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

DATE: Thursday, November 15, 2018

TIME: 6:30pm – 9:00pm

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

MEETING CHAIR: Eric Mahler

**AGENDA**

	<b>Info Type*</b>	<b>Detail</b>
<b>1) Opening Items</b>		
1. Approve Agenda		
2. Public Comment		
3. General Announcements		
<b>2) Consent Agenda</b>		
1. Minutes	O	
2. Bank Authorizations	O	Metzinger
3. Budget Amendment	O	Metzinger
<b>3) Policy Monitoring and Development</b>		
1. Board's Annual Plan of Work Item		
1. Annual Plan of Work + Education (finalize)	D	Mahler
2. Retreat Planning	D	
2. Policy Monitoring and Committee Reports		
1. Governance Committee	O	Mahler
2. Finance Committee		Allemang
a. Updates to Finance Policies	D	
3. Service Committee	O	Hewitt
3. Other Board Reports & Ownership Linkages		
1. Ownership Task Force	O	Allemang
2. LAC, WATS, A2 Transportation Commission	O	Webber, Krieg, Sims
<b>4) Strategy and Operational Updates: CEO</b>		
1. Major Studies Update: Washtenaw Ave Bus Rapid Transit	O	Carpenter/AECOM
2. Q4 Service Report	O	Smith
3. Q4 Finance End Report	O	Metzinger
4. Monitoring Report Policy 2.2: Treatment of Staff	M	Carpenter
5. FTA Triennial Review Results	O	Carpenter
<b>5) Emergent Business</b>		
<b>6) Board Development</b>		
<b>7) Closing Items</b>		
1. Topics for Next Meeting: Monitoring Reports: 1.0, 2.7, 4.3		<i>Thursday, December 20, 2018 @ 6:30pm</i>
2. Public Comment		

3. Board Assessment of Meeting		
4. Adjournment		

\* M = Monitoring, D = Decision Preparation, O = Other

## 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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## Issue Brief: Bank Authorization for Investment Account

Meeting: Board of Directors

Meeting Date: November 15, 2018

### Recommended Committee Action(s):

Approve resolution authorizing the opening of the Bank of Ann Arbor Investment Account.

### Prior Relevant Board Actions and Policies:

- Governance Process: Board Policy 2.6 Cash and Investments states, “The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board’s investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.”
- Appendix F: Investment Policy includes, “The Deputy CEO Finance and Administration (CFO), or the Manager of Finance (Controller) as his/her designee, is designated as the investment officer for the AAATA, and is responsible for investment decisions and activities implemented under this policy under the supervision of the CEO and Treasurer. The investment officer is authorized on behalf of AAATA to execute and deliver agreements, documents, or other instruments in connection with or relating to the opening and closing of investment accounts, the purchasing, selling, or redeeming authorized investments, and the safekeeping of investment accounts.”

### Issue Summary:

The Bank of Ann Arbor is requesting a signed Board Resolution to approve the opening of an investment account to hold U.S. Treasury Bills. The Authority opened an investment account with the Bank of Ann Arbor to purchase Treasury Bills and Treasury Notes to get a higher return on our cash funds in alignment with Board Policy 2.6 and Appendix F. The Bank needs this paperwork to document account set-up which has already occurred.

### Background:

The Authority has been investing cash funds in excess of near-term operating requirements exclusively in Certificate of Deposit Account Registry Service (CDARS) with the Bank of Ann Arbor since October 2009. The investments have been safe, but the interest rates have been low.

In a period of rising interest rates, staff thinks it is prudent to invest excess cash funds in very safe investments with higher return. For FY2019 investment income is projected to be \$153,421, a significant increase over prior year yields. (For additional information, see the 4<sup>th</sup> Quarter Financial Report elsewhere in the November Board Packet).

**Impacts of Recommended Action(s):**

- **Budgetary/Fiscal:** Establish investments account for Treasury Bills to obtain higher yields while maintaining safety of principal and liquidity.
- **Social:** N/A
- **Environmental:** N/A
- **Governance:** N/A

**Attachments:**

1. Resolution #01/2019: Establish Investment Account with Bank of Ann Arbor

ESTABLISH INVESTMENT ACCOUNT WITH BANK OF ANN ARBOR

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

I hereby certify that the following Resolution was duly approved and adopted by the Board of Directors (herein after referred to as the Board) of the Ann Arbor Area Transportation Authority at a meeting held on November 15, 2018 at which a quorum was present and acting throughout.

**WHEREAS**, the Board has opened an account with the Bank of Ann Arbor for the purpose of banking and/or investment management purposes;

**NOW THEREFORE, BE IT RESOLVED**, that the Board hereby ratifies the establishment of these account(s) with the Bank of Ann Arbor, dated September 25, 2018, and currently known as the Ann Arbor Area Transportation Authority investments account.

**FURTHER, BE IT RESOLVED**, that the Board hereby designates the following individuals as duly authorized and gives these individuals the authority to direct Bank of Ann Arbor via emails, telephone conversations, in writing, and/or any other form necessary regarding deposits, transfers, and withdrawals from any accounts held at the Bank of Ann Arbor (retail or trust), and to conduct any other business as deemed necessary and, further, grants Bank of Ann Arbor, Agent, the authority to follow without question the direction of at least two of the following named individuals:

Names(s)	_____	<u>Chief Executive Officer</u>
	Matthew Carpenter	Title
	_____	<u>Deputy CEO, Operations</u>
	Bryan Smith	Title
	_____	<u>Deputy CEO, Finance and Administration</u>
	John Metzinger	Title
	_____	<u>Manager of Finance</u>
	Philip C. Webb	Title

\_\_\_\_\_  
Eric A. Mahler, Chair  
November 15, 2018

\_\_\_\_\_  
Kyra Sims, Secretary  
November 15, 2018

## Issue Brief: FY2019 Operating and Capital Budget Amendment

Meeting: Board of Directors

Meeting Date: November 15, 2018

### Recommended Committee Action(s):

The Finance Committee has reviewed and recommends adoption of a resolution to amend the FY2019 Operating and Capital Budget to add revenue and expenses in the amount of \$644,000 for projects awarded in the Michigan Mobility Challenge.

### Prior Relevant Board Actions and Policies:

- Policy 2.5.6 “the CEO must not ... authorize contracts not anticipated in the current budget with a value greater than \$250,000.”
- Policy 3.2.7 “...the Board has direct responsibility to create...approval of the annual budget developed and recommended by the CEO.”
- FY2019 Operating and Capital Budget was adopted September 20, 2018 (Resolution 10/2018).

### Issue Summary:

The FY2019 budget needs to be amended to account for additional revenue and expense after AAATA was awarded state funding for two projects.

### Background:

AAATA was awarded \$187,000 for a pilot program to test autonomous wheelchair securements, and \$457,000 to support Feonix-Mobility Rising’s technology and training to enhance the transit experience for people with hearing and visual impairments. A total of \$644,000 needs to be added to the budget; \$316,800 in Operating Revenue/Expense and \$327,200 in Capital Revenue/Expenditure as shown below:

	Operating	Capital	Total
Auto. Wheelchair Securements	\$ 67,000	\$ 120,000	\$ 187,000
Technology/Training	\$ 249,800	\$ 207,200	\$ 457,000
	\$ 316,800	\$ 327,200	\$ 644,000

### Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** Budgeted revenues and expenditures will increase for new projects.
- **Social:** Projects will improve the experience of using transit for people with disabilities.
- **Environmental:** Improved ADA access may offset other forms of transportation.
- **Governance:** Amendment to FY2019 Operating and Capital budgets.

### Attachments:

1. Resolution #02/2019: Amendment of FY2019 Operating and Capital Budget

AMENDMENT OF FY 2019 OPERATING AND CAPITAL BUDGET

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

**WHEREAS**, the Ann Arbor Area Transportation Authority (AAATA) Board of Directors (Board) is required by the Michigan Uniform Budgeting and Accounting Act of 1968 to adopt a balanced operating budget for each fiscal year, and

**WHEREAS**, an operating budget with revenues of \$45,951,245, expenses of \$45,857,698 and a capital budget in the amount of \$8,660,500 were adopted for FY2019 by the Board in September 2018 (Resolution No. 10/2018), and

**WHEREAS**, the AAATA was awarded \$644,000 in state grant funds in the Michigan Mobility Challenge, a statewide initiative to fund innovative pilot transportation projects to solve mobility gaps for seniors, people with disabilities, and veterans, and

**WHEREAS**, the AAATA seeks to pilot autonomous wheelchair securements in fixed route buses using a state grant of \$187,000 for capital and operating expenses, and, also seeks to support Feonix-Mobility Rising's technology and training to enhance the transit experience for people with hearing and visual impairments using a state grant of \$457,000, and

**WHEREAS**, amending the AAATA's 2018 Budget will authorize the CEO to enter into contracts to receive grant funds from the Michigan Department of Transportation, and to expend grant funds on the two projects for which grant funds were awarded,

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby approves an amendment to the AAATA FY2019 Operating Budget as its general appropriations act to increase total operating revenue to \$46,268,045, operating expenses to \$46,174,498, and to amend the FY2019 Capital Budget to \$8,987,700.

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Eric A. Mahler, Chair  
November 15, 2018

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Kyra Sims, Secretary  
November 15, 2018



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## Issue Brief: Annual Plan of Work, Education, and Calendar

**Meeting:** Board

Meeting Date: November 15, 2018

**Information Type:** Decision Preparation

### Recommended Action(s):

Approve calendar's content as the topics identified for the Board's Annual Plan of Work and Education calendar. Dates are somewhat tentative.

### Prior Relevant Board Actions and Policies:

Policy 3.4: Agenda Planning

### Issue Summary:

Each year the Board establishes its Annual Plan of Work as the priorities it wishes to focus on in the upcoming year. As illustrated in the attached calendar, those items include: Ownership linkage, Resources Allocation, Ridership/Coverage, Board members orientation, the role of the LAC, updates to Bylaws, and providing input into long-range service planning.

In addition, the Board has also identified issues where it wishes to receive some level of additional education.

The calendar illustrates the intended time line. Actual dates may vary due to speaker availability, emergent items, etc.

### Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** NA
- **Social:** NA
- **Environmental:** NA
- **Governance:** These lists and calendar assist with organizing the Board's work load.

