Strong reputation and community support ●
- Values environment/green
- Diverse riders ●
- Good stakeholder relationships ●
- Reliable service

### *Staff*

- ★ ○ Experienced and skilled
- ★ ○ Stable – stay at agency long time
- Customer service oriented ●

### *Finances*

- Pretty stable
- Planning ahead
- Strong assets (buses, building)

### *Culture*

- Forward-looking and committed to improvement
- Willing to innovate
- Working to develop good systems
- We value providing good service especially to vulnerable communities ●●●

---

## WEAKNESSES

- Lack of clarity for basis of evaluation success of service network ●●●●
- Lack of strategic focus (Competition, too operations focused, sustainability) ●●●
- Still sorting through PG – how do we make it as effective as it can be?
- Pride/Resistance to change
- Finances – Allocation of resources ●●●, reserves (lack of), clearer capital planning ●●

---

<sup>1</sup> The group presenting the input about Strengths used stars to indicate those areas that were frequently cited. Those stars are shown as presented on the flip chart.

- o Lack of policies in critical areas: resource allocation, expansion, on-boarding, community outreach ●●
- o Relationship building – need more engagement with partners in government and UM ●●● ●
- o Meeting future demand of expanding population – density, footprint ●●● ●
- o Internal capacity – facilities full capacity, rapid growth, internal management processes
- o Accessibility – bus pads, last mile, snow removal, on-time performance, e.g. A-Ride ●●●●● ●
- o Congestion – on roads and how it impacts performance, particularly downtown

---

## CHALLENGES

### *Demographic*

- o Aging population ●● ●
- o Income equality ●●●● ●
- o Urban sprawl

### *Financial*

- o Future reserve uncertainty
- o Guidance regarding resource allocation ●●●●●●●● ●●●●

### *Board Specific*

- o Maintaining board capacity to use PG to maintain governing excellence ● ●
- o Recruiting and training new board members ● ●

### *External Factors*

- o Car culture (political attitudes, physical reality of streetscape) ●
- o Agency's lack of sufficient political influence ●●●● ●
- o Disruptive technology's uncertain effect on service portfolio ●●●●

---

## OPPORTUNITIES

### *Ypsi/A2 Connection* ●

### *Economic growth, our services facilitate* ●●●●●●●● ●●

- o Where are the jobs? How will employees get there?
- o High capacity ●●

### *Partnerships* ●● ●

- o UM/EMU /universities
- o City of Ann Arbor / other local governments
- o Service integration with UM

### *Expansion of services & geographic areas (result of population growth)* ●●●● ●

- o Signature high capacity of services (review existing services/service plans)

### *TOD / 2<sup>nd</sup> development / DOT* ●●●● ●

### *Technology* ●●

- o Innovation/leaders in industry
- o Technology to enhance service delivery (onboarding, transit signal coordination)
- o Propulsion systems
- o Autonomous vehicles
- o Cashless payment

### *Marketing & Branding* •

- Communication with riders
- Tourism/visitors
- Millennials/young professionals

### *Amenities & Infrastructure* •

### *Affordability /of the ride itself, rider equity* •••• •

### *Y lot* •••

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## **4. Strategic Vision: Discussion and Development**

The full board discussion focused on the ideas with implications for Ends and considered them in light of current Ends. The following captures the main areas of discussion.

### *Global End*

#### *CURRENT WORDING:*

*AAATA exists to provide access to destinations via transportation service options for residents, workers, and visitors of the Ann Arbor-Ypsilanti Area at a cost that demonstrates value and efficient stewardship of resources.*

We discussed whether modifying the current Global End might better capture the intention of the board that beneficiaries include everyone who uses the Ride without having to specify the groups.

#### *REWORDING FROM RETREAT:*

*People [residing, working and visiting] throughout the Ann Arbor-Ypsilanti Area have access to destinations via transportation service options at a cost that demonstrates value and efficient stewardship of resources.*

### *Possible New Ends*

Of note in the conversation about Ends, was the point we made that beneficiaries can be other than the Authority's owners. This helped the board entertain two possible new Ends that speak to the board's valuing of the contribution that transportation services make to Area communities' economic development and related need for leaders and decision-makers to have persuasive data about the relationship of transportation services to economic well-being. Following are the draft statements of possible new Ends.

*Communities in our Service Area have a transportation service that supports achievement of their economic goals.*

*Leaders and decision-makers in our Area have evidence-informed data on the impact and contribution of transportation services in the Area's communities.*

### *Considerations about Ends*

The board was concerned about the potential impact on the Authority's resources if it adds new Ends. We pointed out that while the board has not, to date, done so, it could establish a priority among Ends policies. The board could rank the priority of every End, divide Ends into primary and secondary importance, or just state that one End has the highest priority and not assign any further priorities. Setting priorities is one way that the board interprets "at what cost" which becomes part of its direction to the CEO.

Below for the board's consideration is a draft of Ends policies which incorporates the output of the retreat and suggests some possible changes to the existing Ends.

*REVISED ENDS FOR CONSIDERATION*

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- 1.0. AAATA exists so that residents, workers and visitors throughout the Ann Arbor-Ypsilanti Area have transportation service options that provide access to their chosen destinations at a cost that demonstrates value and efficient stewardship of resources.

*This is the End that was suggested at the retreat. However, I want to note that the current Global End "AAATA exists to provide access to destinations..." as written is not an End because it describes what the organization is doing. In writing an End, the subject of the sentence should not be the organization and verbs should describe the benefits being produced for the beneficiary.*

- 1.1. Those living, visiting, and working in the Ann Arbor-Ypsilanti Area consider public transportation services as an attractive alternative to automobile dependence.

*I am suggesting the use of "public transportation services" rather than "AAATA services" in 1.1, 1.1.1, 1.2, 1.3 and 1.3.1. Naming the organization in the Ends seems to be a bit circular. Does AAATA exist so that people consider AAATA services an attractive alternative – or does AAATA exist so that people consider public transportation or publicly funded transportation [which is provided by AAATA] an attractive alternative?*

- 1.1.1. Increasing numbers of residents, workers and visitors use public transportation services to reach their destinations.

- 1.2. Customers are highly satisfied with public transportation services.

- 1.2.1. Customers are confident of safe, reliable, courteous, comfortable, and convenient services.

*This End should be further interpreted within the higher level End (1.2). Customers being highly satisfied rests with riders' perception. Consequently, based on the principle of Policy Sizes suggests that 1.2.1 more specifically, riders perception of satisfaction with transportation services is that they are safe, reliable, etc.*

- 1.3. Public transportation services reduce inequities in access to opportunities for those who seek work or community engagement in the Ann-Arbor-Ypsilanti Area.

*As written, the intended benefit "People throughout the Area have equitable access to opportunity through AAATA services" is somewhat hard to understand. I have tried to suggest a way to make this clearer based on what I understood from the discussions during the retreat but am not sure I have fully succeeded.*

- 1.3.1. Public transportation options are physically accessible and affordable for people who may experience challenges in using transportation services, including but not limited to those with mobility and accessibility challenges, those living with disabilities, seniors, minors, non-native speakers, and people with low income.

*This End could also end at the first comma, i.e. after "in using transportation services", if the board is willing to accept any reasonable interpretation. A couple of the phrases seem curious to me: "non-native speakers" – perhaps non-English speakers? Also, "minors" seems to not fit in this list. What is the specific issue with minors? Is it that public transportation is their only independent means of self-transport?*

- 1.4. Communities in our Service Area have a transportation service that supports achievement of communities' economic goals.

- 1.4.1. Leaders and decision-makers in our Area have evidence-informed data on the impact and contribution of transportation services in the Area’s communities.

I have included the suggested revision, with the comments, in Appendix 1.

