



City of Ypsilanti
City Manager's Office

Memorandum

To: Mayor Paul Schreiber and City Council Members
From: April L. McGrath, Assistant City Manager
Date: May 16, 2008
Subject: AATA Option

On Thursday, May 8, 2008 City Council passed a resolution committing to safe guard the current level of services provided by Ann Arbor Transit Authority (AATA). The resolution also directed the City Manager to identify potential additional funding options, including, but not limited to, further contribution from the general fund for the fiscal year ending 2009.

In an effort to find out more information about future funding requirements of AATA, Marilou Uy, Director of Fiscal Services contacted Chris White, Manager of Service Development for AATA regarding the estimated costs of next fiscal year. According to Mr. White our estimated total share of AATA costs for October 1, 2008-September 30, 2009 is \$274,000 which includes \$231,000 for fixed route service and \$42,000 for A-Ride service. The City has been paying half the actual costs which would estimate the new payment at \$137,000 for next fiscal year. We have budgeted \$144,515. If a decision is made to fund AATA for the entire amount the City would responsible another \$129,485.

If AATA formally states they can no longer provide the current service level at half the cost, or if other outside funding, such as partnerships, are unable to be secured, the only funding sources the City can contribute is through the general fund. However, there are three options that can be pursued should the decision be to fully fund AATA for the 2008/2009 Fiscal Year:

- Option 1: The 2008/2009 budget is balanced, assuming no changes are made throughout the budget process, with a \$246,156 surplus. Council could direct the full funding be assessed through the surplus leaving \$116,671. This again is the anticipated budget for fiscal year 2008/2009, not the actual.
- Option 2: At the end of fiscal year 2008/2009 we will have an undesignated fund balance of 22.1%. Council could take the existing amount from the undesignated fund balance reducing it 21.17%
- Option 3: Council could direct staff to eliminate more personnel. Both DPW and City Hall essentially have very little staff left to eliminate which, after further research, would more than likely require a recommendation to cut more police and fire. To attain the total amount of \$129,156 it would be 1.5 police officers or firefighters.

Each of the three options are viable depending on the direction of Council. If Council directs staff to budget the entire option, the recommendation would be to move forward with option one, taking the final \$129,156 from the surplus that is anticipated. However, should anything change within the budget throughout the year and we do not have the amount needed for full funding we would have to resort to option two and take the additional budgeted amount from the undesignated fund balance.

As stated previously, the City of Ypsilanti only has control of our contribution within the general fund. Other sources of funding such as rate increases, millage rates and partnerships with such entities such as St. Joseph's Mercy Hospital and Eastern Michigan University are only available through other means beyond our control and partnerships. We may be willing to participate but our needed partners to obtain these options would require action by other parties that may not be willing to participate.

Council also requested to find out the funding sources for AATA, specifically related to Ypsilanti's low-income population. According to Mr. White, no federal funds come to AATA specifically for Ypsilanti's low-income population. There are federal funds that come to AATA based on total population, and on the service provided. The amount received based on Ypsilanti population and service is about \$300,000 in FY 2008. The AATA credits Ypsilanti with a portion of these federal funds in the purchase of service calculation, about \$193,000 in FY 2008. However, the AATA primarily uses the federal funds for the purchase of buses and other capital equipment. No capital costs are included in the calculation of Ypsilanti's cost for the purchase of service agreement. If capital costs were included, it would raise the total cost for fixed route service by about \$328,000.

Please let me know if you have any further questions or need further clarification. We will be discussing this further at the budget work session scheduled for Thursday, May 22, 2008.

Thank you.