### Attachments:

**Attachment 1: Annual Board Calendar (Oct 31, 2018)**

**Annual Board Calendar Oct 31, 2018**

		Q1 of each fiscal year			Q2			Q3			Q4		
ANNUAL BUDGET CYCLE		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	August	Sept
Old Ends Review	From previous year			⊗ Monitor Ends									
Renew Ends	For coming year				⊗ Retreat								
Strategic Business Plan	Updating in light of new Ends							⊗	Strategic Business Plan				
Budget Development	Implementing Business Plan										Draft Budget	⊗	
Budget Approval	Board discusses draft budget.	Key: ⊗ indicates key step.											
Policy Development (Tentative)													
	Ends Policies			Review Old Ends	Update Ends Policies	Update Ends Policies	Finalize Ends Policies						
	Annual Plan of Work Tasks 2018/2019		• Ownership Linkage Task Force	• Ownership Linkage Task Force	• Ownership Linkage Task Force	• Ownership Linkage Task Force							• Budget
					• Resource Allocation Task Force	• Resource Allocation Task Force	• Resource Allocation Task Force						
						• Orientation, etc	• Orientation, etc	• Orientation, etc		• Role of LAC	• Role of LAC	• Role of LAC	
								• Ridership/Coverage			• Bylaws, etc	• Bylaws, etc	• Bylaws, etc
							• Long-Range Service Planning Input	• Long-Range Service Planning Input	• Long-Range Service Planning Input	• Service Planning Cont.	• Service Planning Cont.	• Service Planning Cont.	• Service Planning Cont.
	Board Education (TBD)	• Emerging Tech		Affordability & Equity				Transit and Land Use			Advocacy		
Oversight, Accountability and Monitoring Reports													
	Directly to Full Board	• 2.0 Global Executive Constraint		• 1.0 Ends	• Board member Disclosure Statements due (3.3.2.1)			• 2.11 Communication and Support					• 2.4 Financial Planning/Budgeting
	Governance	• 3.3 Board Code of Conduct • 4.1 Unity of Control • CEO expense report	• 4.2 Accountability of the CEO	• 4.3 Delegation to the CEO	• 4.4 Monitoring CEO Performance • CEO expense report • CEO Evaluation	• 3.4 Agenda Planning • CEO Evaluation • CEO Compensation (odd years)	• 3.2 Board Job Description • CEO Evaluation	• 3.1 Governing Style • CEO expense report • CEO Evaluation process	• 3.6 Board Committee Principles • 3.7 Board Committee Structure	• 3.8 Costs of Governance • CEO pay (3.4.7)	• CEO expense report	• 3.5 Chief Governance Officer Role	• 3.0 Board Governance Process • 4.0 Board-Management Delegation
	Service Committee		• 2.2 Treatment of Staff • Q4 Service Report		• 2.2 Treatment of Riders	• Q1 Service Report			• Q2 Service Report	• 2.10 External Relations	• Draft Budget Preview	• Q3 Service Report	
	Finance Committee		Report: • Q4 Financial Reprt • Year End Report	• 2.7 Ends Focus of Contracts		• 2.5 Financial Conditions (audit) • Q1 Financial Report	• 2.3 Compensations & Benefits • 2.8 Asset Protection	• 2.6 Cash & Investments	• Q2 Financial Report	• 2.9 Emergency Succession	• Draft Budget Preview	• Q3 Financial Report	
	Audit Task Force		• Form Task Force	Field Work	Draft	Present							
CEO Strategy Updates			BRT	Paratransit	• Long-Range Service Planning Process								
Misc							Labor Agreement (every 5 years)						Offcr Elections (Byl II.2) Set meeting times (IV.1)

**Items already suggested for Annual Plan of Work**

- Ownership Linkage (Task Force)
- Board member orientation, training (Task Force)
- Resource Allocation (Task Force)
- Review Bylaws, Articles or Incorporation, role of Officers.
- Clarify role of Local Advisory Committee (LAC)
- Ridership and Coverage

**Items already suggested for Board Education**

- Techniques for Ownership Linkage
- Transit-supportive land development
- Transit's role in community affordability
- New Mobility and emerging technology options

## Meeting Summary

Ann Arbor Area Transportation Authority Board of Directors

Finance Committee

Tuesday, November 6, 2018

Present: Mike Allemang (Chair), Kyra Sims, Eli Cooper (phone), Prashanth Gururaja, Jesse Miller

Staff: Matt Carpenter, John Metzinger, Bryan Smith, Phil Webb, Jeff Murphy, Geri Barnstable

The meeting was called to order at 3:05 p.m. by Chairman Allemang.

### 1) Opening Items

- a. Agenda (Additions, Approval)  
There were none.
- b. Communications  
There were none.

### 2) Policy Monitoring and Development

- a. Consider Budget Policies  
Mr. Metzinger directed attention to the Issue Brief from last month with recommended changes. On Policy 2.5.6, it was not recommended that the purchasing threshold for the CEO be changed. Chairman Allemang noted that they came to understand that sometimes it will be needed, and it has worked well over the last 2 months. Mr. Carpenter noted that the CEO should not be given carte blanche. Mr. Metzinger noted the other changes are to Policy 2.5.10, Executive Limitations on use of debt which must be approved by the Board and to Policy 2.8 that the auditors will periodically will be rotated with none remaining more than 6 years. Chairman Allemang asked if all concurred to take the recommendations and there were no nays.
- b. Annual Plan of Work

Chairman Allemang noted that this was discussed at the last Board Meeting and will be again this month as well as being discussed by the Service Committee. He recalled it is a long list, so the Board will have to set priorities. He noted that the Ownership Linkage Task Force is meeting this Thursday. They will define who their moral and legal owners are and how to connect with them. Other Task Forces that were highlighted were Resource Allocation and the LAC in addition to Mobility and Emerging Technology under Education. Mr. Miller requested an LAC update. Mr. Carpenter responded that it meets here monthly, is active but does not have a clear purpose. More details on the Annual Plan of Work were reviewed. Mr. Carpenter suggested some things be pushed off based upon the reality of doing other things. Chairman Allemang reported that the retreat timing was discussed at the Governance Committee and that Chairman Mahler will bring it up at the Board Meeting for input. Mr. Carpenter noted that there has been less change to Ends this year, so the retreat may not have to be in January. Chairman Allemang noted that missing a leader in Planning is putting the organization at a disadvantage for long range planning, which is important. Mr. Carpenter reported that they are close to a decision on hiring someone. He also commented that the Long-Term Service Plan will drive the Strategic Business Plan and that the Strategic Business Plan will then drive the Budget. Mr. Carpenter reported that tomorrow the Service Committee will hear about planning for the Washtenaw BRT.

### 3) Strategy and Operational Updates

#### a. Budget Amendment

Mr. Metzinger recommended a resolution for the Board to amend the Budget for Michigan Mobility Challenge. He reported that this included 2 projects: 1) Autonomous Wheelchairs which will increase autonomy using rear facing positioning, 2) developing technology for visually impaired people in Ann Arbor that the staff will be trained to use. The the product will be tested first. He reported that the Budget will be updated. Mr. Carpenter reported that with these projects the same money is coming in as is going out. There were questions about both projects. There was discussion about how the grant was structured. Chairman Allemang asked if anyone was against recommending that it be passed to the Board. It passed with a consensus.

#### b. Q4 Finance Report

Mr. Metzinger reviewed the 4<sup>th</sup> Quarter Financial Statement reporting that the results will not be final until the final audit in December. There was much discussion about the details of expenses and investments. Chairman Allemang

requested more details on the investments which Mr. Metzinger will provide him with. Mr. Gururaja requested more details about AirRide and the category of “Other Modes” in the chart. Mr. Metzinger will clarify that and get back to him. Mr. Metzinger reviewed the balance sheet stating that the reserve ended higher than expected and that he and Mr. Webb re-organized the strategy based on what the Board wanted which included meeting their priority of safety of the principal. Chairman Allemang would like a more detailed understanding of the cash flow. He and Mr. Metzinger will get together to review this. Mr. Metzinger reported that Bank of Ann Arbor wants the Board to authorize who has access to the account. Ms. Sims reported that although she is the Secretary, she may not be able to sign because she works in that department though not on this account. Mr. Metzinger will clarify this with the bank. Mr. Cooper said he would sign. Mr. Carpenter complimented Mr. Metzinger and Mr. Webb on what they did with the investments and noted that is it indicative of the small changes happening within the organization. He gave another example of the Security Barrier at the front entry to the building.

c. FTA Triennial Review

Mr. Metzinger reported that the findings this year were expected because the FTA changed the way they look at compliance. The FTA was impressed overall, and he reviewed the details of the findings. Chairman Mahler will get a copy of the report from the FTA and corrections must be made by February 1<sup>st</sup>. The findings were mostly about paperwork, so they don’t affect customers. Mr. Carpenter reported that there is no requirement to share this with the full Board, but it is of value for them to know we are playing by the rules of our primary granting agency, the FTA. Chairman Allemang would like to recommend that the Board accept it and complimented the staff for a great year.

4) Closing Items

a. Topics for Next Meeting: Monitoring Report 2.7

- b. Mr. Miller asked why we didn’t offer free service for voting as other organizations did. Mr. Carpenter replied that it’s never been done but could be discussed and he will follow up with information on that. He suggested it go under the Fare Study that is forthcoming. He noted that only the Board can change the fare. Mr. Carpenter noted they are getting near the time to decide if the existing Ends Policy is satisfactory. That will be in the first Quarter next year. Chairman Allemang reported that Ownership Linkage includes input from owners about the Ends, so it will be re-visited then.

c. Adjournment by Chairman Allemang was at 4:56 p.m.

Respectfully Submitted,  
Geri Barnstable

## Issue Brief: Changes to Board Policy Manual

Meeting: Board of Directors

Meeting Date: November 15, 2018

### Recommended Committee Action(s):

The Finance Committee has reviewed changes to Board Policy and recommends adoption.

### Prior Relevant Board Actions and Policies:

- Adoption of Policy Governance, June 2017.
- On September 20, 2018, the CEO presented the Board with a Monitoring Report for policy 2.4 Financial Planning/Budgeting. The CEO asked the Board to revisit policy 2.4.5 and provide more clarity. The Board delegated this discussion to the Finance Committee.
- The CEO suggested other changes to Board Policy for the Finance Committee to consider at the same time, to place greater restrictions on the CEO delegated authority and reduce risk via policies 2.4 and 2.5, and require the rotation of auditors.

### Issue Summary:

The Finance Committee discussed recommended policy changes at the October and November Finance Committee meetings and is now recommending adoption by the Board of Directors. Recommended changes include deleting Policy 2.4.5 (and re-enumerating subsequent policies), adding Executive Limitations policies to limit the use of debt (Policy 2.5.10, Policy 2.4.8), and adding Board Governance Policy 3.8.1.2 to require periodic rotation of auditing firms.

### Background:

The Board directs and controls the organization through written policies. Recommended changes will place greater restrictions on the CEO delegated authority and reduce risk by limiting use of debt and will ensure the independence of auditing firms by requiring rotation after contracted auditors have served no more than six years.

### Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** Budget policies guide the development of agency finances.
- **Social:** N/A
- **Environmental:** N/A
- **Governance:** Changes to the Policy Manual require approval from the Board of Directors

**Attachments:**

1. Recommended Changes to Board Policy Manual



**Attachment 1**  
**Recommended Changes to Board Policy Manual**

Recommended changes are highlighted in red below:

**2.5 FINANCIAL CONDITION AND ACTIVITIES**

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:

- 2.5.1 Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.
- 2.5.2 Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.
- 2.5.3 Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.
- 2.5.4 Compromise the independence the Board's audit or other external monitoring or advice.
  - 2.5.4.1 Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.
  - 2.5.4.2 Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.
- 2.5.5 Allow expenditures that exceed the overall Board-approved budget.
  - 2.5.5.1 Allow cost overruns on capital projects.
- 2.5.6 Authorize contracts not anticipated in the current budget with a value greater than \$250,000.
  - 2.5.6.1 Split purchases or contracts into smaller amounts in order to avoid the above limit.
- 2.5.7 Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.
- 2.5.8 Adjust transit passenger fares or tax rates assessed by the Authority.
- 2.5.9 Acquire, encumber, or dispose of real estate.
- 2.5.10 Encumber the agency with financial debt without previous authorization from the Board.*

**2.4 FINANCIAL PLANNING/BUDGETING**

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:

- 2.4.1 Risks incurring those situations or conditions described as unacceptable in the Board policy on Financial Condition and Activities.
- 2.4.2 Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.
- 2.4.3 Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

- 2.4.4 Is unclear about long-term funding needs and growth projections.
- ~~2.4.5 Allows inefficiencies due to over or under funding.~~
- 2.4.5 Causes deficit spending.
- 2.4.6 Does not provide for adequate reserves.
- 2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.
- 2.4.8 *Funds ongoing operations via debt or creates unfunded future obligations.*

### 3.8 COST OF GOVERNANCE

Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity. Accordingly:

- 3.8.1 Board skills, methods, and supports will be sufficient to assure governing with excellence.
  - 3.8.1.1 Training and re-training will be used liberally to orient new members and candidates for membership, as well as to maintain and increase existing member skills and understandings.
  - 3.8.1.2 Outside monitoring assistance will be arranged so that the Board can exercise confident control over organizational performance. This includes, but is not limited to, fiscal audit.
    - 3.8.1.2.1 *Contracted auditing firms will be periodically rotated to maintain independence. Contracted auditors will serve no more than six consecutive years.*
  - 3.8.1.3 Outreach mechanisms will be used as needed to ensure the Board's ability to listen to owner viewpoints and values.
- 3.8.2 Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.
- 3.8.3 The Board will develop its budget by June 30 each year to assure its inclusion in the overall budget.

Meeting Summary  
Ann Arbor Area Transportation Authority Board of Directors  
Service Committee  
Wednesday, November 07, 2018

Present: Roger Hewitt (Chair), Kathleen Mozak-Betts, Larry Krieg, Sue Gott (phone)

Staff: Matt Carpenter, Bryan Smith, John Metzinger, Julia Roberts, Jeff Murphy, Bill DeGroot, Geri Barnstable

The meeting was called to order at 9:05 a.m. by Chairman Hewitt.

1) Opening Items

a. Agenda (Additions, Approval)

Mr. Krieg would like to add a discussion of the Pittsfield situation. Chairman Hewitt asked for approval of the agenda. The vote was a unanimous yes.

b. Communications

Mr. Carpenter introduced the interim Deputy CEO of Planning and Innovation, Jeff Murphy, Julia Roberts who will be presenting today and Bill DeGroot, also from the Planning and Innovation Department. Mr. Krieg reported that he had emailed the Committee a summary of the information from the conferences he attended to help with the Ends. Chairman Hewitt suggested discussing that under 2b, Education.

2) Policy Monitoring and Development

- a. Mr. Carpenter reported that the packets contained Monitoring Report 2.2, Treatment of Staff. It is a work in progress which includes a survey. The survey is a snapshot of perceptions which can be merged with other data. It's the trends over time that are important. At this point, the report is not complete enough to ask the Board to accept. Mr. Carpenter reviewed details of the survey, in particular that 25% of employees responded anonymously from non-union and union groups, which is great, results were reviewed with the staff, and the results suggest most people feel things are going pretty well. He noted that there is no way to know who the 75% who didn't respond are but that another survey will be done in 1-2 years and if progress is shown, it may encourage others to participate. There were questions about whether probationary employees were included, whether the rate of attrition can be assessed. He reported that those would be a separate source of data, that this report was more focused on leadership which is important to him. More details of the survey were discussed as well as the Leadership Practice Survey that many have done which 2 Board Members participated in. He described this process. He

again highlighted leadership assessment as important and reported that the survey replies support most of what he has been hearing from the staff. The full survey is included in the packet. Mr. Krieg likes the direction citing that it's about human relations and not de-humanizing employees. Ms. Gott asked how the Board could support the culture and overall dynamic and Mr. Carpenter replied that the Board is part of leadership therefore, they set an example.

b. Annual Plan of Work and Education

Chairman Hewitt brought up changing the retreat date. This was also asked in the Governance Committee. He suggested it include strategic planning and recommended putting it off to do this. Ms. Gott was fine with this. Mr. Krieg noted that if a lead planner was in place, it would help that person. Ms. Mozak-Betts agreed with all that was said. Chairman Hewitt recommended focusing on Education until a lead planner is in place. Mr. Carpenter reported that the Finance Committee had a similar idea.

c. Calendar

Chairman Hewitt suggested moving the retreat will be effective in updating the Ends Policy. Mr. Carpenter reported that he is not sensing the Board is interested in re-visiting the Ends though it might want to get the perspective of the new members. Mr. Krieg reported that under Education, the conferences he went to had similar themes internationally. They were gentrification, last mile and mobility as a service.

3) Strategy and Operational Updates: CEO

a. Major Studies Update & Washtenaw Ave BRT

Mr. Carpenter introduced a presentation by Julia Roberts on the Washtenaw Avenue BRT. He reported that there are 7 projects in the pipeline, which he listed, and feedback is wanted from the Board and the public.

Ms. Roberts began her presentation by explaining the reason Washtenaw Avenue was chosen for the BRT (Bus Rapid Transit) is because it is the highest ridership corridor. She reviewed the benefits to this including increased frequency and consistency. She then gave more details, including cost. This will be presented to the Board next week and to the public on December 12<sup>th</sup>. An FTA grant proposal is being prepared for this as well. Ms. Gott asked how to move forward, and Ms. Roberts explained that there would be a Joint Technical Committee with representatives across all 4 corridors and the specific steps will be determined after public engagement. More details of the service were discussed, including pros and cons to selecting Washtenaw Avenue. Mr. Carpenter noted that he can facilitate the Board learning more and he would like them to come to the public meetings. Ms. Gott requested Ms. Roberts send her a list of the meetings.

b. Q4 Service and Satisfaction Report

Mr. Smith reviewed the report and noted in particular that Paratransit had increased as had customer satisfaction. Chairman Hewitt noted that this could be discussed in more detail at the full Board Meeting.

c. FTA Triennial Review Report

Mr. Metzinger reported that overall the FTA had positive things to say. The Issue Brief notes the deficiencies found which were not many and not significant. They were mostly about documentation. The next steps are to correct them and report back to the FTA. Mr. Carpenter noted that we have a good relationship with our chief grantor organizations, the FTA. Chairman Hewitt noted that this could be discussed in more detail at the full Board Meeting.

4) Closing Items

a. Topics for Next Meeting

1. Mr. Krieg's issue with Pittsfield. Mr. Carpenter stated that there will be a draft of the Ends Monitoring Report.

b. Adjournment

Chairman Hewitt adjourned the meeting at 11:02 a.m.

Respectfully Submitted,  
Geri Barnstable

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## Issue Brief: Washtenaw Bus Rapid Transit (BRT) Refinement Study

Meeting: Board of Directors

Meeting Date: November 15, 2018

### Recommended Board Action(s):

Receive for Information and Provide Feedback.

### Prior Relevant Board Actions and Policies:

Expectations for the CEO to keep the Board informed about upcoming decision and context (Policies 2.11.1.3, 2.11.1.5, 2.11.1.6, and 2.11.1.6.1).

### Issue Summary:

The study process for refining recommendations on Bus Rapid Transit (BRT) along the Washtenaw Avenue corridor (Route 4) is nearing an important milestone. With public engagement opening up, this is a good opportunity to review alternatives, and provide input for helping to determine how best to move forward with the proposed project in preparation for Federal Transit Administration (FTA) funding.

Building on early work, this study has developed preliminary plans for enhanced bus service on Washtenaw Avenue that could reduce travel times by 25%. This initiative has the potential to compete for federal Small Starts project money that could provide 50% of the capital funds. The initial study document will be completed following a public engagement event scheduled for December 12, 2018.

This work has the potential to have a significant impact on future long-term service planning. Rather than delay this project until long-term plan is complete, the CEO is advancing the project to conserve time and momentum.

### Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** NA
- **Social:** NA
- **Environmental:** NA
- **Governance:** Roles of the Board and CEO (staff).

### Attachments

- **None:** Presentation to be shared at the November 2018 Board of Directors meeting.



## Issue Brief: 2018 Q4 Satisfaction and Service Report

**Meeting:** Service Committee    **Date:** October 31, 2018

**Agenda Item # 3b**

**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, Paratransit, and Vanpool 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:

- Highlights Brief
- FY 2018 Q4 Satisfaction and Service Report
- Glossary of Terms

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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

- An AAATA shelter
- An alternative shelter is 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 property owners have declined to grant an easement (3%) or there is insufficient space in dense, downtown areas (13%).

### **Condition of Vehicle**

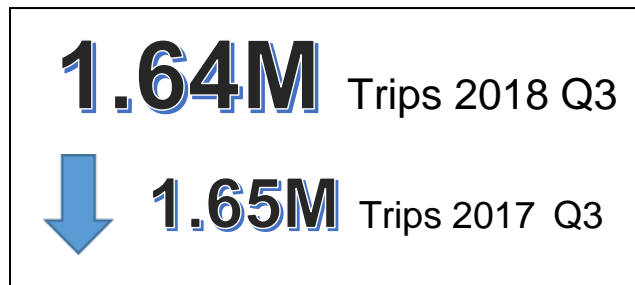
The image of the transit system, including the condition of the transit vehicles is an important factor in determining user satisfaction. The 100-point system is aligned with industry study: Climate Control (20), Interior Cleanliness (30), Exterior Cleanliness (10), Repair of Seats (20), Interior Lighting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



## Service and Satisfaction Report Highlights

7/1/2018 to 9/30/2018

### Fixed Route Ridership:



Ridership was essentially flat with a 0.7% decrease quarter to quarter. Total fixed route ridership for the fiscal year was 6,643,909, a 20,792 trip increase over last fiscal year.

### Safety

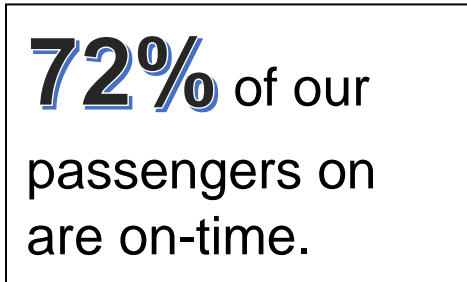
The quarter to quarter trend continues to show a significant percentage increase in the number of preventable collisions and injuries. This is in part because of the relatively small numbers involved. There were seven additional incidents that account for this increase. We are continuing to trend downward overall, which is good.

### Fixed Route On-Time Performance

We continue to track the new metric focused on how many *passengers* are on a on-time bus. We expect to roll out some short-term changes for the fall schedule that may alleviate some of the on-time performance issues. Those changes won't show up in this metric until the next quarterly report.

A more comprehensive set of solutions will be part of the outcome of the long-range plan, set to start at the beginning of next year.

Throughout our fixed-route system, on-time performance is at 82%.



72% of our passengers on are on-time.

### Fixed Route: Miles between Road Calls

We decreased slightly this quarter compared to last year's quarter. We are in the process of selecting a new Manager of Fleet Services to replace Terry Black, who retired during the quarter. This metric will be one of the position's focus points.



20,063 miles between road calls

### Paratransit: Ridership

Paratransit ridership continues to grow and is up 9% quarter to quarter. We continue to see Senior trips drop and ADA trips grow. Overall, our passengers reported a 97% satisfaction rate as part of our paratransit study. This is confirmed in the low rate of complaints, and the high on-time performance.

