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SUBJECT: DRAFT REGIONAL MASTER TRANSIT PLAN CONCERNS AND
CALL FOR REMEDIAL ACTION

DATE: JULY 5, 2016

As Oakland County's representatives to the Regional Transit Authority of Southeast Michigan (RTA) Board we have received and reviewed the Draft Regional Master Transit Plan released by RTA staff on May 31, 2016. We also have met with various Oakland County public officials, both local and county-level, we have received citizen input and we have made our own observations. Below we set forth areas of concern with the draft plan that require further explanation and remedial response before we can properly determine whether or not to support the draft plan.

At the outset we note that for many months Oakland County officials have repeatedly indicated to RTA staff that there are three over-arching questions that must be clearly answered by the plan:

- 1.) What will Oakland County taxpayers receive under the plan in exchange for their investment?
- 2.) When will the benefits be received?
- 3.) How will the RTA guarantee the delivery of those benefits?

While the draft plan tries to answer the first two questions, it remains silent as to the guarantee question. That is unacceptable. In our view many significant open issues remain to be addressed, including the guarantee issue. The open issues need to be remediated and that remediation must be done in a transparent manner.

Analysis of the draft plan requires an understanding of the current public transit systems, who they are, how they are funded and how they are operated. Today, the major public transit providers in the RTA area include the Detroit Department of Transportation, (DDOT), the City of Detroit's bus system that essentially only operates within the Detroit city limits; the City's Detroit PeopleMover, a system operating only in downtown Detroit; the Suburban Mobility Authority For Regional Transportation, (SMART), the only regional transit system in the RTA area that operates in Wayne, Oakland and Macomb Counties; and the Ann Arbor Area Transit Authority (AAATA), a system that generally operates exclusively in Washtenaw County.

DDOT and the PeopleMover are funded using a combination of Detroit city general fund appropriations, farebox revenues and by state and federal public transit operating and capital formula allotments and grant awards. SMART is funded by a combination of farebox revenues, state and federal funding allotments and grant awards, by a Macomb County millage appropriation and by contract proceeds provided by local Act 196 taxing authority millage levies raised from "opt-in" areas in Wayne and Oakland Counties. The AAATA system is funded outside of the southeast Michigan transit UZA area formulas and uses a local millage, farebox revenue and state and federal funding allotments and grant awards.

The southeast Michigan systems serve distinctly different transit populations. DDOT is a traditional city-based bus system serving a densely populated urban area by providing rides that average about 2.1 miles within the city limits. The People Mover operates on a 3.1 mile fixed guideway moving riders in the heart of downtown Detroit.

On the other hand, SMART is the only truly regional provider moving riders over longer distances in and between suburban cities, villages and townships and the City of Detroit. It averages approximately 9.1 miles per ride and its buses move in and between population areas of widely differing densities.

All three southeast Michigan systems are perpetually fiscally challenged resulting in the operation of fewer lines, for fewer hours, on fewer days and in fewer areas than many transit advocates and transit-dependent riders' desire.

The RTA's draft plan proclaims it is an attempt to present a "unified" vision for transit in the RTA area, (page 19). Unfortunately, in our opinion, the plan fails to sufficiently acknowledge and provide for the differing missions of the city and suburban systems. The draft plan says that one of its goals is to insure that DDOT and SMART continue operating their existing services, (page 107), yet the plan fails to demonstrate with specificity just how the financial resources to do so will be guaranteed to each agency to allow that goal to be achieved. Oakland will not support any plan that injures its primary transit provider, SMART, to the detriment of our taxpayers and riders.

Clearly, any "transit vision" must be constrained by the reality of existing and potential funding mechanisms. Those funding mechanisms must be identified and accounted for in any plan as they impact the real world ability to fulfill both the current service missions of the four public transit providers and the RTA's ability to deliver on any new proposed services.

In this context, we note that the draft plan expressly contemplates the long-term co-mingling of the federal, state and local funding that supports the region's existing transit providers with the proceeds from the plan's recommended RTA millage. The draft plan proposes an RTA millage that is a 20 year, 1.2 mil levy against all taxable property in Macomb, Oakland, Wayne and Washtenaw Counties. Applying 2016 Taxable Values (TV), the proposed four county levy would annually raise an estimated \$159,038,763. (This estimate does not include IFTs, TIF captures or Special Acts Properties.)

Over the 20 year life of the proposed levy, and assuming 2016 values are maintained (a fiction of course), the total tax revenue raised would be some \$3.2 billion. These numbers are different than those contained in the draft plan because that plan used 2015 TV figures while we do not. We believe that since 2016 TV numbers were available well before the draft plan's release, the 2016 numbers should have been used. Nevertheless, the draft plan's use of 2015 TV as opposed to the 2016 TV allows us to demonstrate both the danger in the plan's assumptions and the danger of creating a perception issue invited by the use of the out-of-date 2015 data.

In terms of perception, using the older values will allow opponents to allege that the numbers were not updated so as to understate the real cost to Oakland and Washtenaw County taxpayers. This is because use of the obsolete 2015 figures cause the plan to understate the financial impact of the proposed levies on Oakland and Washtenaw County taxpayers. Oakland and Washtenaw County taxable values increased in 2016, meaning those taxpayers will pay more today than the draft plan indicates.