*Vison and Ends*

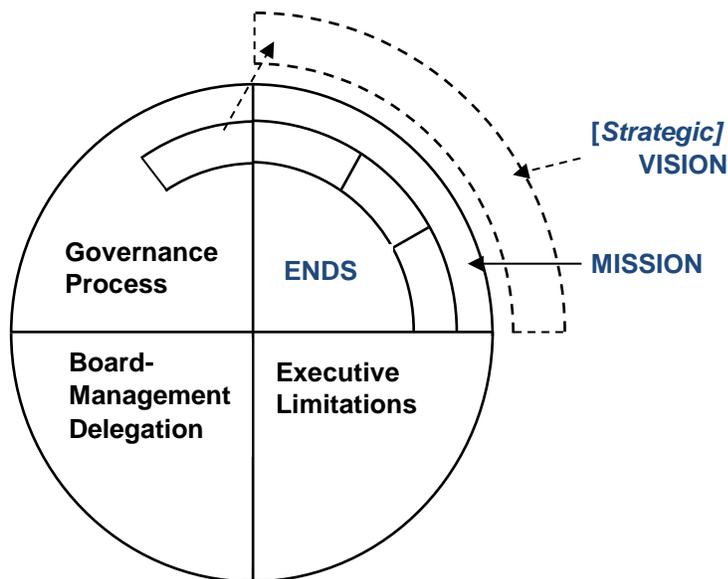
The board also had a conversation about the potential use of a “strategic vision” statement. This was of interest to many participants and warrants additional consideration. After the Retreat, it was unclear whether board members were trying to articulate an interest in a broad statement that would help frame or clarify expected outcomes (Ends Policies), or an interest in setting goals or activities for AAATA programs such as fixed-route transit services.

If it was the latter, then a “vision” in that sense is often an early step in a planning process, which is a Means and delegated to the CEO. You want to separate that sort of vision from governance policies as the two serve different purposes. Trying to insert planning preferences into Ends policies can be the start down a slippery slope to Ends that are prescriptions of Means. When a Board starts to prescribe Means in Ends – or Executive Limitations – it releases the CEO from accountability for the board’s decisions about Means.

Earlier in the Retreat, the CEO had identified a forthcoming planning process that would solicit advice from board members specifically on fixed-route transit planning. It appears that this process will provide the opportunity for individual board members to share their advice on the future of fixed-route transit planning, without getting hung-up on whether certain advice should be governance policies. You want to remember that advice is just that, non-binding advice. That being said, the described planning process is iterative with the CEO intentionally seeking advice in each iteration to enrich the planning.

Beyond a vision for a specific planning effort, there is another way in which a “strategic vision” can be used by boards to complement their written Ends policies. While developing a “Strategic Vision” is not a prerequisite to developing Ends policies. Sometimes a board wants a vision which extends beyond the time frame of its Ends policies and/or expresses a worldview that is larger than the organization can accomplish on its own.

Either way, a board can use vision as way of communicating where the board is coming from when it developed its Ends policies. I have included at the end of this report an article, “Strategic Thinking or Strategic Planning” which may be of value to board members.



If the board chooses to have such a vision statement, it is actually a Governance Process policy, because it provides context **to the board itself**, rather than direction to the CEO. The board may develop the largest Ends statement (which you could choose to call mission\* or Global End”) in the context of such a vision statement. You may choose to state the vision as a *preamble* to the Ends, as long as it is clear that it is not an End itself. The diagram below shows this relationship.

*\*If you use the term “mission” it is not in the sense of a traditional mission statement that describes the organization, what it does and how it does it. All the components of Ends need to be present.*

As a practical example, the Board could modify its Governance Process policy on Governing Style to incorporate a Strategic Vision which expresses the ideas it identified during the retreat, along with any other ideas it develops that describe its longer-term or larger worldview.

- Transportation services are integral to quality of life in the communities of the Area
- Economic development is supported by transportation network
- Achieved through collaboration and partners

If it chose to do so, a board could also state its values about governance excellence at the start of this policy. This is not say the Authority board needs to do this, only to illustrate where Vision and Values fit within its policies.

I am also offering, for consideration only, an alternative way to state the above, including where a vision statement and statement of values would fit.

### 3.2 GOVERNING STYLE

*We govern with a commitment to the following Vision:*

*[Statement of vision].*

*Our guiding values that demonstrate our commitment to governance excellence:*

*[State or list values.]*

*The Board will govern with an emphasis on the best interests of the entirety of the ownership and stewardship of the agency, outward vision, commitment to obtaining public and member input, encouragement of diversity in viewpoints, strategic leadership, clear distinction of Board and chief executive roles, collective decisions, the future, and proactivity. This means the Board will not be preoccupied with the present or past, or with internal, administrative detail.*

*On any issue, the Board must insure that all divergent views are considered in making decisions, yet may not require the CEO to act without majority approval from a quorum of the Board.*

#### *Resource Allocation*

The topic of resource allocation generated considerable discussion. While not resolved, it is clear that it is a discussion that requires a framework that organizes multiple elements, data, implications, perspectives, and questions in a way that enables the board to work through them logically and achieve resolution. At least two concepts were identified for further discussion:

- Allocation of resources between communities
- Prioritizing resources between social goals (coverage) and increasing ridership (frequency).

Gaining clarity around resource allocation has potential impact on many governance elements including its strategic vision, Ends Policies, Executive Limitations policies, and Governance Process policies, as well as the CEO's strategic plan. Given the complexity of the subject it would seem to that the board would want to ensure it had a sound understanding of all of the relevant variables. Organizing and scheduling education prior to developing policy would seem in order.

## **5. Owners and Customers and Stakeholders**

The conversation was influenced by some unresolved questions about the Authority's moral owners. We discussed the concept of owners – those on whose behalf the board acts as servant-leader. We also differentiated 'legal owners' and 'moral owners', and also differentiated owners and beneficiaries. It is possible that the beneficiaries as determined by the board may include others than owners and, in some cases, may be different than the owners. For example, all bus riders may be beneficiaries, but are commuters from outside the area also Owners? While the AAATA has customer-service obligations to all

passengers, is that the same as the Board's obligation to the Owners? Stakeholders were also briefly discussed. For example, is the University of Michigan a beneficiary, an Owner, or a stakeholder?

At present, the AAATA board has defined its owners as "the residents and workers of the member jurisdictions and government jurisdictions with whom we have service agreements".

We suggested that the board might consider making explicit its accountability to its legal owners. The board discussed whether it wished to reconsider the definition of its moral ownership.

Following is one possible way to state this:

*The City Council of the City of Ann Arbor, the City Council of the City of Ypsilanti and the Board of the Charter Township of Ypsilanti has given the public corporation of the Ann Arbor Transportation Authority the authority to acquire, own, operate or cause to be operated a mass transportation system on their behalf. Thus, the AAATA considers that while it has legal accountability to the mandating authorities, it has moral accountability to the \_\_\_\_\_ – its moral owners.*

*The purpose of the Authority, on behalf of those to whom it is morally and legally accountable, is to see to it that the AAATA achieves appropriate results for the appropriate people at an appropriate cost, while avoiding unacceptable actions and situations.*

Being clear about 'owners' helps the board focus its ownership linkage activities on those whose interests it needs to consider and protect.

Ways to distinguish who are "legal owners"	Ways to distinguish who might be "moral owners"
<ul style="list-style-type: none"> <li>• If the organization ceased to exist, who would have the legal authority to reconstitute the organization?</li> <li>• Who gives the board the legal authority to govern the organization?</li> <li>• Who hires &amp; fires the board?</li> </ul>	<ul style="list-style-type: none"> <li>• People who, given the opportunity, would normally:               <ul style="list-style-type: none"> <li>◦ Recognize and believe that an important need or purpose is/can/should be served by the organization, <u>and</u></li> <li>◦ Have a legitimate interest in and care about the organization's purpose and long-term capacity (or for as long as is relevant) to achieve its Ends in an ethical and prudent manner.</li> </ul> </li> <li>• Acquire or have the moral right and obligation to give input regarding organizational purpose, values, and risk tolerance and to hold the Board accountable for Ends achievement within boundaries of ethics and prudence.</li> </ul>

## 6. Next Steps

As a result of the work done during the day, the board identified the following list of items to be included to board's annual work plan. The items are ordered in a suggested sequence.

