

2022 Service and Millage Proposal

**Meeting: Board Meeting
Meeting Date: March 17, 2022**

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| INFORMATION TYPE |
| Decision Preparation |
| RECOMMENDED ACTION(S) |
| Receive and discuss the CEO's initial proposal for a millage referendum in August 2022. |
| ISSUE SUMMARY |
| <p>The Board of Directors has laid out ambitious goals for TheRide and transit services; <i>advance the community's needs for social, environmental and economic sustainability through strategic provision of transit, while remaining careful stewards of the public trust.</i> This 5-year millage proposal (2024-2028, 2.38 mills) outlines how far TheRide could move towards achieving those goals by 2028. If approved, this proposal would replace the existing 0.7 mill levy, creating a net <i>additional</i> levy of 1.68 mills. A larger local investment in public transit magnifies outside funding. For every \$1 in local tax investment, TheRide collects another \$1.40 in federal and State transit formula grants. <i>All</i> those funds are directly invested in our communities and residents.</p> <p>This proposal includes several key improvements to public transit services:</p> <ul style="list-style-type: none"> • Maintain all existing services, • Expand evening, late night, weekend, and holiday services systemwide, • Introduce express service between downtown Ann Arbor and downtown Ypsilanti, • Increase social equity by equalizing services across all member communities, • Increase access to jobs, housing, medical, education, and other destinations, • Provide a mobility alternative for everyone including seniors, persons with disabilities or low incomes, workers and employers, students, and those striving for a car-free lifestyle, • Increase TheRide's capacity to deliver major projects in the future, • Maximizing the use of federal, State and local funding, and • Provide new services called for in public documents such as the Ann Arbor A2Zero plan, the Washtenaw County Housing Affordability and Economic Equity Analysis, the WATS 2045 Plan, the Ypsilanti Township Master Plan, City of Ypsilanti's Climate Action Plan, and the RTA's Regional Transit Plan. <p>The CEO is providing this proposal to the Board of Directors for their consideration in March 2022. It is the Board who will decide what, if any, request is made of voters. The Board will need to approve a mill rate, referenda date, and ballot language. If an August date is selected, the deadline for ballot language is May 10. Final approval is requested by <u>April 21st</u>.</p> |

BACKGROUND

The proposal detailed in this memo outlines the improvements and enhancements TheRide could deliver between 2024-2028. These improvements all advance the Board's goals, respond to requests from the community, and are aligned with the emerging Long-Range Plan.

In 2019 TheRide began developing a new Long-Range Plan to serve as the blueprint for meeting our communities' changing needs. Based on strategic goals identified by TheRide's Board of Directors, and incorporating extensive public requests and feedback, this Plan is expected to be finalized later in 2022. This 5-year millage proposal can be seen as the first phase of implementing that longer-term vision.

TheRide has served our communities for over 50 years and has implemented many successful initiatives. As TheRide's existing millage expires soon, now is an appropriate time to build on past successes with a new Long-Range Plan and 5-year millage.

ALTERNATIVE OPTION(S)

1. **Date:** The Board can select August or November 2022. 2023 is a fallback date. The new millage would begin in 2024.
2. **Mill Rate:** The Board can accept the CEO's proposed rate, modify the CEO's proposal, or generate one of their own.

PRIOR RELEVANT BOARD ACTIONS & POLICIES

By law and policy the Board has authority to approve 1) date of a referendum, 2) mill rate, and 3) ballot language. The CEO only makes proposals and recommendations on these matters.

IMPACTS OF RECOMMENDED ACTION(S)

- **Budgetary/Fiscal:** High. Determines revenue and service levels through 2028.
- **Social:** High. Revenue & services levels impact passengers, taxpayers and society in general.
- **Environmental:** High. Services levels impact ridership and environmental benefits.
- **Governance:** High. The Board must act on millage decisions. The Board may wish to confer with Legal owners in March-April.