Conversely, Wayne County (including the City), and Macomb County taxpayers would pay less because their 2016 TV's decreased. To avoid creating any perception that there is an attempt to understate costs, the draft plan needs to use the most current taxable value numbers in estimating tax revenues. The plan also needs to clearly footnote that the assumption of a stable level of millage revenues over 20 years is an estimation tool only, as the sum of levy proceeds will change year-to-year by taxing jurisdiction as taxable values increase or decrease.

Broken down by taxing jurisdiction and using 2016 TV indicates that under the proposed tax levy Detroit would contribute \$7,697,077 annually, or some \$153,941,540 over 20 years;

Macomb would pay \$30,391,919 a year, or \$607,838,380 over 20 years; Oakland County taxpayers would pay \$63,343,442 each year, some \$1,266,868,840 over 20 years; Wayne (excluding Detroit) \$39,297,410 yearly, an estimated \$785,948,200 over 20 years; [Wayne's tax including Detroit yields \$46,994,487 per year, or \$939,889,740 over 20 years]; and Washtenaw would be assessed \$18,308,915 per year, or some \$366,178,300 over the life of the levy.

One reason it is essential to identify these estimates is because section 10(4) of the RTA legislation mandates that a minimum of 85% of the money raised in each member jurisdiction via the proposed millage be "...expended on the public transportation service routes located in that member jurisdiction." MCL 124.550(4).

In Oakland County's case, applying the 2016 TV, this means that at least \$53.8 million of the proposed annual levy, and \$1.076 billion of the 20 year levy, must be expended on the public transportation service routes located in Oakland County. Note that this 85% rule will require annual monitoring and different expenditure levels yearly as TV's will always change, thereby causing the sum of the total proceeds to change. What constitutes 85% in any given year will be driven by value changes. Note too, that assuming level returns for estimation purposes requires that the plan acknowledge that the RTA knows constant adjustments will be required and that some sort of RTA millage reserve fund will need to be established and maintained in order to allow a portion of revenue growth to be captured in the jurisdiction where it occurs so that the 85% mandate will always be achieved. Capital projects will present an area of special challenge since they often have level debt service payments that don't recognize changes in tax proceeds. The draft plan is silent on this matter involving the change in property taxes over the 20 year term of the millage.

Before we as Oakland County's representatives to the RTA can even consider supporting a draft plan calling for a tax, that plan must clearly demonstrate compliance with the statutory minimum mandate by presenting specific, factual financial detail. Our concern is further amplified by the fact the plan apparently contemplates that the \$3.2 billion in RTA millage revenues can be expected to leverage an additional \$1.4 billion in federal and state dollars (based on a total plan cost of \$4.6 billion). Given that the plan shows Oakland is receiving only 85% of their millage revenue generated return and essentially none of the leveraged dollars, the relative ROI compared to all other jurisdictions is even lower than the 85% would imply. Accordingly, before any levy is sought or approved, the plan must transparently answer our three questions: What do Oakland taxpayers receive for their \$63.3 million annual investment, when will they receive their benefits and how will the RTA guarantee that the asserted benefits will actually be delivered?

A related concern is this: the draft plan assumes an annual Oakland County taxpayer contribution of \$9,501,516 in tax proceeds for uses outside of public transportation routes located in Oakland County, or some \$190,030,320 (plus leverage dollars) over 20 years. We assert that the plan must show where will that money will go and must indicate what the derivative value of those investments will be to Oakland County in exchange for those investments.

The RTA legislation contains an additional limitation that must be directly addressed in the draft plan. Given the draft's clear intent to co-mingle RTA proceeds with other funding sources, and given the fact that the primary method of delivering new regional services in the tri-county area

is via bus rapid transit (BRT), aka “rolling rapid transit”, the plan must demonstrate compliance with section 7(6) of the RTA Act which provides, “Expenses of an authority incurred in the planning and operation of a rolling rapid transit system are not eligible for an operating grant under section 10e of 1951 PA 51, MCL 247.660e.” MCL 124.547(6). This means that the RTA’s BRT planning and operating expense funding mechanisms cannot be co-mingled with Act 51 funds. To us, this limitation means that before any plan can be considered for adoption, the plan must demonstrate that the planning and operation expenses of the proposed BRT services will be fully funded by a priority first call on RTA millage proceeds. Detail must also show, by jurisdiction, compliance with the 85% rule in the funding of the BRT planning and operating expenses.

We note too, that section 7(6) does not bar RTA BRT services from competing against the existing providers for federal, state and local funds with respect to capital costs associated with BRT services. Given the scarcity of capital resources, the clear capital needs of the existing providers and the stated and necessary goal of having today’s providers continue operating at least their existing level of services, it is our position that the plan must expressly provide and guarantee that BRT capital costs are to be primarily, if not completely, covered by RTA millage proceeds or other federal funding not available to current providers, e.g. Small Starts/New Starts and fixed guideway formula funding, that local bus providers cannot compete for.

The need for clarity in terms of competing for capital costs and operating support sharpens when one looks at the Detroit-Ann Arbor Rail proposal. That service does not touch Macomb or Oakland Counties so it is clear that any new costs associated with that service need to come exclusively from Wayne and Washtenaw RTA millage proceeds and/or from their formula allocations and grant awards. SMART services in Macomb and Oakland Counties must not be injured by the necessity to fund any new rail services provided solely in other jurisdictions.

Other major considerations are noted below in summary form and include the issues of fund co-mingling, supplanting, level-of-effort requirements and the proposed, premature acquisition of the private M1 Rail.