### Vanpool (NEW data!)

We are proud to present data on our vanpool service. We have 109 active van pools taking over 60,000 passenger trips last quarter. The users paid an average of \$33.95 in fuel each month and the service gets an impressive 93 passenger miles to the gallon. We have this data for the last two quarters, and as we collect more, we will be able to identify seasonal trends.

## FY 2018 Q3 Satisfaction and Service Report

### Service: Fixed Route (Local + ExpressRide)

### Current Quarter

End/Outcome	Measure	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Q to Q Trend	Target
<b>Ridership</b>	Boardings	1,658,771	1,724,420	1,732,094	1,539,552	<b>1,647,843</b>	● -0.7%	■ > last yr Q
<b>Satisfaction</b>	User Surveys (every 2 years)	--	--	5.92	--		● 1.2% *	■ > 5
<b>Safe</b>	Preventable accidents + pass. Injuries/ 100,000 miles	1.04	2.10 **	2.27 **	2.01 **	<b>1.91</b>	● 84.1%	■ < 3.5
	% bus stops compliant with industry standards (TCRP)	--						■ --
<b>Reliable</b>	On-time Performance (within 0-5 min at timepoints)	83%	81%	84.5%	85.3%	<b>82.8%</b>	● -1%	■ 90%
	% passengers on an on-time bus	--	--	77%	75%	<b>72%</b>		■ --
	Miles between road calls	20,404	20,749	26,913	22,512	<b>20,063</b>	● -2%	■ --
<b>Courteous</b>	Complaints per 100,000 boardings	1.7	2.4	3.1	2.3	<b>2.0</b>	● 19%	■ --
<b>Comfortable</b>	Crowding	--	--	--	--			■ --
	% of qualifying, possible bus stops with shelters	87%	88%	88%	88%	<b>90%</b>	● 3%	■ --
	Condition, cleanliness of bus: % buses scoring 80+/100	82%	81%	80%	77%	<b>78%</b>	● -5%	■ >80%
<b>Eff. Stewardship</b>	Boardings per Revenue Hour	23.4	24.8	24.6	22.2	<b>23.6</b>	● 1%	■ >25
	Cost per Revenue Hour (note: cumulative over yr)	\$ 103.73	\$ 102.08	\$ 104.07	\$ 110.34	<b>\$ 107.07</b>	● 3%	■ --

\*\* injuries added to calculation

### Service: Paratransit

### Current Quarter

End/Outcome	Measure	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Q to Q Trend	Target
<b>Access</b>	<b>ADA Service Denials/ ADA Boardings</b>		0.12%	0.11%	0.15%	0.07%	■ --	■ "no pattern"
<b>Ridership</b>	ADA Trips	27,111	29,089	30,020	29,815	<b>29,609</b>	● 9%	
	Senior Trips	4,027	3,950	3,834	3,362	<b>2,604</b>	● -35%	
	Total ADA and Senior Trips	31,138	33,039	33,854	33,177	<b>32,213</b>	● 3%	
	<b>ADA Boardings/Capita</b>	0.12	0.13	0.13	0.13	<b>0.13</b>	● 8%	
<b>Reliable</b>	On-time Performance (% within 30 min Service Window)		97%	96%	98%	97%		■ 97%
<b>Courteous</b>	% of Complaints/Boardings			0.10%	0.05%	<b>0.03%</b>		■ < 0.50% trips
<b>Convenient</b>	Avg on hold time Advance Reservations							
	Avg on hold time Same-Day Reservations							
<b>Stewardship</b>	Boardings per Revenue Hour	1.38	1.52	1.42	1.46	<b>1.45</b>	● 5%	
	Cost/Boarding	\$ 34.28	\$ 33.30	\$ 32.85	\$ 34.89	<b>\$ 35.84</b>	● 5%	

Service: Vanpool

Current Quarter

End/Outcome	Measure	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Q to Q Trend	Target
<b>Ridership</b>	# of vanpools (at end of Q)	new data in place Jan 2018		103	109	<b>107</b>	--	110 by yr end
	# of rider trips taken			60,517	60,754	<b>58,316</b>	--	
<b>Alt to Auto</b>	Avg Monthly Fuel Cost to User			\$ 30.94	\$ 33.95	<b>\$ 34.33</b>	--	
	Avg monthly passenger miles/traveller			1,156	1,115	<b>1,099</b>	--	
<b>Stewardship</b>	Subsidy per passenger trip (Federal)			\$ 2.67	\$ 3.01	<b>\$ 3.17</b>	--	
	Passenger miles/gallon			93.8	93.0	<b>92.0</b>	--	

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## Issue Brief: FY2018 Q4 Financial Statement Report

Meeting: Board of Directors Meeting

Meeting Date: November 15, 2018

**Recommended Committee 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 August.
- Policy 2.6 Investments and Appendix F Investment Policy were adopted in June 2018.

**Issue Summary:**

Staff present the Fourth Quarter Financial Statement with currently available and reportable financial information for the period ending September 30, 2018. This is the first close of the fiscal year, which means the results are not final.

**Background:**

Financial highlights from the fourth quarter (July, August, September 2018) include:

- Investments were restructured to obtain higher yields according to Policy 2.6 and Appendix F.
  - AAATA's annual peak cash flow is in July and August after receipt of local property tax revenues. A total of \$13,975,000 in cash and investments were rolled over from checking accounts, savings accounts, and CDARS to a combination of U.S. Treasury Bills, CDs, and CDARS managed by the Bank of Ann Arbor.
  - Maturities (due dates) for investments are timed to meet AAATA's operating cash flow needs throughout the fiscal year.
  - Expected yield is \$153,421, which is 5.7 times the \$27,000 annual yield generated by CDARS alone as used in FY2018 and prior years, a significant improvement.
- The reserve ended the quarter at 2.2 months of annual operating expense, higher than expected and near the target of 2.5 months.
- The reserve balance was \$8.4 million, a half million higher than fourth quarter end last year.
- TheRide operated within the budget.
- There was a \$1,990,545 surplus of revenue over expense, which represents a contingency margin of 4.7% of the adopted budget.
- Expenses were \$1.4 million lower than budgeted. Savings were from lower fringe benefits, purchased service, and other costs.

- Revenues were lower than budgeted by \$123,883, after less-than-budgeted state operating assistance was needed due to lower overall expenses, fare revenue was higher than expected, and more federal assistance was drawn for Federal Section 5310-funded services.
- Cash flow was adequate to cover expense; quarter ended at \$19.8 million in cash/ investments.
- Second close of FY2018 will be completed just before the auditors begin fieldwork in December.

**Impacts of Recommended Action(s):**

- **Budgetary/Fiscal:** Demonstrates financial performance for the reporting period
- **Social:** N/A
- **Environmental:** N/A
- **Governance:** Supports Board in financial oversight/fiduciary responsibility

**Attachments:**

- FY 2018 Q4 Financial Statement (Income Statement and Balance Sheet)



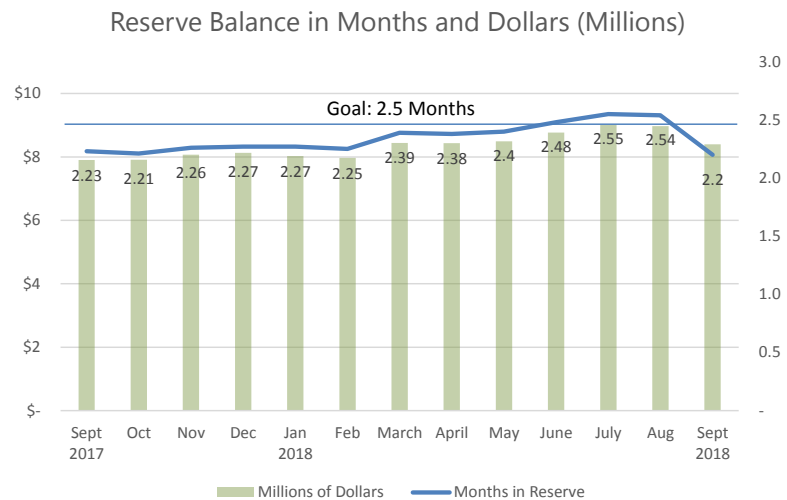
## Balance Sheet

For the Period Ended September 30, 2018 (First Close)

### Balance Sheet and Reserve

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

	Current Quarter 9/30/2018	Last Quarter 6/30/2018	Last Year 9/30/2017
<b>ASSETS</b>			
Cash & Investments	\$ 19,824	\$ 9,064	\$ 15,535
Other Current Assets	\$ 8,771	\$ 14,891	\$ 8,613
Capital Assets	\$ 58,293	\$ 54,825	\$ 54,644
<b>Total Assets</b>	<b>\$ 86,887</b>	<b>\$ 78,780</b>	<b>\$ 78,792</b>
<b>LIABILITIES</b>	8,555	3,546	4,803
<b>NET POSITION</b>	<b>\$ 78,332</b>	<b>\$ 75,234</b>	<b>\$ 73,989</b>
<b>Reserve Balance</b>	<b>\$ 8,404</b>	<b>\$ 8,773</b>	<b>\$ 7,903</b>
<b>Months in Reserve</b>	<b>2.20</b>	<b>2.48</b>	<b>2.21</b>



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

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

Cash & Investments	Fiscal Year 2017				Fiscal Year 2018			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Beginning Balance	\$ 16,735	\$ 16,638	\$ 12,985	\$ 7,537	\$ 15,638	\$ 15,120	\$ 12,511	\$ 9,064
Effect of Operations	(6)	(1,263)	3,859	(137)	(1,519)	(3,584)	(5,417)	2,725
Effect of Capital	(11)	48	(1,958)	(447)	-	(5)	(31)	(2)
Effect of Investments	(80)	(2,438)	(7,349)	8,685	1,000	980	2,001	8,037
<b>Ending Balance:</b>	<b>\$ 16,638</b>	<b>\$ 12,985</b>	<b>\$ 7,537</b>	<b>\$ 15,638</b>	<b>\$ 15,120</b>	<b>\$ 12,511</b>	<b>\$ 9,064</b>	<b>\$ 19,824</b>

### Investments Summary

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

Investment Instrument	Date of Maturity	Interest Rate	Total as of 9/30/2018
Bank of AA - CDARS	11/1/2018	0.7%	\$ 1,000
Bank of AA - CD	11/28/2018	1.8%	795
Bank of AA - CD	12/26/2018	1.9%	795
Bank of AA - CD	1/23/2019	1.9%	795
Bank of AA - CD	2/20/2019	2.0%	795
Bank of AA - CD	3/20/2019	2.0%	795
Bank of AA - CDARS	3/28/2019	0.7%	2,500
Bank of AA - CDARS	8/1/2019	0.8%	1,500
U.S. Treasury Bill	3/28/2019	2.1%	1,000
U.S. Treasury Bill	9/27/2019	2.3%	1,000
U.S. Treasury Bill	3/25/2020	2.4%	1,000
U.S. Treasury Bill	9/25/2020	2.5%	2,000
RBC Futures Account	Daily	0.1%	777
Key Bank Money Market	Daily	0.1%	5
MERS Retirement Savings			106
<b>Total Investments:</b>			<b>\$ 14,863</b>

**Projected FY2019 Investment Income: \$153,421**

The majority of Operating Capital and Long Term Reserves are federally 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.