ATTACHMENTS

1. Details of Proposed Services and Mill Rate
2. Rationale for Timing and Referendum Date
3. Proposed Ballot Language (Placeholder for April)
4. Resolution (Placeholder for April)

Attachment 1: Details of Proposed Services and Mill Rate

This section details the itemized content, rationales, costs, benefits, and timelines of the 2022 millage proposal.

Overview of Millage Proposal, Content, Rates, and Timelines

Based on policies approved by local jurisdictions¹, and public feedback during the development of the Long-Range Plan, **there is a clear public and institutional desire to maintain and enhance transit services**. This public input aligns with goals developed by TheRide’s Board of Directors: **improve access for seniors, persons with mobility challenges and low incomes, increase social equity and environmental benefits, facilitate labor mobility and economic development, and enable access to education**. Such goals (i.e. [Ends policies](#)) help to clarify *what* TheRide does, *for whom*, and *at what cost*, and are directions for the CEO and staff.

As the first stage of implementing the emerging Long-Range Plan ([TheRide 2045](#)), the CEO is proposing a new 5-year millage (2024-2028) with a mill rate of 2.38 mills for the consideration of the Board. Each element of this proposal addresses multiple goals to different degrees. For example, more weekend bus service can aid seniors, persons with disabilities, and labor mobility simultaneously, while also increasing social equity. Elements are grouped into two broad categories:

- **Maintain Existing Services.** This includes renewal of basic operating funds with allowances to continue previously under-funded services and address inflation, as well as staffing requests to meet growing expectations.
- **Service Enhancement Options** for improving or expanding public transit services for residents and passengers. This includes expansion of overnight services, customer service agents, a new express route, longer hours of service systemwide, more frequent weekend service systemwide, and capital funds for future projects.

The following table itemizes each element, gross annual cost, net mill rate, cumulative mill rate, and tentative start date. As the table illustrates, all the elements combined would require 2.38 mills. Since this proposal replaces the existing 0.7 mill levy, the *new* net levy is 1.68 mills. Key points include:

- The proposal is weighted towards creating direct, immediate benefits, with 81% of millage and 79% of costs going directly to services in the community.
- Funding for major capital projects requires 15% of costs and 17% millage, and maximizes outside funding that can be invested in the community in the future.
- Maintaining existing services receives 58% of expenses (1.52 mills) and 64% of the millage.
- New services in the community account for 28% of costs and 19% of millage (0.86 mills).

It is important to note that the *gross* annual costs cannot be directly compared with the *net* mill rate as each elements receives differing fare revenue and State subsidies. Detailed descriptions of each element are provided after the table.

¹ Ann Arbor’s [A2Zero](#) and [Transportation Master Plan](#); Ypsilanti’s [Climate Action Plan](#) and [Non-Motorized Transportation Master Plan](#); Ypsilanti Township’s [Master Plan](#); Washtenaw County’s [ReImagine Washtenaw, Opportunity Index](#), and [Housing Affordability and Economic Equity Analysis](#); WATS [2045 Long Range Plan](#), and the RTA’s [Regional Transit Plan](#).

| Elements and Costs of 2022 Service and Millage Proposal | | | | | | |
|---|----------------------|------------------|------------------|-----------------|----------------------|---------------|
| | Annual Cost (Gross)* | | Mill Rate (Net)* | | Cumulative Mill Rate | Start Date ** |
| | \$ | % of Total Costs | Rate | % of Total Rate | | |
| Maintain Existing Services | | | | | | |
| 1. Renewal of existing millage | \$ 5,600,000 | 26% | 0.70 | 29% | 0.70 | Aug 2024 |
| 2. Allowance for deficit | \$ 4,800,000 | 22% | 0.60 | 25% | 1.30 | Aug 2024 |
| 3. Allowance for inflation | \$ 1,280,000 | 6% | 0.13 | 5% | 1.43 | Aug 2024 |
| 4. Additional Staff (9 FTEs) | \$ 940,000 | 4% | 0.09 | 4% | 1.52 | 2023-2024 |
| Service Enhancement Options | | | | | | |
| 5. Ann Arbor-Ypsilanti Express Service | \$ 930,000 | 4% | 0.07 | 3% | 1.59 | Aug 2024 |
| 6. Longer Hours of Operation Systemwide | \$ 1,901,000 | 9% | 0.15 | 6% | 1.74 | Aug 2024 |
| 7. Increase Weekend Frequency Systemwide | \$ 1,996,000 | 9% | 0.14 | 6% | 1.88 | Aug 2024 |
| 8. Expand Overnight Service (Ypsi Twp & Ypsi) | \$ 1,066,000 | 5% | 0.09 | 4% | 1.97 | Aug 2024 |
| 9. Customer Service Agents (Ypsi Transit Center) | \$ 184,000 | 1% | 0.01 | 0% | 1.98 | 2023-2024 |
| 10. Funding Major Capital Projects | \$ 3,200,000 | 15% | 0.40 | 17% | 2.38 | 2024 |
| Totals | \$ 21,897,000 | | 2.38 | | | |