- 1) There were no financial projections by County included in the plan document. At best, the financial information is weak and in certain instances, as noted later, has issues in the assumptions. The plan should provide a summary by County in order to clearly demonstrate the **minimum** 85% mandate is met. It is unrealistic to expect taxpayers to mine a 164 page document so as to discover on their own discreet bits of scattered data allowing them to conclude compliance with the 85% rule or that a sufficient return on investment exists to justify their affirmative vote.
- 2) There are many assertions (i.e. ‘promises’) to the public that all will be well and that everyone will be served within the millage rate requested. The assertions are broad and could easily be used against the operations of the plan should any of the promises fail to occur for whatever reason.

- 3) The plan does not discuss with specificity bus security improvements, particularly in off hours; it merely indicates security will improve. We need to know how it will improve, at what cost, and how those costs will be allocated and funded.
- 4) The absence of the necessary guarantees securing the benefits proposed perhaps could be addressed by executing a binding Memorandum of Understanding outlining:
 - a) What the Oakland County taxpayers getting for their \$1.3 billion, 20-year investment. The plan should acknowledge that the investment will likely be greater than the \$1.3 billion as TV increases. The MOU should provide for the continued, on-going compliance with the minimum 85% rule and the mechanism for insuring such. Also included should be the rationale (and derivative value) for the continuing, 20 year, 15% annual diversion of Oakland RTA proceeds and the leveraged dollars they produce to other areas.
 - b) When is Oakland County expected to see the return using easy to read and understandable explanations, by county and City.
 - c) Given what we have seen in the slow implementation of the Reflex test project, Oakland's insistence (stated months ago) on the need for guarantees is even more important to ensure that promises made today are kept tomorrow.
- 5) The Senate Bill to cap the property tax rate to no greater than 2 mils and other matters is stalled in the Legislature until at least September 2016 and may never see the light before the November 2016 election. The RTA needs to make sure that TIF's, DDA's, CIA's and other special taxing jurisdictions cannot intercept any part of an RTA millage.
- 6) There are no detailed references to car pool parking lots (e.g. park and ride). If not addressed at the outset, the use of the BRT lines (Woodward, Gratiot, and Michigan etc.) may be limited to those able and willing to walk to these lines and those, outside of Detroit, who are able to catch a "cross town" SMART bus, the frequency of which is suspect under the draft plan.
- 7) Over the next decade, the personal property taxable value proceeds will be reduced and eventually eliminated. The State has committed to a limited restoration of the lost local personal property tax revenues (after the initial and permanent loss relating to small businesses). Since there is no projection or details relating to the calculations and no mention of this issue in the draft plan, the affect is not assessed on the future collections of the amounts considered as revenue generated from the personal property presently captured under the RTA. There needs to be a discussion of this matter in the plan so the risks to the plan's implementation can be considered.
- 8) There is no detail provided as to the likely impact the RTA's requests as an operating agency seeking state and federal capital and operating funds for new RTA services, separate from DDOT, SMART, The People Mover or the AATA, will have on

the existing agencies, even though the plan states as a goal that those agencies will continue to provide their existing services. The plan needs to set forth a grant coordination protocol to insure a fair distribution of the limited future financial support.

9) Page 36 has a comparative schedule of financial and programmatic operating data between the four service providers, DDOT, SMART, AATA and the PeopleMover. The operations for DDOT and PeopleMover don't tie to the audited financial statements of Detroit CAFR for FY-2015, some by a sizable difference (The plan reports a General Fund subsidy of \$51.8M, but the actual amount reported in the CAFR was \$82.1M). Even with the sizable operating subsidy, DDOT's equity was in an accumulated deficit by \$28.8M after factoring out the recent GASB requirement to record the net pension liability on the balance sheet.

Essentially, it looks like the plan used budgeted numbers even though DDOT over-ran its budget and the City's General Fund covered the unfavorable variance. DDOT relies entirely on the City's General Fund to supplement its operations and more importantly, its cash flow. Without the City general fund support there would need to be a substantial reduction in operations or an alternative source of funding secured.

This raises level-of-effort and sustainability issues. What is the expected future level of effort of the City's General Fund into the next 20 years? If the City does not appropriate the amounts necessary to support the DDOT operations at the current level of \$82.1 million level of effort, (which seems to be the historical level even though budgets have been set around \$55M the past half dozen years), what actions can be undertaken to secure that funding? Who then is responsible for 'filling the gap?' Remember, the City General Fund operating subsidy is dependent upon City Council appropriations and the Financial Review Committee's approval. What happens if they don't cover budget over-runs and the RTA has embarked on capital improvement projects on the City's behalf?

Now, ask that same type of questions for the People Mover, SMART and the ATAA. What if an Act 196, a Macomb general millage or an AATA millage question fails? What is the plan for future services absent these current funding sources and why isn't it addressed in the draft plan?

10) PeopleMover – page 40. Reference as follows – “DTC has numerous upgrades planned for the near future. Maintenance and replacement work is expected on both the tracks and the PeopleMover's Automatic Train Control (ATC) system, which is a common railway safety feature regulating speed. A replacement of DTC's (e.g. PeopleMover) driverless vehicles is anticipated in 2020. Additionally, DTC has upgraded a number of its stations in the past few years.” No reference in the draft plan is made as to the funding source for the upgrades. The PeopleMover's operation costs were \$22.3M for FY-2017, funded by fares (\$1.5M), operating subsidies of the City's General Fund (\$13.4 million - Page 69, FY-2015 CAFR) and the rest from miscellaneous grants and other sources. As with DDOT, without the City's General Fund operating support, the PeopleMover cannot survive. The history invites some questions:

a) How much are the 2020 capital costs for the PeopleMover and who will be funding them, the City or RTA?

b) What level of on-going effort is expected from the City's General Fund for the PeopleMover and will it remain in the range of the \$13.4 million?