U.S. Treasury Bills are short term bonds (2 years or less) backed by the Treasury Department of the U.S. Government (rates shown are after the annual fee of .28%).

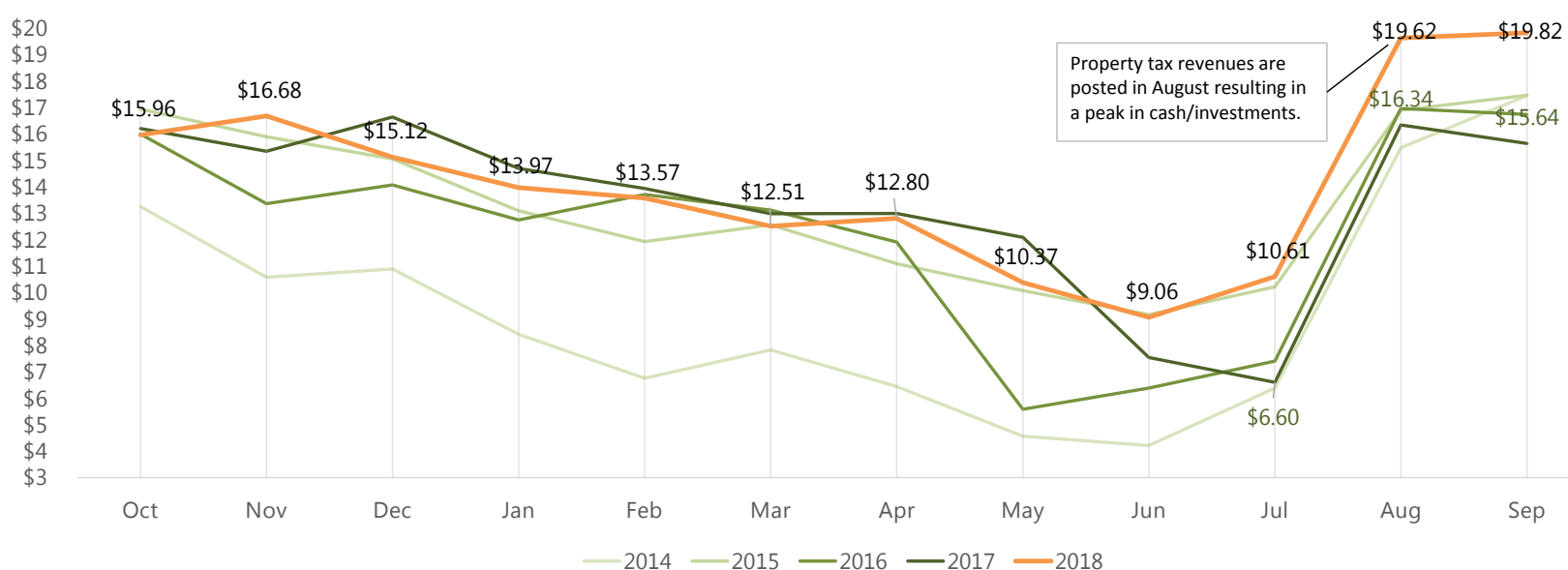
Accounts that are not FDIC insured or with balances above the FDIC insurance threshold are used for day-to-day working capital and include Bank of Ann Arbor CDs, a fuel futures commodity account, and a money market account. Bank of Ann Arbor CDs are a prudent investment; the bank has \$1.6 billion in assets and \$142.9 million in net capital as of June 30, 2018, has been profitable the past 9 years, and does not enter into risky investments.

MERS Retirement Savings, managed by Municipal Employee's Retirement System of Michigan, is not operating capital.

### Cash and Investments History

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

In Millions of Dollars.



## 2.2 Treatment of Staff

### Monitoring Report for the Period: April 1, 2018 to October 31, 2018

Date of Report: November 1, 2018

Service Committee Review: November 7, 2018

Board Meeting: Thursday, November 15, 2018

TheRide board;

In accordance with the Board's Policy Manual; I present the Monitoring report on **Executive Limitation Policy 2.2: Treatment of Staff**. Due to a rescheduling of all Monitoring Reports, this report is returning to the Board after only six months. While this report represents an improvement over the initial report from April 2018, several compliance steps are still in progress and will be completed by the next report in October 2019. I encourage the Board to see this report as a work in progress.

One major new element of this monitoring report is the use of staff survey results as evidence of compliance. This is our first staff survey in many years. The overall results are included throughout the report and as Attachment 1. While a snapshot right now, trends over time will provide more value in the future. Measurements of the developing skills of the agency's leadership team is included in Attachment 2. I have also included a policy-development suggestion for the Board to consider as Attachment 3.

I certify that the information is true, however, I believe the overall report is incomplete and I will not be asking the Board to accept it. I would appreciate feedback.

Thank you,

Matt Carpenter  
CEO  
Ann Arbor Area Transportation Authority



Policy being monitored:

**POLICY TITLE: *Treatment of Staff***

**Report p.**

2.2 The CEO will not cause or allow employment conditions that are inconsistent, discriminatory, unfair, unsafe, unhealthy, undignified, disorganized, or unclear.

**3**

Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

- 2.2.1 Operate in a manner that undermines the organization as a workplace of choice. 7
  - 2.2.1.1 Operate with a work environment that devalues the humanity, creativity and knowledgeable contribution of its workforce or inhibits the recruitment of highly qualified people. 11
- 2.2.2 Operate without up-to-date, clear, available, written, and enforced personnel rules or contracts that clarify standards and expectations, provide for effective handling of grievances, and protect against wrongful conditions, such as nepotism and unfairly preferential treatment for personal reasons 13
  - 2.2.2.1 Fail to provide internal controls necessary to enforce such policies. 14
- 2.2.3 Allow retaliation against any staff member for non-disruptive expression of dissent. 15
- 2.2.4 Allow staff to be unprepared to deal with emergency situations. 16
- 2.2.5 Operate without an adequate labor agreement covering unionized personnel. 18

## **Executive Limitations Policy 2.2**

*The CEO will not cause or allow employment conditions that are inconsistent, discriminatory, unfair, unsafe, unhealthy, undignified, disorganized, or unclear.*

**Compliance:** TBD

### **Current Interpretations, Rationale and Evidence:**

I interpret “**inconsistent**”, “**discriminatory**” and “**unfair**” to mean that staff should not be treated in dissimilar ways for reasons other than performance and the same expectations and standards should be applied to all staff.

### **Evidence (Objective)**

- **Discrimination:** During the monitoring period, one claim of discrimination was made by a former employee against the agency. An investigation by the Equal Employment Opportunity Commission (Federal regulatory body) could not reach a conclusion and closed their review. The former employee did not pursue the matter. The agency contents that the claim was without merit.
- **Grievance & Arbitration Rates:** TBD
- **Compliance with Equal Employment Opportunity Laws (EEO):** in September 2018, the Federal Transit Administration reviewed our employment practices and found no deficiencies for EEO requirements. This section of their report is reproduced below (FTA, p. 21, sec 13).

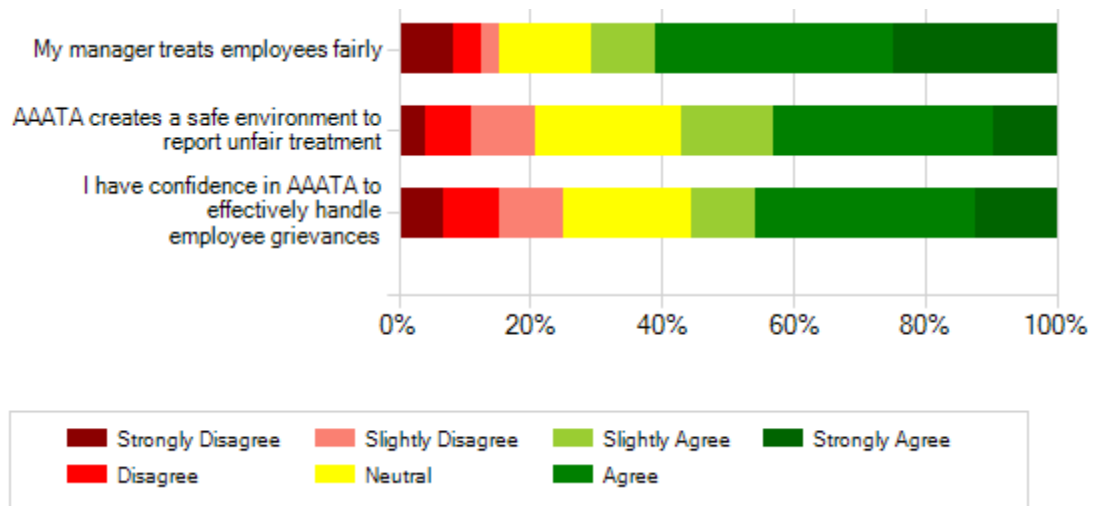
### **13. Equal Employment Opportunity**

Basic Requirement: The recipient must ensure that no person in the United States shall on the grounds of race, color, religion, national origin, sex, age, or disability be excluded from participating in, or denied the benefits of, or be subject to discrimination in employment under any project, program, or activity receiving Federal financial assistance under the Federal transit laws. (Note: Equal Employment Opportunity Commission’s regulation only identifies/recognizes religion and not creed as one of the protected groups.)

Finding: During this Triennial Review of AAATA, no deficiencies were found with the FTA requirements for Equal Employment Opportunity.

## Evidence (Perception)

- **Staff Survey:** Although a majority of staff (+50%) agree with fairness questions posed in the survey (below), there is room to improve. The CEO feels that these perceptions suggest a need for greater consistency from agency leadership. Specific steps are being taken and we hope to see improvement by the next Monitoring Report.



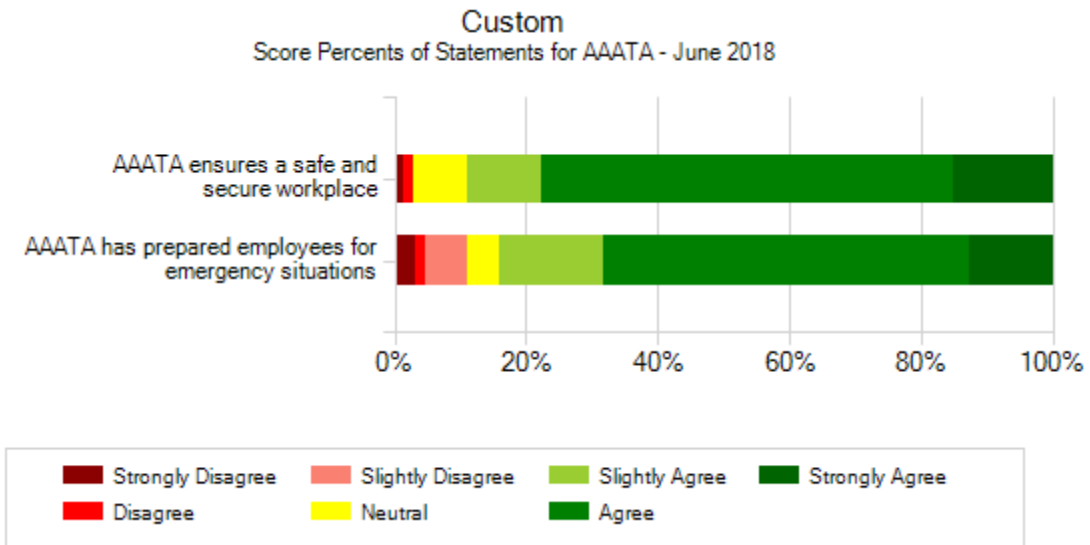
I interpret “**unsafe**” and “**unhealthy**” to mean failure to take proactive steps to identify and address workplace hazards that could cause physical or psychological injury. Risks that cannot be eliminated should be managed and mitigated to a reasonable extent.