*Total gross costs for each element are paid for with a differing mixture of local taxes, fares, and State subsidies. The net mill rate reflects only the local tax cost. The two figures are not directly comparable on this table.

**Dates are tentative. New funding will not arrive until July 2024. During 2023, staff would conduct the necessary planning, public involvement, regulatory clearances (Title VI), and make operational arrangements. Some staffing positions may start before the new services.

Descriptions of Millage Elements

The following pages describe each proposed element in detail. The elements are categorized as either Essential Elements or Service Enhancement Options.

Maintain Existing Services

The following items (1-4) are directly related to *maintaining existing transit services*:

- 1. Renewal (0.70 mills - \$5.6 million)** – TheRide’s current service depends on a 0.70 mill property levy. The levy was first approved in 2014, overwhelmingly renewed in 2018, and naturally expires in 2023. Maintaining these funds is crucial to maintaining current services. If this funding is not renewed before 2024, TheRide will need to reduce services in order to balance the budget.
- 2. Deficit (0.60 mills - \$4.8 million)** – The original 0.7 mill levy approved in 2014 did not generate enough revenue to cover the costs of new services introduced in 2013-2015, nor the strong growth in demand for services like paratransit. This has created an ongoing structural deficit. When the deficit was discovered in 2017, TheRide decided to cut internal costs rather than reduce services or raise taxes or fares. The 0.7 mill rate was renewed in 2018. However, although this has *delayed* the onset of the deficit, updated forecasts show that without additional funds, deficit spending or service cuts will be needed as early as 2025 ([FY2022 Budget, page 11-13](#)). Meanwhile, internal staff

reductions have reduced the organization's capacity at a time when the community expectations are increasing. For more information on the deficit, click [here](#). This 0.40 mill addition will add enough revenue to resolve the underfunding of services.

3. **Inflation (0.13 mills - \$1.28 million)** – TheRide faces the same volatile inflationary pressures as other organizations. Historically, although property-tax revenue has grown (although constrained by State law), revenue from fares has not grown, and federal and state grants have not kept up with inflation. This leaves TheRide exposed to 1%-1.5% of uncovered inflationary costs per year. TheRide has not increased its tax rate since 2014. Recently, per unit costs for fuel, salaries, insurance, and many other necessities have risen and are expected to continue to increase by over 3% annually. Staff will continue to work to control costs and increase productivity, but an inflationary adjustment is necessary to maintain services. This 0.37 mill addition will help TheRide to maintain services in the face of ongoing inflationary pressures.
4. **Additional Staff (0.09 mills - \$940,000)** – Since 2015, the number of administrative staff positions has decreased by 9%. While TheRide has a dedicated and talented workforce, burnout is becoming a concern. To fully meet today's expectations, remain an attractive employer, and prepare for growth, the CEO is requesting funding to increase staffing by 9 full-time positions: four operational/supervisory positions, and five office positions. The costs are for additional salary and benefits.

Service Enhancement Options

The following are options for *new or expanded services*. The options could be implemented individually or as a group and are presented in a loose descending priority.