11) M1 – Page 43. States: “M1 Rail is a unique partnership of private businesses and the philanthropic community, and state / federal government agencies. These partners have pledged more than \$100 million to construct the project, with additional financial support from federal TIGER grant and MDOT. M1 Rail has committed to operate the system **through at least 2021**, after which the RTA will assume operations.” (We note in another part of the plan the date of **2024** is used. Which is it?)

The original commitment made to state and regional leaders was for the private M1 rail group to provide 10-years of operating funding from a source other than that which would impact the funding stream of SMART and other transit agencies. No operations have begun. If M1 begins an operating service in 2017, the 10 year promise means it should be 2027 before the RTA even considers acceptance of the M1.

RTA staff has informed us that some take the position that the “operations” started with the first shovel in the ground for construction. We reject that position. “Capital costs” and “operational costs” have distinct meanings in transit law. If, as the draft plan proposes, the M1 Rail is converted to a public transportation provider and if the entity is assumed by the RTA, it will compete for the pot of state and federal money available to the existing providers. Any funds M1 receives may well come at the expense of DDOT, SMART, the PeopleMover, and perhaps the AATA.

No meaningful, long-range projections have been offered in the draft plan with respect to this proposal, so the operating and capital impact on the existing providers of the proposed movement of M1 to the RTA is unknown. Oakland representatives will not support a plan that calls for the early assumption of the M1 Rail, especially given M1's oft-stated commitment to provide 10 years of operating funding and given that the impact on existing provider resources is unknown and unaddressed in the plan.

Important here too is the determination of whether AATA resources will be impacted. Will operating and capital support for M1 come from *both* Detroit and Washtenaw County Act 51 dollars and federal dollars, or will it come only from Detroit/Southeast Michigan allocations? There is one RTA and if the RTA Board with Washtenaw members votes to add an expensive M1 service to the RTA, shouldn't all member jurisdictions of the RTA help pay? This issue must be addressed immediately as generally, federal formula dollars by law must be expended within the UZA assigned except under limited conditions, upon FTA approval, where there is a cross-UZA project that benefits both proportionately to the share of funds.

The plan's assumption of the M1 service also calls into question the equity of using RTA millage "donor" proceeds (proceeds above the 85% and the monies leveraged therefrom) to support a service only provided in a small area of one jurisdiction.

12) SMART Opt-Out discussions – Page 52. States: "Communities which have opted-out of the SMART system have created gaps in the regional network. This limits regional connections, both between Detroit and these opt-out communities and between suburbs." This presentation is incorrect.

First, as has been explained on numerous occasions, no Oakland County nor Wayne County community has opted-out of SMART. SMART is a county-based organization and every Wayne and Oakland County Community remains in SMART. What did happen circa 1995 was that some communities opted-out of the separate Wayne County and Oakland County Act 196 Transportation Authorities that were created to place tax questions before voters seeking to raise monies for regional transportation. Both Act 196 Authorities, independent of each other, levy voter-approved taxes in the geographical areas in those counties that chose to remain members in the authorities. The Act 196 Authorities then contract with SMART to provide increased transportation services (basically line haul services) in those communities levying the tax. The communities that opted out of the Act 196 authorities, (39 in Oakland County), are still members of SMART and they receive reduced SMART services and their populations are still important to formula calculations.

Unfortunately the draft plan's discussions seem to point only to the suburbs as having an opt-out issue, which the plan presents as a pejorative. Yet it is essential to remember that the regional leaders in 1995 chose Act 196 as a mechanism to place a tax question before the voters precisely because it allowed for opt-outs. Specifically, Act 196 was chosen to allow Detroit in particular, to opt-out of the new transit property tax.

At the time Detroit opted-out of the Wayne County Act 196 Authority, it did so because its leaders believed they were already taxing their residents heavily enough to support the DDOT and the PeopleMover systems. They did not want to increase the City's transit tax burden and theirs was not an unreasonable position.

Similarly, the suburban communities that chose to opt-out of the Act 196 Authorities also acted reasonably. Their decision was not based on the fact that they already faced substantial transit tax burdens, but instead, they asserted that their decisions were based on the fact they did not believe their communities would receive an adequate return on investment (ROI) if they taxed themselves for "increased public transit" essentially in the form of line haul service.

As noted earlier, DDOT and SMART provide fundamentally different services. Detroit operates a traditional intra-city bus services for a densely populated area. SMART, on the other hand, provides long-distance line haul service for less populated suburban areas. Many communities in western Wayne and Oakland Counties, and in north Oakland County, don't lend themselves to line haul operations. Those communities knew they

would not receive those type of services and had no desire to pay money so some other community could.

Why is all this still important today? It is important because the draft plan drafters apparently failed to recognize the fact that the taxpayers in those opt-out communities will still be looking for an ROI for their community before they vote to tax themselves at 1.2 mils for 20 years.

We suggest the RTA staff calculate, by opt-out community and by Washtenaw community outside of the AATA tax area, the amount of tax those communities will be asked to pay and then provide details to show the ROI they will receive in their home communities if they vote for the proposed millage.