1. *Consider the suggested revision to Ends.* If new Ends are incorporated, consider whether the board wishes to establish any relative priority, or is satisfied with any reasonable interpretation.
  - a. Schedule a discussion of the proposed Ends included in this report on the board's agenda with a view to making a decision about their approval. As part of that discussion consider whether or not the board wants to, in any way, prioritize the Ends. Deciding on Ends is a time-sensitive issue as the Board's Ends policies are the start point of the strategic planning process that the CEO described in the retreat. (The slides are included in the Appendices.)
2. *Agree on a definition of ownership.*

- a. Use the decision-making tool (Appendix 2) to help distinguish owners, customers/beneficiaries and stakeholders. At this point in the decision-making process, you may not have reached a final conclusion about whether a particular segment of the population or entity is, or is not, part of the ownership. However, you want to consider all possibilities.
    - i. All bus riders may be beneficiaries, but are commuters from outside the area also Owners? While the AAATA has customer-service obligations to all passengers, is that the same as the Board's obligation to the Owners?
    - ii. Distinguish owners from stakeholders and beneficiaries. For example, is the University of Michigan a beneficiary, an Owner or a stakeholder?
  - b. Use the criteria on page 10 to guide you in arriving at your definition.
3. Once the board has determined the Authority's Owners, it is ready to *develop an intentional, systematized plan for ownership linkage*. Ideally, you want to develop a rolling three-year plan. Ownership linkage should be an ongoing work for the board. The plan has four key elements:
- a. Explicit criteria that the board will use to evaluate the success of its ownership linkage activities and plan
  - b. Segmentation of owners
  - c. The questions the board wants to ask of owners, why, and at what point in its plan.
  - d. Linkage methods – choosing from among many possibilities.

Once these steps are complete, the board can create an initial version of a rolling three-year plan from which it can develop a detailed Year 1 plan including the resources which will be needed.

I have included as Appendix 3 an example of a Rolling 3-Year Plan and as Appendix 4, a One-Year Plan.

4. *Undertake focused education as first step the Board on issues surrounding resources allocation*, as a preliminary step towards developing informed policy. Education should be “deep dives” on the questions or issues about which the board needs to be more knowledgeable? This is a step where the Board could seek ideas from staff.
5. Once the Board decides it has a sufficiently in-depth understanding of the factors relevant to consideration of resource allocation, as a result of the previous step, it is ready to define a plan to *resolve the critical issues related to resource allocation*.
  - a. Define explicitly the issues and questions which need to be part of the conversation about resource allocation, among which the following are likely to be included.
    - Allocation of resources between communities
    - Prioritizing resources between social goals (coverage) and increasing ridership (frequency)
  - b. Determine a logical and systematic process for resolving the issues and questions. Some of the elements of that process could be:
    - TIMEFRAME: How long should we allow ourselves to address these questions?
    - SEQUENCE: Which questions need to be answered first?
    - INPUT: At what points in the process is input from outside the board required? From which sources? How should input be collected?
    - DATA: At what points is data required? What data? What is the source of the data?

- METHODS: When is board only discussion, board and staff discussion, facilitated discussion, etc. the appropriate method for dealing with a question?
6. Using the discussion which is presented on pages 8-9 of this report, decide whether the Board wants to develop a strategic vision which reflects the longer-term, larger worldview.
  7. Determine a *comprehensive plan for board orientation*.
    - a. Standardize the steps and timeline for board orientation. Once you agree on the elements, sequence and responsibilities for board orientation, document then as a Governance Process policy which becomes an ongoing reference. You can evaluate it after you complete the first orientation using the policy and then modify for the next time it is to be applied. This avoids the need to 'reinvent the wheel'. Some elements you will want to consider:
      - i. Orientation to Policy Governance. There are a variety of ways this can be in cost-effective manner. As an example, our REALBoard On-line Learning Modules™ (9 modules of 20 minutes each) offer board members a unique opportunity for interactive learning at their convenience. I also provide small group video-based webinars for some boards' new directors.
      - ii. Orientation to board's policies and board process, work plan, key issues, etc.
      - iii. Orientation to the Authority: history, logistical information and board support, etc.
      - iv. Introduction to the Authority's operations.

We have published a board orientation manual that provides Word-based templates which you can customize to fit your needs. If this is something you wish to consider, here is the link: <https://governance-coach.myshopify.com/collections/more-policy-governance-tools/products/board-orientation-manual>.

8. Consider how to *maintain the level of board expertise*.
  - a. Based on a philosophy that orientation should start as early as possible in the process of identifying potential appointees, develop a profile of "ideal" director. (We have some material that you might find useful as starting point.) Communicate the profile to appointing Councils and Board, along with brief description of the board's approach to governance.
  - b. In addition, consider any type of board education that should be part of regular cycle in addition to single events.

## 7. Closing

This report summarizes the board's work in the retreat. It was a pleasure to work with the AAATA Board and staff. I look forward to continuing to support your journey to governance excellence.

Respectfully submitted,



Rose Mercier  
Senior Consultant

## 8. Appendix 1 – Suggested Revised Ends

- 1.0. AAATA exists so that residents, workers and visitors throughout the Ann Arbor-Ypsilanti Area have transportation service options that provide access to their chosen destinations at a cost that demonstrates value and efficient stewardship of resources.
  - 1.1. Those living, visiting, and working in the Ann Arbor-Ypsilanti Area consider public transportation services as an attractive alternative to automobile dependence.
    - 1.1.1. Increasing numbers of residents, workers and visitors use public transportation services to reach their destinations.
  - 1.2. Customers are highly satisfied with public transportation services.
    - 1.2.1. Customers are confident of safe, reliable, courteous, comfortable, and convenient services.
  - 1.3. Public transportation services reduce inequities in access to opportunities for those who seek work or community engagement in the Ann-Arbor-Ypsilanti Area.
    - 1.3.1. Public transportation options are physically accessible and affordable for people who may experience challenges in using transportation services, including but not limited to those with mobility and accessibility challenges, those living with disabilities, seniors, minors, non-native speakers, and people with low income.
  - 1.4. Communities in our Service Area have a transportation service that supports achievement of communities' economic goals.
    - 1.4.1. Leaders and decision-makers in our Area have evidence-informed data on the impact and contribution of transportation services in the Area's communities.

## 9. Appendix 2 – Distinguishing Owners, Customers/Beneficiaries, Stakeholders

	<b>Owners</b>	<b>Customers</b>	<b>Stakeholders (other than owners)</b>
<b>Definition</b>	The people from whom the Board derives its moral and/or legal authority, and to whom the board owes ultimate accountability. The board determines the Ends (what benefits should be produced, for whom, at what cost) on behalf of owners	The people who use the organization's services or products	All who have an interest in the organization, including employees, customers, vendors, funders, other organizations
<b>Time frame of perspective</b>	Long-term perspective; can see the big picture	Immediate perspective; I want it, now	More likely short-term
<b>Primary interest</b>	Interest in the common good, community	Interest in the individual good, "me and mine"	Needs of the individual or organization to which they belong
<b>Time frame for expected return</b>	Expectation of future return	Expectation of immediate return	Varied; more likely short-term
<b>Relationship to benefits from the organization</b>	Proactive – decide what the benefits should be	Reactive – receive the benefits	Reactive or proactive
<b>Mentality</b>	Investment mentality	Purchasing mentality	Purchasing or investment mentality; more likely purchasing
<b>Major focus</b>	Cost in relation to benefits for the common good; relative priorities	Benefits for me	Benefits for me or alignment with my organization's needs
<b>Basis for decision-making</b>	Values	Opinions, reactions	Personal reactions or values of my organization
<b>Appropriate organizational point of connection</b>	Board	CEO/staff	CEO/staff