## Evidence (Objective)

- **Injury Rate:** TBD
- **Safety Audit:** A outside safety audit was conducted in September 2018. Preliminary report is being reviewed by staff.
- **Harassment:**
  - During the monitoring period there were two substantiated claims of employee-on-employee harassment. Investigations were conducted, and corrective measures taken. The incidents have not reoccurred.
  - By November 2018, 95% of staff will have received training on recognizing and responding to harassment. All new hires will receive this training.
- **Safety Committee:** This working group is composed of union and non-union staff and works to jointly identify and eliminate workplace hazards. It met twice during the monitoring period.
- **Security Barrier:** Arrangements to install a reception desk security barrier have been made. Installation is planned for November 2018.

**Evidence (Perception)**

- **Staff Survey:** Based on staff survey responses, it appears that the vast majority of staff feel that the AAATA is addressing concerns about safety.



I interpret “undignified” to mean... TBD

**Evidence (Objective)**

- 

**Evidence (Perception)**

-

I interpret that “disorganized” and “unclear” to mean that staff understand the goals and methods of the organization, and how their work contributes to producing meaningful results.

**Evidence (Objective)**

- TBD

**Evidence (Perception)**

- Staff Survey: Survey responses in this section have some of the largest neutral scores in the survey.



## Executive Limitations Policy 2.2.1

*...the CEO shall not... Operate in a manner that undermines the organization as a workplace of choice.*

### Compliance:

In compliance.

### Current Interpretation & Rationale:

I interpret “workplace of choice” to mean an appealing place to work that is able to attract and retain the high-quality workforce it requires, has low levels of voluntary pre-retirement separation, and has high overall morale. Furthermore, as compensation and benefits are addressed under policy 2.3, I interpret this policy to refer to less-tangible elements of workplace attractive such as culture, treatment and leadership.

I define leadership to mean a framework of behaviors as described by Kouzes and Posner in their book “The Leadership Challenge.” A well-established and research-based leadership development paradigm, The Leadership Challenge can also produce quantifiable scores for leadership performance. This allows an outside metric against which trends in performance can be seen.

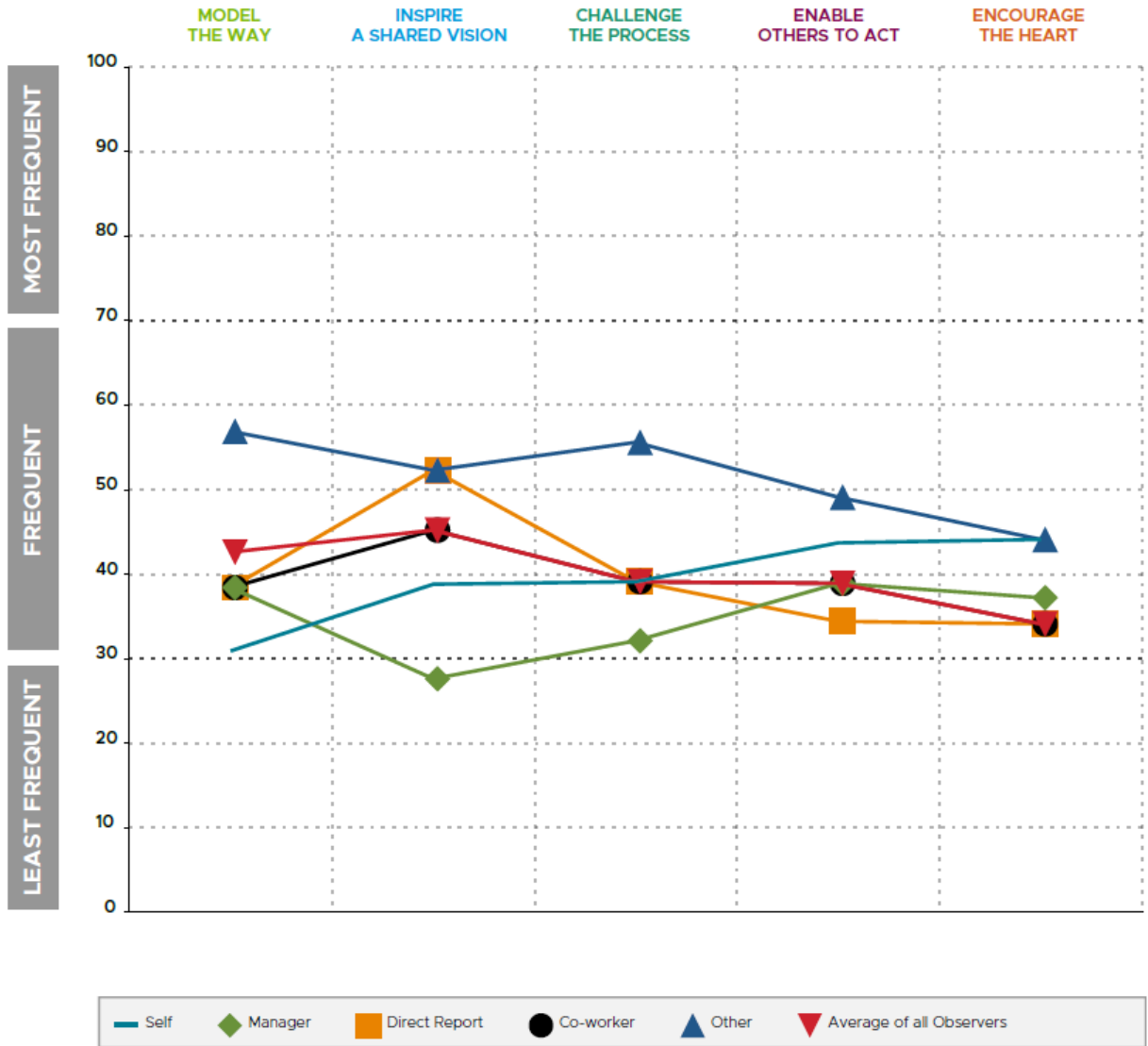
### Evidence (Objective)

- **Recruitment:** During the reporting period the AAATA recruited for 14 open positions. There were multiple applicants for each position which were, in management’s opinion, qualified.
- **Grievances:** TBD
- **Attrition Rates:** During the monitoring period there were about 288 full or part time positions employed at the AAATA and 21 staff left the organization for the following reasons:
  - 2 deaths (0.06%)
  - 3 involuntary terminations (1%)
  - 7 voluntary resignations (2%)
  - 9 retirements (3%)

These figures are similar to the same period last year (22). In a tight labor market, the AAATA appears to be successful in retaining its staff.

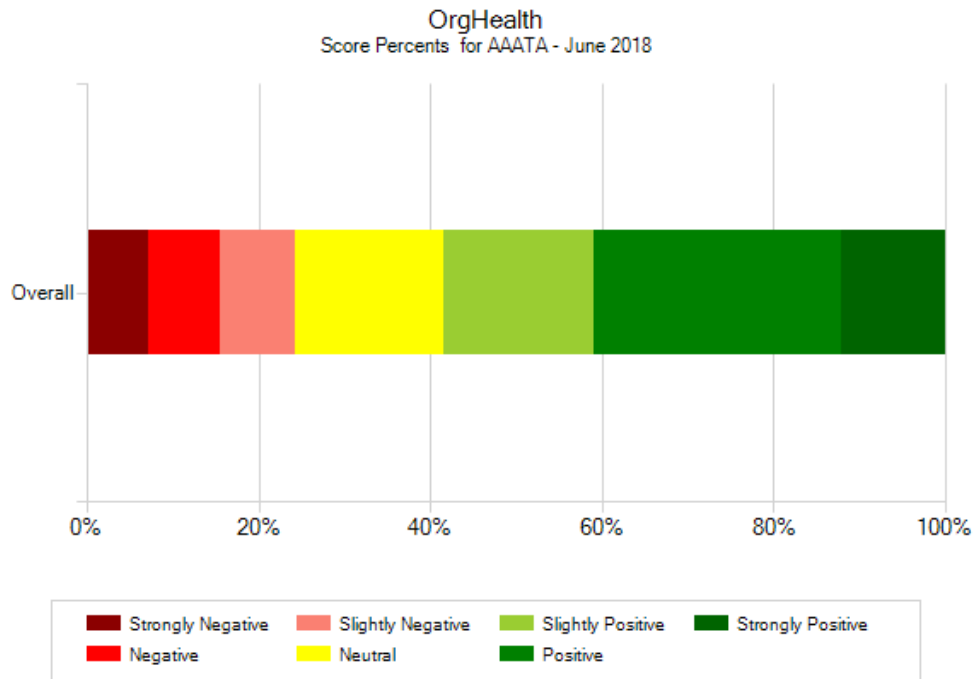
- **Leadership Culture:** Since 2016, the leadership staff of the AAATA have been taking individual assessments which ask anonymous surveyors to describe the frequency certain behaviors are witnessed. Surveyors are made up of other staff, supervisors, direct reports, and people outside the agency. The cumulative scores for 12 leadership staff are displayed below. The full report is contained in attachment 2.

In general, the assessment of leadership behaviors is relatively consistent. The line illustrating the “Average of all Observers” suggesting a leadership team that is doing many things right and has room to improve. The agency has a leadership development program and will be tracking these data regularly.