It is our observation (and the observation of many current excluded communities leaders' and taxpayers, that have communicated with us) that the draft plan fails to show why anyone in Oakland County north of M-59 or West of Novi should support the plan. Those communities, who we represent on the RTA Board, are making clear through their local leadership that they see few benefits in the draft plan before us. What benefits will they get? When will they get them? How are any benefits guaranteed? The plan must address those issues.

13) Ridership – page 53. States: “While ridership data from the National Transit Database is not available for 2015, ridership numbers from DDOT suggest ridership has begun to stabilize as the provider has begun restoring service levels to pre-2009 levels.” This over-simplifies the nature of the ridership. The chart on the page indicates that the ridership in 2009 approached 39M, but by 2014 was nearly 25M annually. Likely, the ridership declines may not have been as much about the willingness of the Detroit residents to ride the DDOT buses as it was due to significant reductions in the operating subsidy from the City’s General Fund, caused by the City’s fiscal issues as the City deteriorated into bankruptcy. The FY-2015 CAFR reflects a subsidy of \$82.1M, which represents a more typical level of subsidy seen in the 1990s and 2000s leading up to the bankruptcy. It is great to see the City’s fiscal position begin to improve, but the previous declines illustrate the need for the plan to address level-of-effort and sustainability in the draft plan. This concept applies to all RTA providers.

14) Reliability. The Chart on Page 54 shows DDOT has struggled with low pull-out rates and asserts DDOT “has greatly improved as of late” moving from 70 to 90%. SMART and AAATA are shown to have a 100% pull-out rate. Again, level of effort is implicated here.

15) Transit Operating Spending per Capita – Page 55. Throughout the Plan, the RTA uses a base year, per capita spending on transit figure of \$69, as compared to other agencies – with southeastern Michigan being shown as providing the lowest amount of the cities / authorities cited. A table is provided where the population is cited, spending and then the calculation. Here are some issues with the charts:

- a) The population used for southeastern Michigan is cited at 4,040,112, likely representing the entire estimated population for the four counties (Washtenaw, Wayne, Oakland, and Macomb). Unfortunately, when comparing the spending to the full population (and this is a bit hard to tell), it seemingly includes residents of areas that do not contribute to local funding of public transportation (opt-outs in Wayne and Oakland and areas in Washtenaw that do not pay into the AAATA's property tax). Why are they included? If they receive little or no services, they should not be in the per-capita spending calculation.
- b) The "spending" number needs clarification based on the FY-2015 audited financial statements of DDOT, PeopleMover and SMART, as those amounts were \$100.2 million, \$22.2 million and \$118.4 million respectively, for a combined amount of \$240.8 million. The Plan cites \$278.8 million in 'spending.' Is this difference related to AAATA local funding? If not, this information tends to inflate the amount of spending.

While the possible errors in data tend to offset one another, the net effect is difficult to determine without further analysis of the population by opt-in versus opt-out, by AAATA taxed areas and those excluded, and by assessing similar issues that might exist in the authorities and cities used in the comparison.

16) Demand for Transit – Page 59. Throughout much of the report density of population becomes a critical component of the viability of any expanded transit system. In fact, page 59 affirms just this point stating: "Population and Employment Densities – More than any other factor, densities indicates where transit will be possible. Transit demand is higher where larger numbers of people live and / or work in close proximity." Not much is discussed about the far larger areas of the four counties having lesser densities as the population radiates outward from the City of Detroit. Again, here we see the difference in the types of services provided by DDOT and SMART. Transit becomes more expensive on a per unit basis in the less densely populated areas, but those areas are being called upon to provide the vast majority of tax revenues to fund the system. This gets back to the necessity of showing ROI for tax investments by community.

It merits mention here again that little detail was provided about the need for "safe and secure" transit as a condition precedent for its use. Transit security is essential to the success of any system and the provision for such with its attendant costs must be included in the plan.

17) Population-Based Demand – Page 61. One interesting statement in the plan that indicates that the benefits of the plan by design will inure largely to Detroit (at the expense of other areas) provides, "Despite population losses over many decades, Detroit has seen recent positive growth in neighborhoods such as Midtown, New Center, and Southwest Detroit. As urban areas within the region grow and densify, more of the regional population will be easily served with transit."

A companion statement follows on page 65: “When population and employment densities are considered with certain demographic characteristics, the highest overall demand for transit is in Detroit, Ann Arbor and Ypsilanti. In general transit demand is highest in Detroit’s core and decreases outward. Few areas in the outer portions of Macomb, Oakland, and Washtenaw counties have sufficient demand to support transit. There are significant mismatches between where transit is currently provided and areas demanding transit service. Some places with a large demand for transit currently receive little or no transit service.”

Essentially, this is an acknowledgement that the plan is designed to force the “outer portions” of Oakland, Washtenaw, Wayne and Macomb Counties, the north and west areas, are to be compelled to pay for the services mostly beneficial to the Cities of Detroit, Ann Arbor and Ypsilanti. This is a thinly veiled effort to create regional tax based sharing relating to transit. Given this, and absent a clearly demonstrated ROI for outer areas being asked to pay, little support for this draft plan will likely be offered.