### 10. Appendix 3: Sample 3 Year Ownership Linkage Plan

Owner group(s) Selected	Method	Questions	Notes
YEAR 1:			
8 people selected who are representative of Regions A, B, C respectively	3 Focus groups	To be determined by the board	
Representative of an organization that provides service to Region D	Dialogue at board meeting	To be determined by the board	
YEAR 2:			
Representatives of 5 other boards that have same or overlapping ownership	Dialogue at board meetings	To be determined by the board	
8 people selected who are representative of Regions E and F respectively	2 Focus groups	To be determined by the board	Refine focus group process based on learning from last year
YEAR 3:			
Random sample of entire owner population	Our questions added to a survey done by a polling company	To be determined by the board, with advice from polling company	
Leaders of community organizations	1 Focus group	To be determined by the board	

## 11. Appendix 4: Sample Year One Detailed Ownership Linkage Plan

	<b>Accountability</b>	<b>Target Date</b>	<b>Participants</b>	<b>Notes</b>
Identify 5 questions to ask the owners this year	Board	Feb 15	Whole board	
Method: Focus Groups Select 3 representative focus groups of 8 people in regions A, B, & C	Linkage Committee	March 1	Linkage Committee	Staff help needed with representative selection
Provide questions in advance and brief background introductory information	Linkage Committee	March 10	Linkage Committee	Need consistent package of background information
Set up focus group meetings for April and May	CEO	March 30		Admin support to the board
Conduct focus groups, 2 board members present at each group	Linkage Committee	May 30	Board members as assigned	Need scripted guide for facilitators, recorders
Provide board with collected information from the focus groups	Linkage Committee	June 30	Linkage Committee	Admin support with typing
Letter to focus group participants with summary of results from all focus groups, and outline of how the board plans to use the information	Linkage Committee	Aug 31	Linkage Committee	Admin support with typing and distribution
Identify information from the focus group meetings that could be used to develop survey questions	Linkage Committee	Nov. 30	Board to select from Committee's initial choices	
Method: Invitation to Board Meeting Invite spokesperson from organization X that works with owners in region D to Sept Board meeting	Linkage Committee	June 30	Whole board	Use questions to the focus groups as basis for dialogue
Create a comprehensive list of potential people who have a good understanding of the needs of owners, to invite to board meetings	Linkage Committee	Annually by Feb.1	Whole board to annually select from the list	

## 12. Appendix 5 – Transcribed Post-it Notes

### STRENGTHS

- Executive team is experienced, well-aligned and ready to executive. All four come from years of service in the industry with a broad range of knowledge/job experience.
- Experience of executive team includes industry best practices in other markets
- Many employees with long service records, understanding of our history
- Board that is unanimously supportive of transit and wants the agency to succeed.
- Culture that is receptive and actively tries to serve vulnerable communities (people with disabilities, low income residents, minorities, gender diverse) and willingness to go beyond mandates and legal requirements.
- Board is willing to experiment, try new ideas, challenge traditional ways of providing service
- Enormous level of community support
- In meeting people throughout the area, I have encountered almost universal praise for the organization
- Widely held company culture of high standards of customer service (this has been challenged by service expansion and the hiring of a significant number of new entry level employees. There is a desire for service excellence
- Strong staff retention (indicative of good working conditions I would hope)
- Experienced, thoughtful, knowledgeable staff
- No unfunded pension (or other) liabilities (fairly unique among local gifts)
- Overall strong community support as demonstrated by 70% millage vote
- AAATA has strong operational leadership
- AAATA has a strong organization on which to build
- Communities are familiar with what the Ride is
- Independence from the city or other formalized institution
- Drivers who are regularly complimented on their level of service going above and beyond the norm
- Keen interested by both board and staff in determining future needs and planning to meet those needs (customers)
- Good reputation in the community (reliable, safe) AAATA has support of the community expressed both monetarily and vocally, action (ridership, etc.)
- Consistent communication/involvement with other related institutions – city government, U of M, other community transit organizations
- Commitment to listening to and addressing concerns of riders – time at all board meetings for public comment
- Public view of good operational performance
- Board desire for long range planning (vision)
- Strong public support – both financially (millage), vocal, political
- Strong & detailed structure for both board & staff
- Commitment to serving traditionally underserved communities which is explicit in our provided programs to disabled communities, expanding coverage so more people can take advantage of services
- Commitment by staff and the board to establish excellent systems and processes
- Diversity of opinion on board on range of topics
- Board activism
- Community emphasis on things “green”, sustainability
- Willingness to be innovative
- Ability to be innovative
- Ability to engage collaboratively with others, i.e. UM/City/DDA
- Board and staff teams are getting stronger

- Stable (if limited) funding
- Strong financial position
- Better understanding of financial position/available resources
- Strong community support
- Excellent staff
- Mainly happy workforce
- Strong community support – agency has credibility
- Fulfilling commitments to the community
- Board and staff service oriented
- Strong suite of board member skills
- AAATA has broad community support via public opinion and at the ballot
- AAATA provides access to important community services and places
- Riders are relatively diverse, financially, age, race etc. (compared to other similar agencies)
- AAATA maintains positive relationship with institutions in the area (municipalities, universities, etc.)
- Impending financial challenges are being addressed before negative consequences to riders
- Good community partnerships which strengthen AAATA's position/reputation such as; DDA, City of A<sup>2</sup>, City of Ypsi, Ypsi Twsp, Scio Twsp, UM, MDOT, Semcog, etc.
- Competent senior staff able to manage organization well
- There is value to community for what we do
- Strong reputation for AAATA's brand as transit operation
- We have significant number of physical assets – vehicles, transit centers, equipment, etc.

#### *WEAKNESSES*

- External political agendas attempt to supercede AAATA's best interests
- Lack of available workforce, especially for technical positions
- Low unemployment's effect on MCO recruitment
- Demographic shifts (i.e. seniors) – more services needed but fixed route may not be the best solution
- Fares haven't been increased in a long time, but equity issues are real
- Housing becoming more expensive in the care of Ann Arbor. AAATA ends up responsible for mobility even if housing policy is not the root of the problem
- Difficulties raising revenue outside of traditional funding streams
- Much of service area is low density leading to less efficient service but mobility needs still exist
- Mobility needs increase faster than development can occur
- Region is still very auto-dependent – streets are designed mostly for cars, transit negatively affectively (changes require BOLD political leadership)
- Political limitations to influence public policy – and our current structure is not inclusive to focusing on this external dynamic
- Lack of adequate practice of capital renewal in physical assets has resulted in today's disproportionate need for facility improvements which threatens our overall economic health
- Fascination of disruptive technology (especially by political leaders) can erode political support for transit even if transit is the most cost-effective and efficient mode of transport
- Challenges associated with effective, clear, concise, and consistent messaging to our owners.
- Failing to plan
- Lack of alignment with community values – failing to operate sustainable service
- Doing the same old because we always did it that way
- Failing to be engaged in changing mobility, world, autonomous, how real & and when?
- Road and highway congestion may inhibit economic growth
- Local anti-growth groups threaten future expansion

- Uncertainty of millage renewal – in the future still rely on renewal every 5 years, it is challenging to plan for the long term
- No newspapers – difficult to community with the public in a nuanced way, especially acute on east side of the county
- Autonomous vehicle ideas my sidetrack need for mass transit
- Anti-big government forces nationally and locally threaten current funding & future funding expansion
- High income inequality
- Attitude that buses are outdated and easily replaced by A/V
- Heavy congestion in key transit corridors (Washtenaw, State)
- Road right of ways restrict expansion of mass transit
- New to governance policy takes some time to get used to the new structure
- Non-profit/public sector is typically slower to make decision and innovation, but technologies/trends change quickly
- Governor election and uncertainty of State direction
- Federal funding uncertainty
- SNOW
- Universities not contributing to property tax base that we rely on
- Gentrification and low income people being pushed to places that are harder to serve with transit
- Big differences in funding level between municipalities