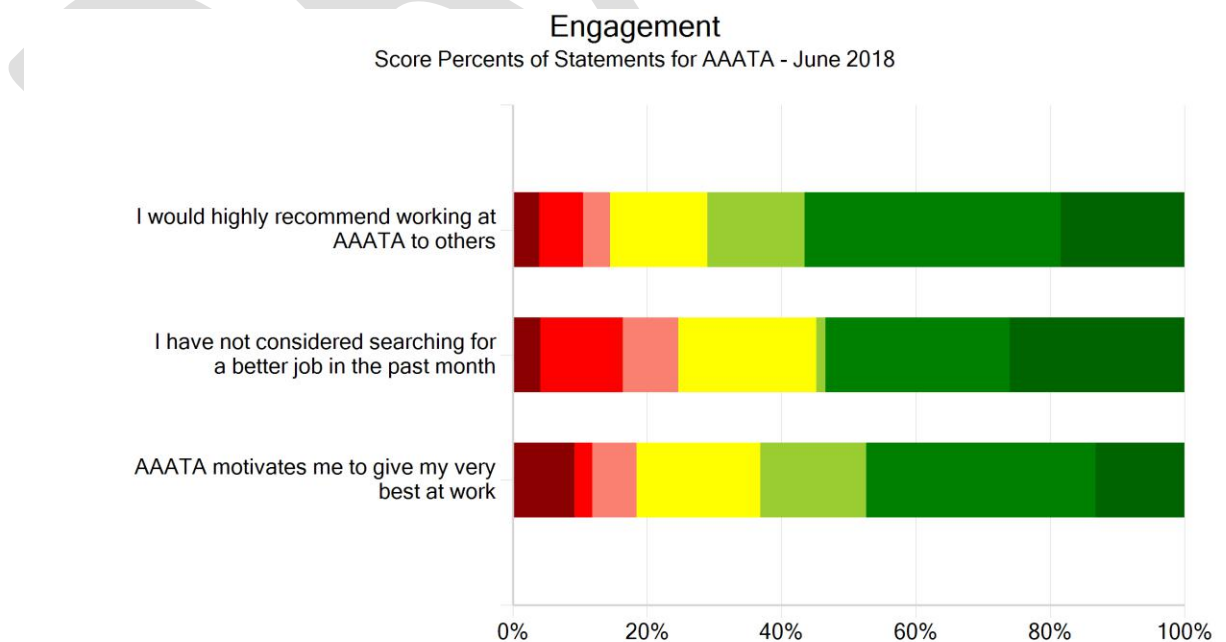


## Evidence (Perception)


- Staff Survey/Morale:** Many of the questions asked in the 2018 Staff Survey have a bearing on whether the AAATA is seen as a workplace of choice by staff. I have chosen to highlight a few questions below. First the overall cumulative score for all responses across all categories suggests that staff perceive much is going well, but there are areas for improvement:

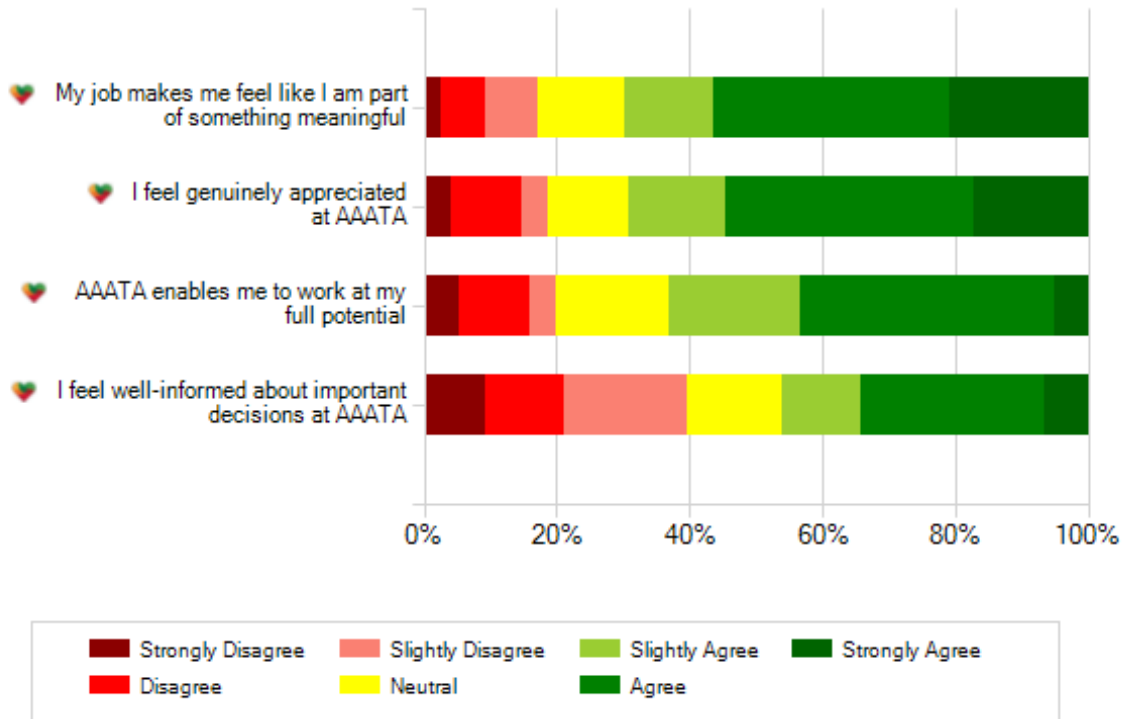


Additional detail provides more insight into employees' perceptions of the organization. Over half of staff report some level of agreement with all but one of these questions. 71% would recommend employment at the AAATA to others. Similar numbers feel that they are appreciated and a part of something meaningful.

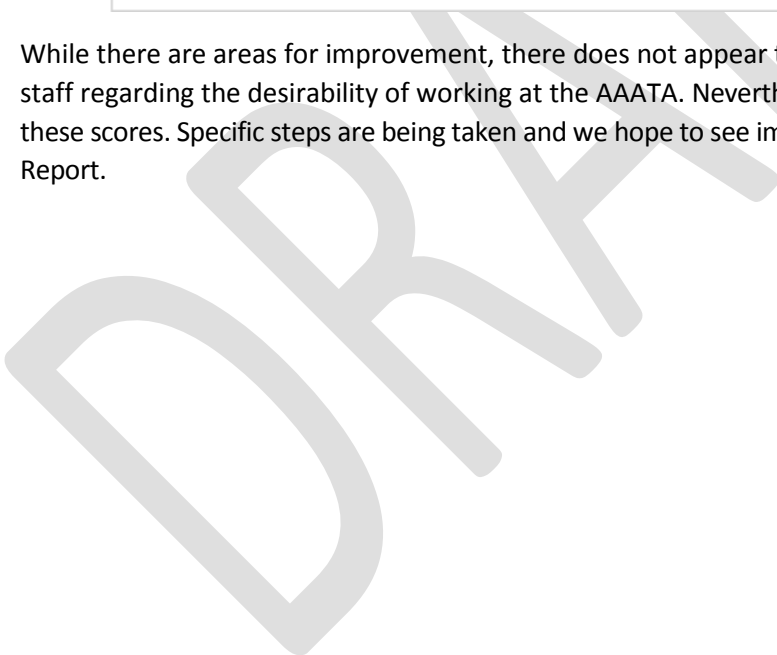




 **Connection**  
 Score Percents of Statements for AAATA - June 2018



While there are areas for improvement, there does not appear to be a crisis of confidence among staff regarding the desirability of working at the AAATA. Nevertheless, the CEO is not satisfied with these scores. Specific steps are being taken and we hope to see improvement by the next Monitoring Report.



### **Executive Limitations Policy 2.2.1.1**

*The CEO shall not... Operate with a work environment that devalues the humanity, creativity and knowledgeable contribution of its workforce or inhibits the recruitment of highly qualified people.*

#### **Compliance:**

TBD

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

I interpret this policy to mean that the AAATA should foster a team environment where staff are empowered and helped to develop, and that the organization encourages and uses staff input.

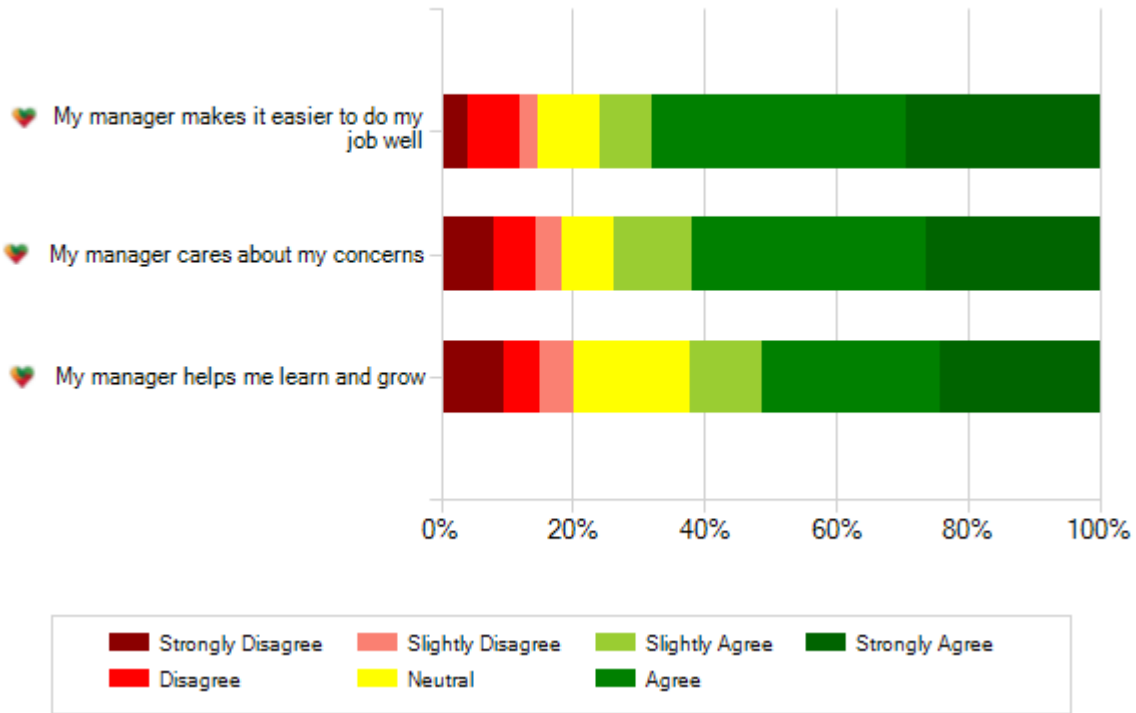
#### **Evidence (Objective)**

- Please see leadership skills scores on page 7 for “Enable Others to Act” and “Encourage the Heart”.

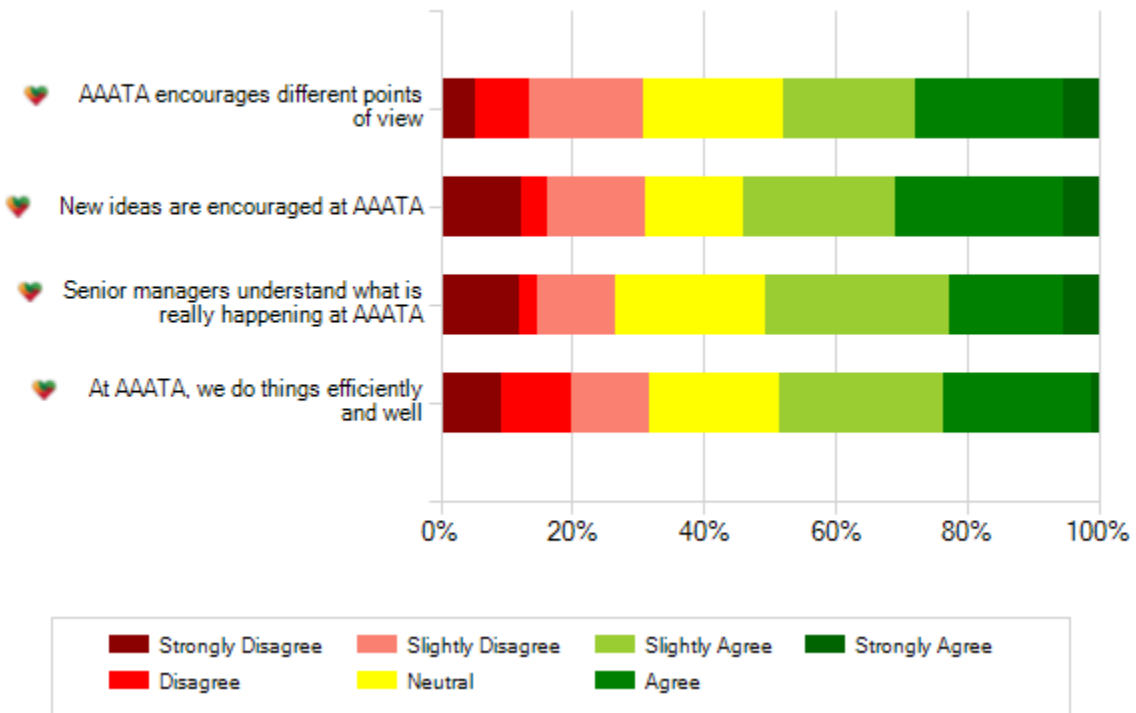
#### **Evidence (Perception)**

- **Staff Survey:** Several survey questions provide insight into how staff perceive the team environment at the AAATA. The CEO is not satisfied with these scores. Specific steps are being taken and we hope to see improvement by the next Monitoring Report.