18) Capital costs per mile. On page 99 there is a chart of various types of transit covering characteristics and capital cost needs. The following is a summary of some of the more pertinent types of capital costs per mile relating to different modes of transportation:

- a) Bus rapid transit – capital costs per mile: \$5M to \$15M.
- b) Cross-county Corridor: \$200K to \$500K per mile.
- c) Local bus: minimal, vehicles and shelters only.
- d) Regional rail (i.e. Detroit to Ann Arbor): \$2M to \$5M per mile.
- e) Commuter Express: \$300K to \$1M per stop, plus vehicles.
- f) Airport Express: \$100K to \$300K per stop, plus vehicles.
- g) Streetcar (e.g. M1): \$40M to \$50M per mile.

Again, we ask where the necessary capital dollars come from and if the new costs be taken from existing providers? A related issue is this: if the new BRT or Rail projects experience capital cost overruns (see history of PeopleMover construction) will the RTA adjust other fund expenditures to cover overruns at the expense of existing providers? The RTA plan needs to directly address this issue in detail.

19) Streetcar. Page 109 conflicts with earlier references to assumption of the M1 in 2021: “The QLINE (M1 Rail) streetcar, planned to open in 2017, will be absorbed by the RTA in 2024. It will provide key connections to other local and regional transit services.” Assumption of M1 in either 2021 or 2024 is unacceptable to Oakland County. Also, the last sentence seems a bit misleading as the line simply goes about 3.1 miles up and down Woodward. What are the connections to “other local and regional transit services” that make the RTA investment advisable?

20) Coordinated Service. Page 111 states: “Before BRT services are operational on Woodward and Gratiot avenues, RTA will work with DDOT and SMART to coordinate

service in these corridors by increasing service levels, coordinating schedules, and eliminating required transfers.” Comments:

- a) Perhaps the example of what is underway involving the Reflex coordinated service efforts should be used as a benchmark for whether this assertion is meaningful or not.
- b) Where are the other BRT corridors in the coordination? Odd they were omitted.

It appears that RTA intends on launching a new commuter service through the RTA for Ann Arbor, Ypsilanti, Dearborn and Detroit as part of coordinating services? Will it be funded by both the southeast Michigan formula shares and Ann Arbor’s? We need to know.

21) Changes to Local Services. Page 111 states: “As riders shift from local services to BRT, it is anticipated local services will decrease. The decrease will allow AATA, DDOT and SMART to redirect resources to improve the frequency and reliability of their other transit services.” This is perhaps overly optimistic given both the fact that the funding formula is cost-reimbursed based and the fact that not all users will move, meaning the services may still need to be provided for those who can’t move. This assertion is questionable and if the RTA financial plan is to rely on a variable cost shift (e.g. costs follow the riders), there likely will be significant hole in the plan’s finances.

The transit service is heavily fixed cost in nature. Movements of even large tracks of population from one mode of transportation to another are unlikely to have the monetary impact in a short or even mid-term time period, as defined in years. This is a significant risk area depending upon the level of reliance on cost shifts in the plan’s finances.

22) Cross-county Connectors. Page 112 states: “These regional routes will be operated by DDOT and SMART. RTA will subsidize the full incremental cost of increased service beyond what exists in each corridor today, including any additional buses required.” Again, the matter of assertions to solve all problems with the new funding is raised, but there is also another issue with the assertion. The assertion assumes that cost accounting data exists by route such that the incremental costs can be calculated in a timely and accurate manner. Recent experience in other “regional” initiatives shows this to be unlikely. Without the ability to determine an accurate base cost and given the plan’s lack of detail on level-of-effort commitments, determining incremental cost would likely be a highly subjective exercise that could easily result in future regional discord.

23) Regional Facilities. Page 115 states: “New / Upgraded Maintenance Facilities will ensure sufficient maintenance capacity to accommodate new regional services. These new and / or improved maintenance facilities will allow for necessary and timely maintenance of transit vehicles.” Questions –

- a) SMART has been slowly upgrading its facilities with federal grant money for years and has more work to do. DDOT has some maintenance facilities that are

nearly 80 to 100 year old. Does this reference (particularly as to ‘improved’ given it implies an existing facility and RTA has none today) mean DDOT will be receiving grants from RTA for facilities that were previously not maintained? How much is under consideration and where will they be located? When will the facilities issues be addressed and how will they be paid for? Will RTA millage money be used, how much, when? Which agency will be allocated what and when?

b) We assume that they are in the capital plan and operations going forward but can’t tell as there is no forward looking projection of capital and operations in the plan.

24) Cost of Borrowing. On page 123 the plan contemplates an ‘A’ bond rating for a new entity having no operating track-record whatsoever. This is going to be a tough sell, but generally the shorter the debt period the better the interest rate. The plan anticipates an interest rate at just under 5.0% for a 10-year debt. Achieving that interest rate on 10 year debt on a new entity with no local or county unit backing may be difficult, to say the least.

25) Farebox Revenues. The financial projection on page 124 uses 20% for the farebox revenue. Presently, SMART is estimated at 10.6% (using the audited financial statement numbers - \$12,528K / \$118,425K = 10.6%) and DDOT (audited numbers - \$19,052K / \$100,151K = 19% - although the line item tends to indicate that there is more in the \$19,052K than simply farebox). The plan amount for farebox revenues appears to be too high based on DDOT and SMART actual experiences.

26) Local Contributions. On page 124 the plan states: “Local Contribution and Millages – Southeast Michigan transit agencies receive local contributions for transit service through different types of taxes. Local support is provided to DDOT and DTC (e.g. PeopleMover) through a General Fund subsidy from the City of Detroit.”