### *OPPORTUNITIES*

- Can lead industry in innovation
- Transit-oriented developments and TDM (Transportation Demand Management) values can grow ridership
- Expanded funding via millage
- Improved partnership with the University – joint-access co-developed services
- Improving internal organization & priorities (something we control)
- Ypsi train and potential to integrate it into our service plans
- New administration at EMU
- Deckless bike share (low-cost, tech driven last mile opportunity)
- Partnering with other organizations on rider amenities and street access
- New model and new technology for optimizing shared rider services
- Engaging local government in TOD zoning adoption
- East-west rail conversion (RTA? Other?)
- Addition of Pittsfield Township
- Growth of downtown Ypsilanti as job/culture/business center
- More leadership with innovation & creativity to remain state of the art – how can we use technology more?
- More exploration of commuter routes including strengthened connections between Ypsilanti & UM Medical Center as an example
- Less focus on being a bus company and a shift to becoming a leader supporting mobility and access
- Plan ahead for new developments and how they can be served
- Big conversations about housing affordability – we need to be part of them
- Park & Ride strategic plan
- Recast service for A<sup>2</sup> Township
- Now is the time of great change in the transit industry. There is a level of expectation for new and exciting offerings – the public wants/demands fundamental changes to service delivery
- Destination of A<sup>2</sup> is an opportunity for increased ridership for well-designed service
- If we can replace car ownership for low income families, the savings can equal the cost of housing. We have the opportunity to directly improve the lives of people we serve. This is why I do my job.
- Younger generation more open to transit and less single occupancy vehicle
- Economic growth in area will provide market for improved mass transit

- PG can allow the board to set direction and give CEO ability to act more decisively /quickly to execute that direction
- Disparity in jobs and housing cost between east and west parts of the service area provides market for improved transit
- University of Michigan is a potential partner in mass transit development
- Adopt U of M's performance tracking tool (Prof. Pascal)
- "Smart" fare card and/or pay by smartphone
- Express routes to out-county destinations (like Air-Ride)
- Engage in route coordination with SMART & DDOT
- Engage with planning community
- Expand service area
- Better communication with riders and public
- Pick up where RTA...
- Tactical improvements to improve comfort for riders could be cost-effective way to increase ridership. Respect for the riding public can go a long way.
- New mobility technology/solutions can help deliver services more effectively, leading to increased mobility in the community. They must be vetted though
- Environmental goals in the region can help AAATA plan an important role in cajoling people out of cars
- Ensure services tailored to needs. Can we use Rideshare, Bikeshare, Vanpool, Fixed Rate etc. more effectively
- Pursue State/Federal and private \$\$\$
- Link A<sup>2</sup> & Ypsi transit centers with direct express, high frequency route
- Ridership/Coverage Policy can be strategic guidance for staff to develop more comprehensive plan with accountability
- AAATA staff should be empowered to use innovative and creative means to meet ends. The should allow for small failures if they help the overall system meet the ends in the long term
- AAATA can plan a more active role in land use and development decisions which directly impact efficiency and transit services
- Better infrastructure with emphasis on customer service
- Better integrate ITS(?) in operations at all levels – plus system monitoring on board, "track my bus" – where, signal priority on time
- Introduce signature "high capacity" service
- Autonomous vehicle could result in lower operating costs and improved service
- Increased focus on connecting riders/customers with economic opportunities in the area
- Electrification & other technology
- Room for expansion – probably a lot of interest – routes, services, jurisdictions
- Stronger partnerships with organizations that typically support The Ride
- Improved amenities for riders to make the Ride a more attractive alternative to automobile dependence
- Increased service to Metro Airport
- Better involvement with other local businesses to provide better transportation for workers (economic development potential)
- Widen coverage to other communities
- Integration with a regional system
- Stronger marketing to recruit more demographics to use the Ride, e.g. young professionals, also stronger marketing in general (branding, cohesive messages)
- Analyzing competitors and using our resources to move into areas of service where they currently do not compete and/or doing more or better service
- Growing area/population
- Marketing & advertising – tell our story better
- We are the alternative to setting in traffic
- Expand Park & Ride opportunity
- Promote and deliver regional service connections

- Further enhance our overall impact to the broad Ypsilanti community
- New Ypsi Township Center for mobility
- Increased ridership by visitors to the Area. Requires better communication with these people.
- Technology trends – autonomous vehicles, shared economy
- Community support – strong support from the community for transit
- Possible facility expansion – Y lot
- Live sustainability in every decision

### CHALLENGES/THREATS

- Strategic visioning. What does it mean? How do we come to consensus? And how do we make sure it evolves appropriately without confusing everyone and coming across as malleable
- Not at the table re RTA – general lack of being in the know at the policymaking levels of government
- Funding generally capped – Federal government not a reliable partner right now
- Decreased demand due to telecommuters, people who work from home
- Smaller, leaner, entrepreneurial private organizations/competitors who might be more capitalized
- Reduced federal and state funding
- Ride sharing taking larger % of riders
- Keeping fares at a rate where we don't lose low-income riders
- Money – will there be enough to implement new programs or event to maintain?
- Continuity of leadership at Board and Executive Staff level. Potential loss of institutional knowledge
- Community pressure dictates we eliminate diesel buses
- Technological uncertainty regarding future transportation modes
- Inter-agency collaboration in environment with such limited resources
- Increased crowding
- Growing jobs – no new resources
- Prevailing car culture
- Employers expanding beyond service area
- Lack of board experience with what is and what could be
- PG requires discipline that could be hard to maintain through board member changes
- We may have more projects than we have employees with skill with program management (project management like teaching is its own professional skill and should not be done by amateurs)
- Essentially unlimited access to demand response service will be unsustainable in face of the aging population and current program standards
- Individual ownership of autonomous cars could lead to increasing traffic
- No regional transportation for SE Michigan
- Increasing traffic slowing buses
- Potential that financial need results in fare increase
- That technology could radically change transportation causing us to have to change very quickly and painfully
- Outside political forces attempting to highjack Board's autonomy, agency/agenda

**13. Appendix 6 – Power Point Presentations used in the Retreat**

# Board Retreat

Ann Arbor Area Transportation Authority  
January 24, 2018



## Agenda

1. **Welcome & Overview of the Day**
2. **Strategy & Monitoring Overview**
3. **Strategic Vision: Ideas & Analysis**
4. **Strategic Vision: Discussion and Development**
5. **Next Steps**



EXPERT COACHING. PRACTICAL RESOURCES.

## Introductions



- Your name & an adjective (with same first letter as your name) to describe you
- In one sentence, an “a-ha” you’ve had from serving on this board
- Given your experience with this group, what is one thing everyone could do to make today productive?



