DETAILED CALCULATIONS FOR TREASURER'S REPORT ON COUNTY WIDE TRANSPORTATION SYSTEM

If the City millage produces $9.70 million based upon 2.06 mills, then that means it produces approximately $4.70 million per mill.[1] The Treasurer's scenario reduces the City's millage to 1 mill, which would mean that Ann Arbor would be contributing $4.70 million into the countywide pot available for public transit.

The remainder of the County would be contributing approximately $10.30 million to be used to provide service outside the City limits.[2] Since it now requires all of the $9.70 million collected in the City millage to deliver the current level of service in the City, it would follow that if the millage were cut in half, then Ann Arbor's service would also have to be cut substantially.

There are some other adjustments that would have to be made if Ann Arbor contributed only $4.70 million toward transit. Ann Arbor's new contribution would be $5.00 million **less** that it now contributes.[3] This $5.00 million reduction in revenues (we can assume the reduction in revenues would also mean a reduction in expenses) would result in Ann Arbor losing approximately $1.50 million in state operating assistance.[4]

The loss of these two income generators would result in the City's services being cut by approximately $6.50 million or approximately 25.5% from today's levels.[5] As the City's level of transit service decreases, fare revenues would decrease accordingly, which would result in a further reduction of approximately $1.10 million in fare box revenues[6] for a total loss of $7.60 million.[7]

Thus, the net effect of the loss of one mill, the corresponding loss of state operating assistance, and the corresponding loss of fare box revenues resulting from service cutbacks would leave the City's contribution approximately $7.60 million below today's levels.

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[1] $9.70 million/2.06 mills = $4.70 million per mill
[2] $15.00 million - $4.70 million = $10.30 million
[3] $9.70 million - $4.70 million = $5.00 million
[4] $5.00 million reduction x 30% state funding = $1.50 million
[5] $5.00 million + $1.50 million = $6.50 million
[6] 25.5% x $4.334 million in fares = $1.10 million
[7] $5.00 million + $1.50 million + $1.10 million = $7.60million

The Treasurer's report was built around fares increasing from $4.334 million to $7.00 million. How that would be accomplished is highly questionable. Following the 25.5% reduction in fare revenue from the City of Ann Arbor (as the result of losing approximately 25.5% of its service), then the remainder of the County would have to generate even more passengers than the City.

The City would generate about $3.23 million in fares,[8] while the County would have to generate the balance of $3.77 million in order to reach the Treasurer's $7.00 million total fares.[9] That would mean the County would have to produce 117% more passengers than would the City – a prospect that is unlikely.

The level of service being provided in the out-county would be far less than that provided inside the City, as there would be substantially less total revenue available per mile for the rural services than for the urbanized. A substantially lower level of service in the County would produce substantially fewer fares. Even if County services could produce 50% as many passengers as in the City, this would result in adding only $1.60 million in fares,[10] for a grand total of $4.83 million.[11] This is **$2.17 million less** in fares than the Treasurer anticipates.[12]

The tax shift would **<u>not</u>** produce $8.0 million more in revenue. Instead, it would actually produce **$1.77 million less** than what is produced today.[13]

More importantly, it would result in Ann Arbor losing $7.60 million worth of service. Under the Treasurer's analysis, AATA would be not only be providing City of Ann Arbor services, but urbanized area services <u>plus</u> County-wide services for <u>less</u> than what it costs to provide City and urbanized area services today.

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[8] $4.334 million - $1.10 million = $3.23 million
[9] $7.00 million - $3.23 million = $3.77 million
[10] $3.23 million x .50 = $1.60 million
[11] $3.23 million city + $1.60 million county = $4.83 million
[12] $7.00 million - $4.83 million = $2.17 million
[13] $7.60 million less in revenues +$2.17 million less in fares = $9.77 million. $8.00 million from Treasurer's report - $9.77 million = -$1.77 million

If the Treasurer's wish of AATA operating at $84.00 per service hour were to come true, the system (even with additional millage revenue coming from the out-county areas) would still come up **$5.59 million short.**[14]

The Treasurer's scenario of funds coming from the County presumes that 100% of the county would participate in a transportation authority and its accompanying millage. That is a presumption that is highly speculative at best.

In summary, the Treasurer's plan is highly flawed and would negatively affect the amount and levels of service available to the citizens of Ann Arbor. The loss of 1.06 mills from the City would be devastating to AATA's services and would result in services being **cut back by approximately $7.60 million.** Furthermore, reducing AATA's operating budget to $84 per service hour would not only greatly degrade the level of service available to City residents; it would still result in the necessity of **cutting an additional $5.24** million in Ann Arbor's transit services.

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[14] $84.00 = 17.8% less than the $102.24 AATA is expected to operate in 2010. The total approved budget for 2010 is $25.46 million. The approved budget multiplied by the 17.8% reduction in cost yields approximately $4.53 million in savings. The $4.53 million in savings deducted from the expected total of $9.77 million in losses due to the reduced millage, loss in state funds, and loss in fare box revenues would still leave $5.24 million unaccounted for.

COMPARISON BETWEEN AVAILABLE CITY REVENUES AND COUNTY REVENUES UNDER TREASURER'S PLAN

	CURRENT CITY SERVICES Tax of 2.06 Mills	TREASURER'S CITY SERVICES Tax of 1.0 Mill	TREASURER'S COUNTY SERVICES Tax of 1.0 Mill	TREASURER'S COMBINED CITY AND COUNTY
Local Tax Revenues	$9,700,000	$4,700,000[1]	$10,300,000	$15,000,000
POSA's	1,141,000	-0-[2]	-0-	-0-
Fares	4,334,000	3,234,000[3]	1,617,000	4,851,000
State Assistance	6,754,000	5,015,000[4]	4,751,000	9,766,000
Federal assistance	3,170,000	3,170,000	830,000	4,000,000
Other	361,000	361,000	-0-	361,000
Total Revenues	**$25,460,000**	**$16,480,000**	**$17,498,000**	**$33,978,000**

1 A millage rate of 1 mill would generate $4.7 million in Ann Arbor
2 POSA's would no longer be paid by cities and towns. Revenue generated in these jurisdictions would pay direct and indirect costs of service.
3 Fares are decrease by 25% due to cutbacks in services resulting from decreases in revenues.
4 State assistance would be reduced due to a decrease in expenses (State assistance is based upon each system's expenses)