The FY-2015 DDOT operating subsidy from the City’s General Fund was \$82.1 million and the PeopleMover received \$13.4 million. How do the plan and / or other underlying documents fix the level of effort expected for the DDOT operations so that the City doesn’t pull back on its support with the expectations that the RTA will fill the void by altering the formula split (the ever vexing so-called 65/35 split issue)? The plan needs a level of effort requirement.

The same question must be asked of SMART, understanding that the tax levies need to be approved every four years or so by both county boards of commissioners and voters, level of effort rules become more important. A risk that isn’t addressed adequately in the plan is the possibility of that the Act 196 organizations or Macomb or Washtenaw Counties will not secure a renewals of current property tax millages. If the independent elected boards of commissioners or the electorate do not support the property tax extensions for the 20 year period, what happens in an RTA that has co-mingles RTA tax proceeds and existing operating and capital resources?

And why does the draft plan assume that the continued annual diversion of 15% of the RTA tax proceeds (and the dollars they leverage) to areas outside of the counties where those revenues are raised is fair, especially in a situation where a jurisdiction votes for an RTA tax but later rejects or decides not to propose an Act 196 millage or county-based millage? What are the RTA's alternative plans?

27) Federal Grants. Pages 125 and 126 indicate the types and nature of grants that are available, but don't adequately articulate which and how much of these grants have been included in any financial projections. Why are the financial projections not included in the plan document? The plan needs to set forth a mechanism for coordinating grants among the four transit providers and the RTA.

28) Fuel Prices. The projections of the fuel prices on page 126 for diesel and electricity show they are expected to grow at a pace of 1.3% and .9%, respectively. There is no mention of what the base amount used in any financial projections and those projections are not adequately included in the plan document.

29) In addition, in regard to electricity, with the shut-down of numerous coal plants due to the new federal regulations being imposed, and given that the required capital investments in electrical production will be in the billions of dollars for Michigan alone, it seems the plan must assume that those substantial new costs will need to be captured in future electrical rates. The plan should consider too, that the electrical grid is more than a half century old (a factor that contributed to the 2003 blackout) and that the grid must be upgraded along with the coal plants. Absent any indication that those new costs have been factored into the plan, it is likely that the draft plan's electrical cost assumptions for the medium and long term are flawed.

30) Mode Operating Costs by Agency. Page 127 sets forth an instructional chart. The costs reflected for vehicle revenue-hours for SMART and DDOT bus service are \$70.71 and \$64.64 respectively, while the M1 amount is \$131.21. In addition to requiring a transfer at the New Center via the M1 rail project, the launch of the M1 project will burden future RTA operations by nearly twice the operating costs had it not been constructed. A similar comparison of the vehicle revenue miles indicates SMART and DDOT are at \$1.78 and \$3.66, while M1 is upwards of 4 times more costly at \$6.33. Ultimately, the operating and maintenance costs of M1, if assumed by the RTA, will need to be incorporated within the co-mingled RTA millage and the Act 51 and federal transit funding streams. How can that not injure the existing providers?

31) Regional Transit Millage. On page 129 the plan states: "What will it cost me? A 1.2 regional transit millage is a \$1.20 property tax for every \$1000 of **ASSESSED VALUE** of a home. **ASSESSED VALUE** is determined at half the market value of a home." Emphasis added.

The plan uses assessed value for other calculations on the schedule as well. This is wrong. The financial projections that can be gleaned appear to use the assessed value and not the taxable value. We can't be sure given that complete financial projections are not

in the plan, but since the plan says assessed value, we take them at their word. If so, then the projected property tax revenues, which represent the principal revenues of the RTA, are going to be well over-stated and the promises made in the underlying plan document difficult to keep.

The plan also provides estimates the operational costs of the RTA in 2036. While no financial projection is included in the plan itself, financial information received by the County during earlier discussions projects costs 20 years into the future. Typically, estimates used in official statements for bonds include a five year operating projection. No financial operating information has been included in the plan, not even for a first year of operation in FY 2017.

The plan presents numerous charts and graphs throughout the document. However, despite the fact that a regional RTA millage is expected to provide the preponderance of the revenues for RTA (estimated at \$3.2 billion over the 20-year period), we again note there is no chart showing how much each of the four counties will be providing. This is a key piece of information in addressing Oakland's request to show how much is community is providing and then detailing what they are getting in return.

32) Capital Costs table on page 130. The plan summarizes its capital costs in the projects, but has zero for 'local bus services.' If the local bus services DDOT and SMART are to be expanded, who pays for the capital components of the expanded services and how will those capital grant requests be coordinated?

33) State Funding. On page 130 the plan shows that from FY-2015 to FY-2016, the State funding formula (we think this is meant to mean revenues not the underlying formula itself) is expected to provide an increase in funding for southeastern Michigan transit services from \$97.1M in FY-2015 to \$118M in FY-2036. (We note this is a 21% increase over 20 years, an amount not likely to even cover inflation, let alone any needs that are not presently identified.) A major concern with this assumption is the fact that, while it is true that in FY-2017, the Governor proposed and it seems that the Legislature will increase the state-wide funding from the roughly \$166 million appropriated in FY-2016, the plan's assumption of continued growth ignores the fact that prior to this modest increase, the \$166M transit appropriation went essentially unchanged from FY-2002 forward, except during the Great Recession, when it was reduced. Why does the draft plan assume a continuing revenue expansion in the face of the historical fact that for the past 14 years it did not grow at all?