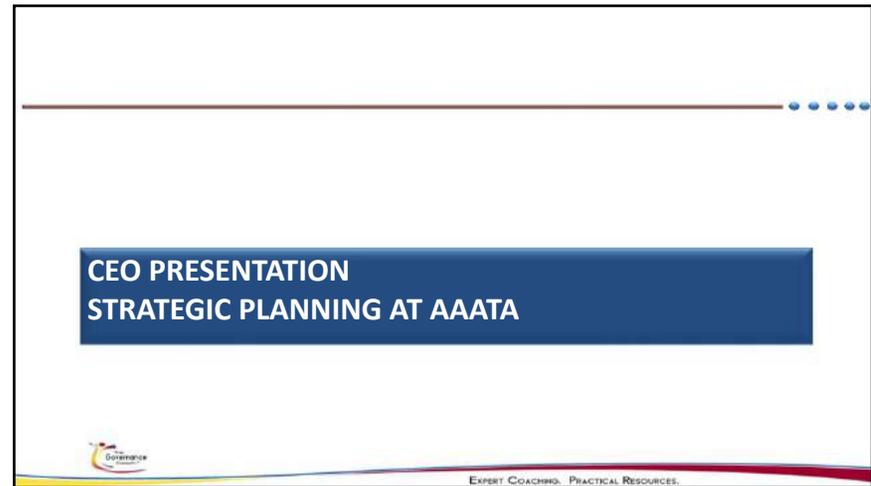
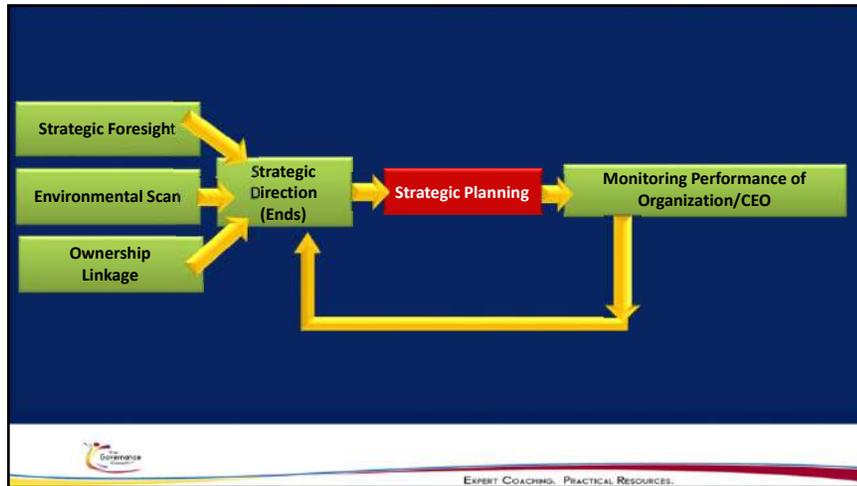
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## Driving Force: Something with the potential to bring about significant change in the future

- A variable that is already clearly defined and understood
  - an aging population, existing funding
- A variable with a wide spectrum of uncertainty, affected by multiple trends and drivers
  - autonomous vehicles, RTA
- Drivers with impact on AAATA “micro environment”
- Drivers that AAATA can influence

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## There are questions about which you need to know what your owners value/think ...

- What do you think will be the most significant challenges facing public transit/transportation in the Area in the next 5-10 years?
- What do you think are priority needs not being met in the Area?
- What are the particular needs/issues that the AAATA should address?
- Do they think AAATA should have a role in \_\_\_\_\_ and why/why not?
- What opportunities/threats do they think could have an impact on transit/transportation?
- What difference do they want AAATA to make within the Area?
- Of the current Ends you, which has the highest priority for them? Lowest priority?



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## Framework for Ideas

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Challenges</b>



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## Individually...

- Identify what you consider to be strengths of the organization
- Identify what you consider to be weaknesses of the organization
- Identify opportunities / threats that could have an impact
  - Socio-cultural, demographic
  - Technological
  - Economic
  - Ecological
  - Political-regulatory
  - Competitor analysis



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## In your group

- Look for duplicates
- Organize into themes /categories
- Write "ideas" that are understandable to others
- Record your list on flip chart sheet

Eric, Sue, Gillian, Forest

Roger, Eli, Kyra, John

Mike, Larry, Prashnanth, Bryan



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## DEBRIEF GROUP EXERCISE



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  - Ends Policies and Setting the Direction
  - Connecting with Owners
  - For CEO
5. Next Steps



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### ENDS DESCRIBE

- Results or benefits that are produced because of the organization
- Results or benefits for someone outside the organization

### END DO **NOT** DESCRIBE

- The organization
- Results or benefits for staff



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## One or more of the Three Components of an End



What the organization is *for* (rather than what it *does*)

- What benefits is the organization to produce on the owners' behalf?



- Who are the beneficiaries?



- What is it worth to produce those benefits, (what is the cost of production) and what is the relative value of different benefits?



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## THEMES WITH IMPLICATIONS FOR ENDS



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## AAATA Ends Policies

- 1.1 AAATA exists to provide access to destinations via transportation service options for residents, workers, and visitors of the Ann Arbor-Ypsilanti Area at a cost that demonstrates value and efficient stewardship of resources.
- 1.2 Use of AAATA services increases in the Area
- 1.3 People throughout the Area have equitable access to opportunity through AAATA services.
  - 1.3.1 People such as those with mobility and accessibility challenges, those who have disabilities seniors, minors, non-native speakers, people with low income and those without other means of transportation are able to use AAATA services equitably.
- 1.4 Customers are highly satisfied with AAATA services.
  - 1.4.1 AAATA services are safe, reliable, courteous, comfortable, and convenient.
  - 1.4.2 AAATA services are an attractive alternative to automobile dependence.



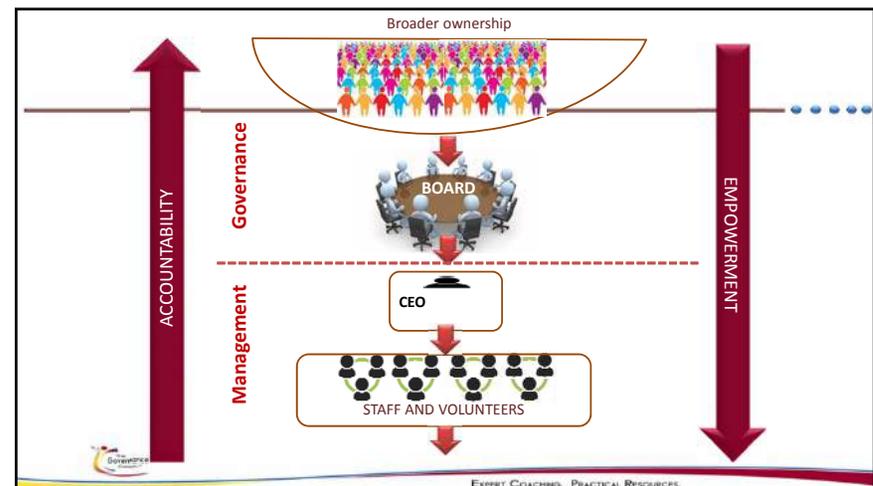
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## A useful distinction

OWNERS	BENEFICIARIES/CLIENTS	STAKEHOLDERS
Investment outlook	Purchasing mentality	Purchasing/investing mentality
Long range perspective	Immediate perspective	Short/medium term perspective
Stability	Mobility	Mobility
Authority to make decisions: • Re the business • Collectively	Authority to make decisions: • Re their purchase • Individually	Authority to make decisions: • Re their purchase or investment • Individually
Cost in relationship to common good; relative priorities	Benefits for me	Benefits for me/ alignment with organization's needs

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## Thinking about Owners

LEGAL OWNERS	MORAL OWNERS
--------------	--------------

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• If the organization ceased to exist, who would have the legal authority to reconstitute the organization?</li> <li>• Who gives the board the legal authority to govern the organization?</li> <li>• Who hires &amp; fires the board?</li> </ul> | <ul style="list-style-type: none"> <li>• People who given the opportunity would normally:                             <ul style="list-style-type: none"> <li>– Recognize and believe that an important need or purpose is/can/should be served by the organization, and</li> <li>– Have a legitimate interest in and care about the organization's purpose and long-term capacity (or for as long as is relevant) to achieve its Ends in an ethical and prudent manner.</li> </ul> </li> <li>• Acquire or have the moral right and obligation to give input regarding organizational purpose, values, and risk tolerance and to hold the Board accountable for Ends achievement within boundaries of ethics and prudence.</li> </ul> |
|--|--|



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## Legal & Moral Owners

### Legal Owners

- City of Ann Arbor
- City of Ypsilanti
- Ypsilanti Twp

### Moral Owners

- Residents



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## Owners as Defined in Board Policy

- ...on behalf of the residents and workers of the member jurisdictions and government jurisdictions with whom we have service agreements...