My Manager  
Score Percents of Statements for AAATA - June 2018



Effectiveness  
Score Percents of Statements for AAATA - June 2018



## **Executive Limitations Policy 2.2.2**

*The CEO shall not... Operate without up-to-date, clear, available, written, and enforced personnel rules or contracts that clarify standards and expectations, provide for effective handling of grievances, and protect against wrongful conditions, such as nepotism and unfairly preferential treatment for personal reasons*

**Compliance:** Not in compliance.

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

I understand this policy to mean that expectations for staff and management must be clear, so that everyone understands the rules of the workplace. Staff should know what is expected of them, as well as what they can expect of their employer. This is in order to ensure accountability and continuous improvement.

I interpret “up to date” to mean that personnel rules must be compliant with current legislation, contribute to an attractive workplace, comprehensively address known HR risks, and be a tool that helps the organization achieve its mission. Furthermore, these rules must be in written format (English), readily available to staff, and written in a manner that is as easy to understand as is practical,

In the case of non-unionized staff these rules will be developed by the Manager of Human Resources and approved by the CEO. For unionized staff these expectations will be negotiated and documented as appropriate.

### **Evidence (Objective)**

#### **Objective**

- **Non-Union:** The AAATA does have a handbook of personnel policies for non-unionized staff. However, the CEO and Manager of HR agree that it is out of date, does not meet the needs of the organization, and likely does not comply with the Board policy. Rather than document the shortcoming of the existing handbook, a new handbook of personnel policies will be developed and put into effect by the middle of 2019. Pursuant to policy 2.11.1.5, the CEO is hereby giving the Board repeated notification that he intends to change staff rules via a wholesale updating of personnel rules for non-unionized staff.
- **Union:** For unionized staff, the policies requirements are addressed in a negotiated labor contract. See also policy 2.2.5 below.

### **Evidence (Perception)**

**TBD**

### **Executive Limitations Policy 2.2.2.1**

*The CEO shall not... Fail to provide internal controls necessary to enforce such policies.*

#### **Compliance:**

TBD

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

I interpret this policy to mean that staff and management are held accountable for following personnel rules, and that all rules are applied in a consistent and timely manner. The AAATA must have mechanisms in place to monitor compliance, and correct noncompliant behavior, whether that be through coaching, training or disciplinary actions. Such internal controls should be written down and documented when used.

#### **Evidence**

TBD

DRAFT

### **Executive Limitations Policy 2.2.3**

*The CEO shall not... Allow retaliation against any staff member for non-disruptive expression of dissent.*

**Compliance:** TBD

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

I interpret this policy to mean that the organization should be open to constructive internal critiques and criticisms, and that staff should not suffer professionally for voicing a dissenting opinion in a constructive manner.

However, I further interpret this policy to mean that staff can be disciplined for disruptive, non-constructive, or insubordinate expressions of dissenting opinion.

the ways in which some perspectives are shared can be inappropriate, ie disruptive, and are not protected. Types of expressions considered disruptive include, but are not limited to: insubordination, slander, spreading false information, malicious gossip, and failing to follow established protocols for expressing concerns. Such disruptive expressions can hurt the team atmosphere, undermine accountabilities, or cause other negative problems. Issues like this should be dealt with through normal supervisory accountability channels for coaching and discipline.

Enacting this policy requires that the organization must establish clear protocols for how staff can constructively express disagreements and make those protocols available to employees.

#### **Evidence (Objective)**

- Existence of documented protocols for expressing dissent. Current protocols unclear. Rules for non-union staff will be updated by the middle of 2019.
- Anecdotal history of staff being able to express dissent without repercussion.

#### **Evidence (Perception)**

TBD

#### **Executive Limitations Policy 2.2.4**

*The CEO shall not... Allow staff to be unprepared to deal with emergency situations.*

#### **Compliance:**

In compliance

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

I interpret this policy to mean that staff will receive training for all reasonably foreseeable emergencies including: active shooter in workplace, fire, tornado, train derailment, and first aid emergencies. Furthermore, the workplace will be equipped with the appropriate emergency and first aid equipment, and signage.

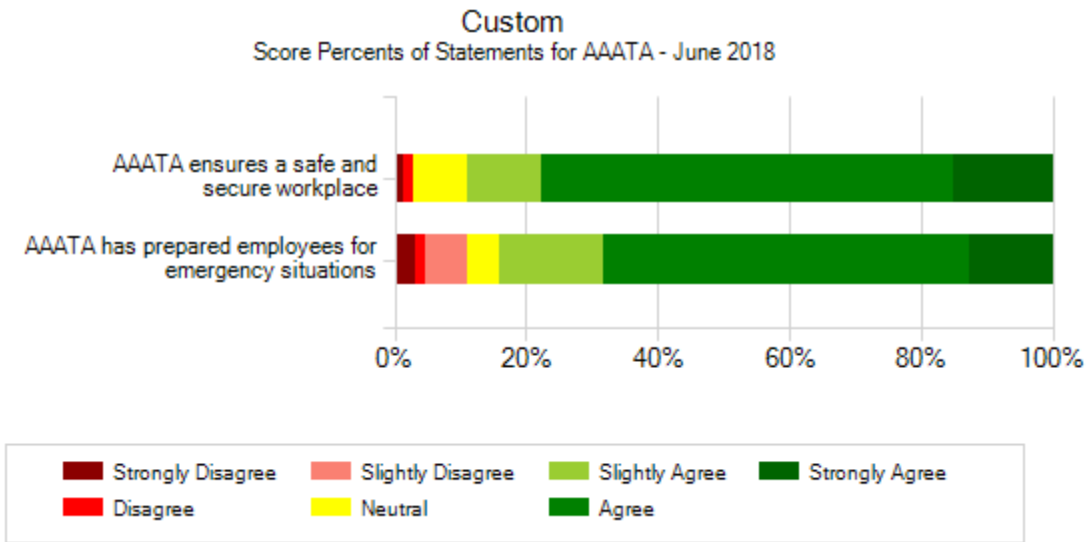
Furthermore, I interpret this policy to mean that the AAATA is ready to respond to emergencies in the community and to natural disasters, and that staff have received adequate training to know how to respond to requests for assistance from emergency services personnel.

#### **Evidence (Objective):**

- New staff orientation includes safety training
- Number and type of emergency drills and training provided in monitoring period:
  - Two fire drills
  - Two severe weather drills
  - Active shooter in workplace Almost all staff have received this training.
- Presence of appropriate safety equipment and signage. Testing of present equipment:
  - Fire extinguishers are checked monthly.

### Evidence (Perception)

- **Staff survey:** Over 80% of staff reported that they feel the AAATA has prepared them for emergency situations.





### **Executive Limitations Policy 2.2.5**

*The CEO shall not... Operate without an adequate labor agreement covering unionized personnel.*

**Compliance:** In compliance.

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

I interpret this policy to mean that the AAATA should have a labor agreement that complies with Policy 2.2.2 and 2.2.2.1. I further interpret “adequate” in this case to mean reasonable and affordable from the AAATA’s perspective given the negotiated nature of such contract.

I am able to operate service without a contract if negotiations have not been successful. As a negotiating position it must be clear that I am not required to have a contract, and that the Board does not expect me to acquiesce to any demands in order to have a contract.

### **Evidence (Objective)**

In July 2017 TheRide agreed to a five-year contract with all unionized personnel. The contract will expire in March 2022.

## CEO Notes

- Please see attachment 3.

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

### **Policy: 2.2 Treatment of Staff**

**Date Submitted:** November 1, 2018

**Date of Board Response:** November 15, 2018

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:

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## Issue Brief: FTA Triennial Review Report

Meeting: Board of Directors

Meeting Date: November 15, 2018

### Recommended Committee Action(s):

- Receive report on Triennial Review results.

### Prior Relevant Board Actions and Policies:

- Policy 2.0: The CEO shall not cause, allow or fail to address any practice ... that is ... unlawful.
- Policy 2.5.2: The CEO shall not ... operate in a manner that would jeopardize federal funding.

### Issue Summary:

The Federal Transit Administration (FTA) has completed their review of AAATA's compliance for fiscal years 2015-2017. Twenty compliance areas were reviewed and while AAATA is generally compliant, 13 areas of deficiency were found for which corrective actions must be completed by February.

### Background:

No deficiencies were found with FTA requirements in 14 areas. Deficiencies were found in the Financial Management and Capacity, Award Management, Program Management and Subrecipient Oversight, Maintenance, Procurement, and Disadvantaged Business Enterprise areas. AAATA had no repeat deficiencies from the 2015 Triennial Review.

### Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** Federal funding could be risked if repeat patterns of deficiencies are found in Triennial Reviews. No such pattern exists; AAATA's federal funding is not at risk.
- **Social:** No impact
- **Environmental:** No impact
- **Governance:** Compliance with Policy 2.0, Policy 2.5.2

### Attachments:

1. FTA Triennial Review Findings Summary

## Attachment 1

### FTA Triennial Review Findings Summary

13 deficiencies were found in 6 review areas. Findings have to do with the need to have written policies that meet federal requirements, documenting that procedures are followed, the timely filing of reports, and oversight monitoring of subrecipients (organizations that receive Federal pass-through funds from AAATA).

- Financial policies did not cite federal laws establishing cost principles, cash management and payments.
  - Documentation prior to drawdown of Federal funds that costs are allowable, approved and supported did not include name and title of the approvers (only initials were included), and two draws lacked documentation of a secondary reviewer.
  - Quarterly financial and milestones reports were filed late.
  - Annual status reports for the 5310 Program were not filed.
  - The updated 5310 Program Management Plan was not submitted to FTA for approval.
  - Contracts for pass-through of funds to subrecipients were missing required elements.
  - Documentation of lobbying certifications signed by subrecipients for subawards over \$100,000 were not available.
  - Subrecipient agreements greater than \$25,000 were not reported as required by the Federal Funding Accountability and Transparency Act.
  - Required oversight of subrecipients was not documented.
  - Preventive maintenance of facilities-related equipment was completed but not documented.
  - Procurement procedures were missing two required elements: avoidance of unnecessary or duplicative costs and prohibition of cost-plus contracts.
  - Disadvantaged Business Enterprise (DBE) goal shortfall analysis was not completed.
  - The small business element in the DBE program was not implemented.
- No findings are serious or difficult to correct, and AAATA remains in good standing with FTA.
  - Next steps: corrections must be documented for FTA by February 1, 2019. FTA may respond with additional corrections or with acceptance of corrections and close-out of the FY2018 Triennial Review. Close-out is expected within six months.