5. **Ann Arbor-Ypsilanti Express Service (0.07 mills - \$930,000/year)** – This initiative would create a *new* bus route along Washtenaw Avenue between downtown Ann Arbor and downtown Ypsilanti. It will reduce terminal-to-terminal travel times from 45 minutes to about 30 minutes. By reducing travel times, this route would effectively bring the two downtowns closer together. This service would be especially important for labor mobility, access to education, and access to social, medical, and shopping needs. It would run weekdays from 6am to 6pm, with a frequency of 30 minutes, and be in addition to regular local service on Washtenaw Ave. In addition to the downtown terminals there would be just four intermediate stops: EMU, Golfside Rd, Arborland Mall, and U-M Central Campus as illustrated below:
6. **Longer Hours of Operation Systemwide (0.15 mills - \$1,901,000)** – Later evening service creates more opportunities for riders to reach jobs, classes, and other destinations that would otherwise be out of reach. It is especially valuable to workers and employers, those without cars, and those who wish to live a car-free lifestyle. This initiative would extend evening and weekend hours of operation across the fixed-route service area. Public consultation and planning during 2023 will determine whether this should be delivered by fixed-route or TheRide's ride-hailing service, FlexRide.
7. **Increase Weekend Frequency Systemwide (0.14 mills - \$1,996,000)** – Frequent bus service is one of the chief factors in attracting more people to transit. It is also liberating for seniors, people with disabilities, and those who cannot drive as it greatly increases their flexibility and independence. This initiative would make bus service more frequent (from every 60 minutes to every 30 minutes) on Saturdays and Sundays until 6pm.

8. **Expand Overnight Service into Ypsilanti Twp and All of the City of Ypsilanti (0.09 - \$1,066,000/year)** – TheRide’s overnight service, NightRide, efficiently transports people to work and other opportunities during late-night hours. NightRide helps promote a car-free lifestyle by providing late-night options and mobility for those who cannot drive. Presently NightRide runs from 11:45pm until 6am the next day, varying by day of week. Historically, this service has only been offered in Ann Arbor and parts of Ypsilanti. This initiative would extend NightRide to cover *all* of the City of Ypsilanti, and Ypsilanti Township *north* of Textile Road. This improvement will increase equity and labor mobility while improving reliability and reducing wait times.
9. **Customer Service Agents at Ypsilanti Transit Center (0.01 mills - \$104,000/year, \$80,000 one-time refurbishment costs)** – This initiative improves equity by staffing the Ypsilanti bus terminal, as is already done in Ann Arbor. These funds would be used to hire two additional customer services agents to staff the Ypsilanti Transit Center (YTC) during regular business hours on weekdays. All services available at the Ann Arbor terminal (fare sales, photos and passes, general questions, etc.) would then be available at the YTC. The YTC office space would also be refurbished to be equivalent with the Ann Arbor terminal space. Having staff on-site will help grow ridership and increase customer satisfaction.
10. **Funding Major Capital Projects (0.40 mills - \$3,200,000/year)** – By replacing certain federal funds with new local funds TheRide can A) maximize capital funding, B) advance major capital projects sooner, C) increase our chances of winning major construction grants, D) maximize local capital dollars, and E) reduce risk.
 - A. By adding local tax dollars to pay for *operations*, we can shift a portion of 5307 funds back to *capital*. MDOT will add 20% to every federal dollar used for *capital*.
 - B. Due to limited capital funding, TheRide presently needs to pursue competitive federal grants to conduct project planning work. These grants are highly competitive and uncertain. TheRide has not been able to win such competitive grants in many years. Using 5307 funds instead would allow us to conduct such planning sooner and by using existing federal and State funds. Presently, there is \$25 million of planning and land acquisition costs in the 10-Year Capital Plan for projects such as terminals, BRT, a garage, and zero-emissions propulsion. Over five years, these new funds would allow us to pursue these projects without waiting for competitive grants.
 - C. By using federal and State funds to conduct planning and land acquisition, we lower the cost of the final federal construction grant request. A lower price tag increases the chances of winning large federal infrastructure grants.
 - D. The best use of local capital funds is as the 50% match for major federal construction grants. The changes above conserve these flexible local funds so they can help fund construction projects in the future.
 - E. Using 5307 funds for operations creates risks. The federal government intended these funds for capital, not operations. If TheRide applies for competitive federal capital grants in the future, we may be refused based on how we are using 5307 now. In addition, although Michigan DOT (MDOT) presently matches 5307 funds with additional state operations funding, MDOT can change those rules at any time, leaving TheRide exposed to a sudden drop in operating revenue.