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## Of relevance to ownership linkage work

- Given direction of Ends policies
  - Who are the Owners of the AAATA?
  - How can we connect with them meaningfully?



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## THEMES WITH IMPLICATIONS FOR OWNERSHIP & OWNERSHIP LINKAGE



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## It's a consideration for the CEO if...

- It's about 'how' the AAATA operates
- It's about employees
- It's about equipment, vehicles, care & maintenance etc.
- It's not about what benefits the organization is to produce or for whom



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**THEMES WITH IMPLICATIONS FOR THE CEO**



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# How Board Direction Drives Future Planning

# Purpose

- Preview how Board's direction will drive future planning
- Outline a "strategic planning" process
- Reinforce the importance of today's work

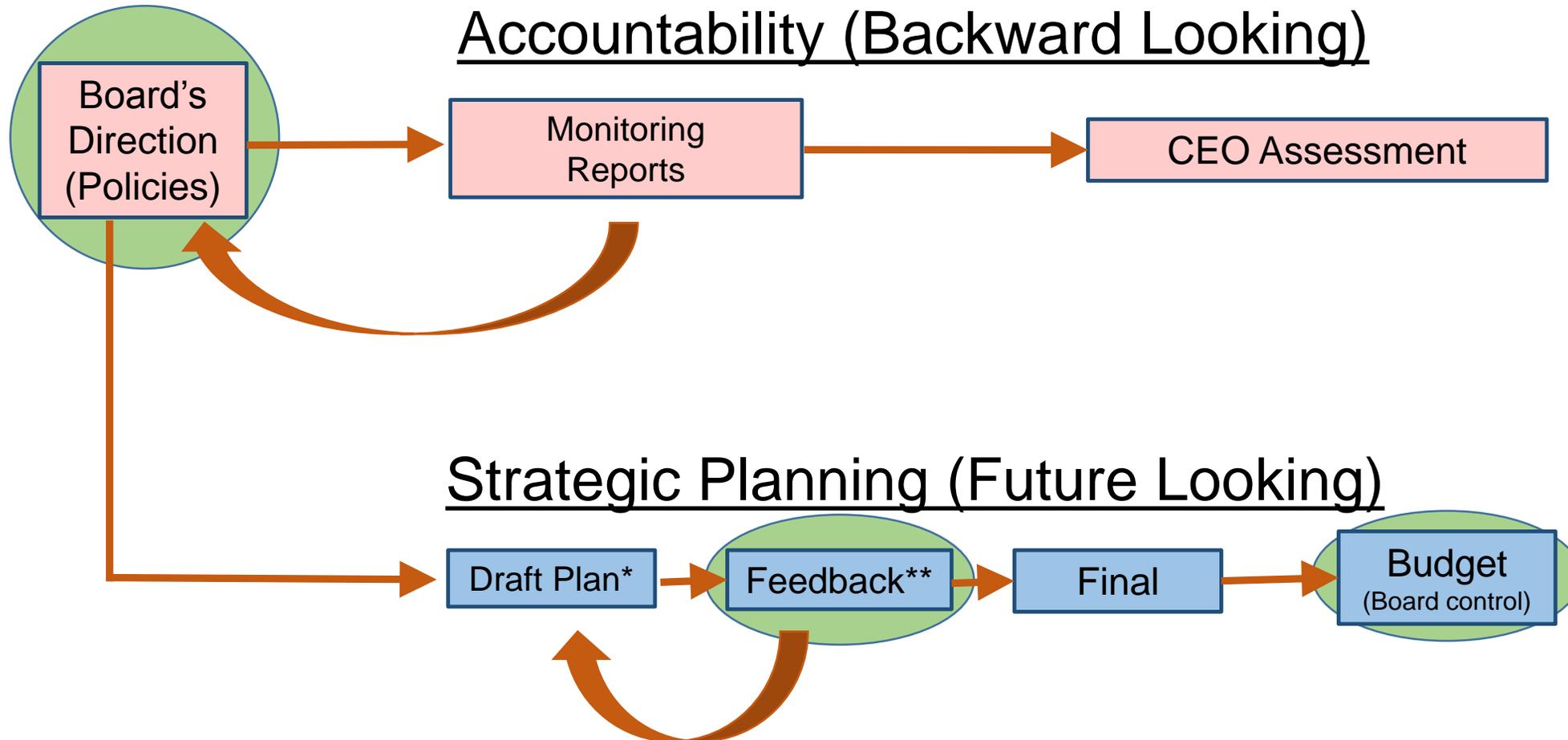


# Governance Background

- Board sets direction & monitors results.
- Board provides the “vision” (3.1.4)
- CEO responsible for processes/plans (3.1.4; 4.3.3)
- Need new processes future planning
  - Big picture “Strategic plan”
  - Program-specific plans
  - Must follow Board’s direction, seek input



# Annual Process



Vision

Policies

Goals & Priorities

Strategic Plan

Program Plans

Fixed-Route Plan

Paratransit

Support Services

?

Details

Routes

Facilities, etc

# Next Steps

- Board's direction (Jan-March)
- Strategic Plan (Feb-May)
- 2019 Budget development (May-Sept)



# Using Board Direction to Drive Future Planning

# \*Draft and Final Strategic Plan

## **Includes**

- Context, including Board advice
- Clear goals & priorities
- *How the future will be achieved (initiatives, projects, etc.)*
- Performance measures

## **Output**

- Strategic Plan document
  - Prioritized initiatives: Work Plan, Capital Plan
  - Drives annual budget

# Board Input Points

- Policies
- Strategic Plan
- Service/Program Plans
- Annual Budget

# \*\*Feedback Process

## **CEO seeks advice from**

- Board (this is another way the board has input on future)
- Riders (via focus group)
- General public (?)

## **Board could seek feedback from**

- Owners

# Pros / Cons

## **Pros**

- Complementary processes for strategy & monitoring.
- Clear output (document)
- Board retains direction and control, provides input
- Transparency, Accountability, and Inclusivity increased

## **Challenges**

- Confusion between 2 processes
- Should use similar performance measures

# REALBoard Advisor

Tips to become R – Results-focused E – Excellent A – Accountable L – Linked to Shareholders/Owners

## Strategic Planning or Strategic Thinking *Where Does Your Board Fit ?*

By Jannice Moore

I am frequently called by boards that want me to assist them with “Strategic Planning.” Is this a board function, and what if anything does it have to do with Ends? (If you are not familiar with the Policy Governance® concept of Ends, it refers to the policies that specify what external results or benefits an organization is to produce, who the beneficiaries are, and what it is worth to produce those benefits. Means, by contrast, refers to anything and everything that is not an End.)

For the purposes of this article I will use the following definition of strategic planning: “. . . a continuous and systematic process where people make decisions about intended future outcomes, how these outcomes are to be accomplished, and how success is to be measured and evaluated” (1). This commonly used understanding of strategic planning generally encompasses developing vision, mission, goals, strategies, objectives, and action plans.

While strategic planning includes intended future outcomes, it does not clarify whether such outcomes are about Ends (for example, a result for a beneficiary of the organization, such as “students can read at grade level”) or means (for example, the organization will implement a

new information technology system). Further, strategic planning is commonly understood to include decisions about the means used to achieve a strategic direction. (Notice the two “how to” phrases in the preceding definition.) “Strategic planning often takes *an already agreed upon strategic direction* and helps strategists decide *how* the organization is to be configured and resources allocated to realize that direction. Strategic planning is normally used to denote a programmatic, analytical thought process carried out within the parameters of what is to be achieved, but does not explicitly question those parameters . . . [emphasis added]”(3). The analytical thought process focuses on separating the whole into its component parts.