34) Federal Funding. Page 131 states: "Projected federal formula funding changes from the RMTP (regional master transit plan, or the plan) were based on future revenue miles of service, an increase in RTA service, and reduction of some overlapping service and associated costs for existing providers. The RTA will retain all new federal formula funding above inflation to help fund the RMTP."

a) So, doesn't this section indicate that the DDOT and SMART federal funding is to be capped at inflation despite the assertion they will maintain

existing services and despite any future funding needs and system conditions at that time?

b) ‘...reduction of some overlapping service and associated costs for existing providers.’ This was discussed previously. It is questionable that either DDOT or perhaps SMART possess the timely, accurate and relevant financial information by route necessary to determine incremental costs arising from changes in service levels. And, even if they do, most costs are largely fixed and not variable, so the assertion that the transfer of cost “savings” to other RTA needs is almost certainly overstated.

c) It is interesting to see that the chart and information on page 131 and 132 indicates essentially no increase in funding whatsoever for SMART between FY-2015 to FY-2036, while DDOT does get a marginal increase during that period. The chart demonstrates that the federal funding will basically be fixed for DDOT (perhaps they gain a little bit more) and for SMART for the 20-year period ending FY-2036. It is highly probable that the retention of the federal funding by RTA will be used, at the RTA’s discretion, to allocate resources to the areas it sees as a necessity, by simple majority vote of the RTA Board a process that promises to damage some existing providers.

35) 85% Rule Compliance, page 134. This section discusses the requirement that 85% of the amounts collected in the millage must be spent in the respective counties where raised. There is no time frame for when this assessing will be conducted nor is there any reference that it should be done annually. Instead, there is an equivocator that virtually ensures that no real assessment can be done annually and that it can be indefinitely postponed to some future period: “Because the RTA’s expenditures, particularly for capital facilities, will be focused in some jurisdictions more at some times than others, it is possible the RTA will not comply with the 85% Rule in every jurisdiction when computed on a short-term basis. The RTA will track compliance on a cumulative multi-year basis. The financial model tracks 85% Rule compliance across an aggregate 20-year period from 2017 through 2036.” This “trust us, we will make you whole the last 2 or 3 years of the tax levy” is not acceptable to Oakland County.

Essentially, there are enough ‘outs’ in the draft plan to allow non-compliance. And, once the RTA tax levy is launched and underway, what are the consequences, if any, for non-compliance? It is doubtful that there is any adequate remediation process other than for the county or counties seeking compliance to seek recompense through extensive, expensive litigation. Non-compliance would likely also encourage voters to reject millage renewals outside of the RTA tax, (Act 196, Macomb millage, AAATA millage) severely injuring local bus service operations. The plan can avoid this by having the RTA establish binding guarantees before any millage question is posed.

36) Policies for Allocating Federal and State Funding. Page 141 states: “It will also be necessary to establish policies for the allocation of federal and state funding in the context of project-level financial plans. Policy development will generally occur during

the planning phase, with some activities needing to begin before the 2016 RTA referendum.” Oakland County asserts that the allocation policies must be agreed upon before the plan is adopted. This gets to the heart of the “guarantees” requested. There will be no “give us the levy now and trust us, we will settle-up later.”

Similarly, page 141 also states: “Operations and Maintenance (O&M) includes executing agreements with the existing transit providers and developing and executing contracts with the new O&M vendors.” At a minimum, before the vote occurs on the plan and placing the matter on the ballot, draft contracts should be agreed to with DDOT, SMART, AAATA and the PeopleMover.

37) Benefits of Regional Transit. Starting on page 157 numerous assertions are made as to the economic, employment and other benefits of regional transit expansions that will be achieved under the RTA vision. These benefits must be tracked. We need the plan to set forth how they are going to be tracked, by whom and what will the tracking matrices will be

In closing let us summarize key concerns. While all of the points we have raised are important, some have higher priority in terms of required response before we are able to act on a plan in July 2016. Obviously, a clearly presented, a transparently presented, plan answering the questions of what do our taxpayers get, when will they get it and how the RTA will guarantee those results is key. The plan must demonstrate on-going compliance with the 85% rule and adherence to the Act 51 bar to the receipt of money for BRT planning and operating costs. Equitable grant coordination measures applying to the service providers and RTA must also be established.

Given the planned co-mingling of financial resources, the plan needs to address the annual formula allocations between the City, SMART, the RTA as an operating agency and the AAATA, especially for services that cross UZA borders. We will not accept any plan that damages the ability of SMART to perform its existing service levels or prejudices its ability to secure operating and capital resources necessary to execute its mission.

The plan needs to describe how the RTA will deal with reductions in general fund subsidies or millages renewals.

Early assumption of the M1 system, i.e. before 10 years of operating support has been provided by M1 Rail is simply a non-starter. The plan needs to explain the funding role of the RTA, the AAATA, the City and Wayne County as it relates to M1, a system that will operate only in Wayne County. Similarly, the plan needs to explain the funding role of the RTA in regard to the proposed Detroit-Ann Arbor rail line, a service that will not touch Oakland or Macomb County.

In addition, there must be a clear ROI shown for the current opt-out and other millage excluded areas and a rationale must be provided for the 20 year diversion of RTA millage proceeds and the dollars they leverage out of Oakland County.

Finally, the plan must establish a binding mechanism to guarantee that the benefits promised to each jurisdiction will be delivered, a mechanism that cannot be overturned by a simple majority vote of the RTA Board.

We look forward to your timely response.