This initiative will maximize the funding available for major projects like bus rapid transit, expanded terminals, a new garage, and a zero-emissions fleet. The Board would approve specific projects in the future.

A larger local investment in public transit magnifies outside funding. For every \$1 in local tax investment, TheRide collects another \$1.40 in federal and State transit formula grants. *All* those funds are directly invested in our communities and residents. On average 1.0 mill would cost a property owner an additional \$187/year in Ann Arbor, \$66 in Ypsilanti, and \$76 in Ypsilanti Twp, per \$100,000 of assessed value. For context, 1.0 mill would generate about \$8 million per year.

Attachment 2: Rationale for Timing and Referendum Date

This section outlines the CEO's rationale for pursuing additional investment now, as well as for a specific referendum date in August of 2022.

Timing Rationale: 2024-2028

There are several reasons why an enhanced millage referendum is being proposed for 2022:

1. **5-Year Millages:** By State law, TheRide can only seek 5-year millages and can only hold one referendum per calendar year. Funding from the existing millage will run out in 2024. If TheRide were not successful in 2022, we could hold a second referendum in 2023 without any disruption to cashflow or services. Due to tax assessment deadlines, Fall 2023 is the *latest* that TheRide could seek replacement funding for 2024. If this deadline were missed, funding would run out in 2024 and services would likely need to be reduced.
2. **Urgency:** The need for improved public transit is growing. As the pandemic recedes, the need for travel is rebounding. Key groups of customers such as seniors, persons with low incomes or disabilities, students, and others require affordable access even more than before. Parking will become a challenge again as the UM continues to grow and our downtowns rebound. Finally, all the policy goals for transit (e.g. social equity, environmental benefits, serving an ageing population, access to affordable housing, labor mobility, etc) are becoming more urgent each year.
3. **Helping Community Rebound:** As the pandemic wanes many people will need to establish new travel patterns and will be looking for new options. This is an ideal moment to upgrade transit services and gain new riders. Waiting until the next millage cycle (2029-2033) will certainly be too late to help the community post-pandemic. From a timing standpoint, 2022-2024 is a window of opportunity to grow our ridership and be a greater service to people throughout our communities.
4. **Implementation:** If a higher millage is approved in 2022 or 2023, new funds will arrive in mid-2024. Transit services require a long lead time to arrange. Having certainty about future funding will allow TheRide to use 2023 to make the necessary arrangements.

TheRide's ridership has already begun to return, quickly reaching 50% of pre-pandemic levels by October 2021. As demand for travel returns, it is essential that TheRide be ready with improved services.

Referendum Date Rationale

The CEO feels that it will be much easier and less expensive to educate voters during the August 2022 election rather than in November 2022. The August election has only primary races (local, state, federal), and we are not aware of any other ballot measures.

In contrast, the November election addresses highly contentious federal and State issues: control of the House of Representatives and the Governorship, and there are reportedly [12 statewide ballot measures](#) vying to be on the November ballot covering issues such as voting rights, term limits, and abortion rights. These contests will be loud, passionate and expensive, and small local ballot measures will struggle to educate voters amid the cacophony.

Attachment 3: Proposed Ballot Language (Placeholder for April)

Based on the Board's preferred millage content and rate, Dykema can develop draft ballot language for the Board to consider in April. The Board must approve specific ballot language. The Washtenaw County Clerk will receive the ballot language and confirm whether it meets legal requirements.

[To Be Developed for April]

Attachment 4: Resolution (Placeholder for April)

[To Be Developed for April]