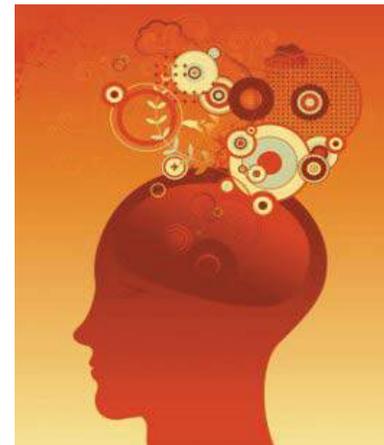
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**Strategic thinking takes the current reality and disrupts alignment by identifying the desired future**

---

It is quickly evident that strategic planning includes both Ends and means decisions and does not distinguish between them, nor does it distinguish the point at which the board’s role stops and the CEO’s role begins. Internationally known author on business and management from McGill University, Henry Mintzberg (2), has said that “strategic planning is an oxymoron.” He goes on to say

that strategy cannot be planned because planning is about analysis while strategy is about synthesis. Synthesis is about combining diverse concepts into a coherent whole.



I propose that the board’s key role is much more about synthesis than analysis. Thus, to maintain clarity, boards need to make a distinction between strategic **planning** and strategic **thinking**. The latter focuses on setting strategic direction.

Strategic thinking is about questioning and defining the parameters themselves. The thought process is creative – it is about envisioning a potential future which may be very different from the present. University of Virginia’s Professor of Business Administration, Jeanne Liedtka (4), says that strategic thinking takes the current reality and disrupts alignment by identifying the de-

## Strategy as Creating and Disrupting Alignment

sired future; strategic planning then takes that desired future and re-creates alignment by determining how to make it into the current reality. The process forms a cycle diagrammed in this article.

This is an excellent depiction of the distinction between the board's role and the executive role in the strategy process. The board – engaging in strategic *thinking* which synthesizes a whole from many components– identifies the desired future (the “what benefit, for whom” portion of the Ends) as well as what it is worth to achieve those benefits (the “what cost” portion of the Ends). This happens first. Then the executive – engaging in strategic *planning* which breaks that whole into component parts – determines the most effective means to achieve those Ends.

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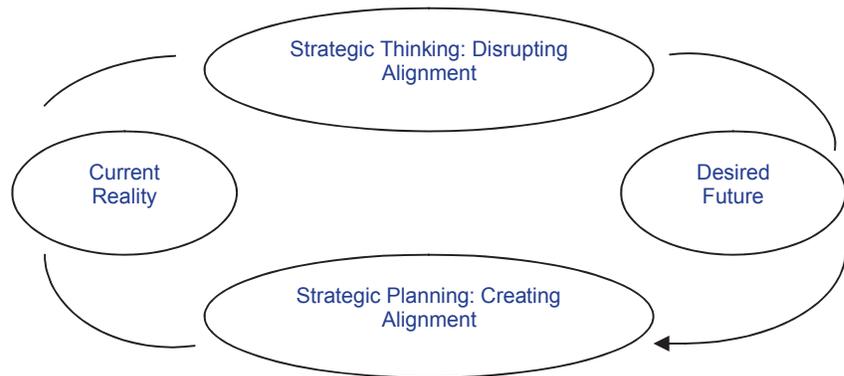
**Strategic thinking has a long term orientation, and takes a systematic and holistic view of the environment.**

---

So strategic thinking is the *precursor* to strategic planning. Strategic thinking by the board about what the organization is for (the Ends) sets the stage for the executive to create a strategic plan to achieve those Ends.

Strategic thinking has a long term orientation, and takes a systematic and holistic view of the environment. It also exercises the discipline of focusing on the desired outcomes that the organization should produce, rather than on the means of achieving them.

Organizations whose boards focus on approving the strategic plan created by the executive or spending



From Jeanne M. Liedtka: Linking Strategic Thinking with Strategic Planning

their own valuable time creating the details of a strategic plan, rather than engaging in strategic thinking, run the risk of enrolling their organizations in what has been called the “Christopher Columbus School of Management.”

- When he left – he didn't know where he was going.
- When he got there – he didn't know where he was.
- When he got back – he couldn't tell where he had been.



In the 15<sup>th</sup> century, Columbus had 10 years to go to and return several times from the unknown. In the 21<sup>st</sup> century, boards do not have that luxury of time. If the organization is to be a success, the destination (the desired outcome) must be set clearly, and in a way that allows the navigational details (the plan) to respond rapidly to a constantly changing environment. Such clarity about the ultimate result, and

freedom about the means to get there, requires strategic thinking.

Tony Hassed, Principal of BoardSense Limited in New Zealand (5), suggests that strategic thinking requires answering the following questions: Where are we now? What is happening out there? What is important to us? What do we want to achieve? Where do we want to get to? These are questions relevant to the board's work in crafting the highest level Ends that provide strategic direction to the organization. Strategic planning, on the other hand, is about “How do we get there?” “How” questions are about means, which are delegated to the CEO, once the board has set appropriate boundaries of prudence and ethics around the means.

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**Strategic thinking and planning are “distinct, but interrelated and complementary thought processes” that must sustain and support one another for effective strategic management.**

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In the view of Fiona Graetz of Deakin University in Australia (6), strategic thinking and planning are “distinct, but interrelated and complementary thought processes” that must sustain and support one an-

other for effective strategic management. Graetz suggests that the purpose of strategic thinking is “to seek innovation and imagine *new and very different futures* that may lead the company to redefine its core strategies and even its industry. [Emphasis added]” The purpose of strategic planning, is “to realize and to support strategies developed through the strategic thinking process and to integrate these back into the business.”

Strategic thinking – which I believe is essential to the board’s Ends work – has several characteristics. This brief summary is taken from Liedtka’s work (7):

- It is done from the mental model of a systems perspective. [*Sounds a lot like Policy Governance<sup>®</sup> which is a system!*]
- It conveys a sense of direction – is “intent-focused.” [*Sounds a lot like Ends.*]
- It is open to taking advantage of input from many sources and new experiences – what Mintzberg calls “intelligent opportunism.” [*Gathering ownership input and enriched information for board decision-making.*]
- It is “thinking in time,” considering the gap between current reality and intent for the future. [*Holistic, setting direction for future benefits to be produced.*]
- It is hypothesis-driven, testing various possibilities, and combining both creative and critical elements. [*Choosing among various options regarding what the organization is for.*]

In a paper produced by the Center for Applied Research in Philadelphia (8), strategic thinking is described as “finding and developing unique opportunities to create value by enabling a provocative and creative dialogue among people who can affect a company’s direction. It is

the input to strategic planning – good strategic thinking uncovers potential opportunities for creating value and challenging assumptions about a company’s value proposition, so that when the plan is created, it targets these opportunities.” A “provocative and creative dialogue” is consistent with Carver’s concept of ownership linkage. Creating value is what Ends work is all about – what benefit is the organization to produce, for whom, and what is it worth?

Strategic thinking takes information from many sources and uses it to create a compelling picture of the future to be created by an organization. The Ends produced by the strategic thinking process form *the starting place* for the CEO’s work of creating the strategic plan. While the CEO and staff will certainly be the source of at least some of the information used by the board in the strategic thinking that leads to formulation of Ends, the decisions involved in creating the Ends, to whatever level of detail the board determines appropriate, belong to the board.

This brings us full circle to our opening question: Is strategic planning a board function, and what if anything does it have to do with Ends? My answer is this: in whatever way you choose to define the strategic planning process, the board’s function is only that portion that involves the strategic thinking which results in Ends. This strategic thinking and the resultant Ends are the precursor to the management’s function of strategic planning. That planning is also subject to any limitations related to prudence and ethics that the board has set on the means which may be included in the plan.

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