

TASK 12/13

# GOVERNANCE AND FUNDING TECHNICAL MEMO

PREPARED BY: AECOM

MAY 12, 2017



---

SMITHGROUP JJR . AECOM . BERGMANN ASSOCIATES . QUANDEL CONSULTANTS





North-South Commuter Rail  
Feasibility Study

Task 12/13: Governance and Funding  
Technical Memo

## Table of Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
Funding .....	1
Governance.....	2
<b>1. PROJECT BACKGROUND .....</b>	<b>3</b>
<b>2. PEER AGENCY ANALYSIS.....</b>	<b>6</b>
2.1 Music City Star .....	6
2.2 Northstar Commuter Rail.....	8
2.3 Trinity Railway Express .....	10
2.4 Conclusions .....	11
<b>3. NORTH-SOUTH COMMUTER RAIL SERVICE FEATURES.....</b>	<b>12</b>
3.1 Full Service .....	12
3.2 Shuttle Service .....	12
3.3 Development Timing.....	12
<b>4. GOVERNANCE AND FUNDING OPTIONS.....</b>	<b>13</b>
4.1 Governance Options .....	13
4.2 Funding Options.....	15
<b>5. INPUTS TO ASSESSMENT OF OPTIONS .....</b>	<b>17</b>
5.1 Project Scope and Timing .....	17
5.2 Governance.....	18

5.3 Funding ..... 19

**6. EVALUATION OF GOVERNANCE OPTIONS.....20**

**7. EVALUATION OF FUNDING OPTIONS .....22**

7.1 Financial Structure ..... 22

7.2 Mill Rate Analysis ..... 25

**APPENDIX I: WASHTENAW COUNTY BOARD OF COMMISSIONERS  
RESOLUTION (2007)**

# EXECUTIVE SUMMARY

## Funding

Based on the results of the previous analysis, the Full Service Alternative (Ann Arbor to Howell) remains a viable option for serving the full corridor, while the Shuttle Service Alternative (Ann Arbor to Whitmore Lake) could serve as an initial phase project that is more achievable (and competitive for funding) in the near-term. For the purposes of the funding analysis, these two service alternatives were each examined assuming either county-based funding support or support only from a group of intensely benefited jurisdictions aligned along the rail line. The operating cost net of fares is a significant long-term obligation and the majority is likely to be borne by the local jurisdictions. For the initial capital investment, the team established the assumption for planning purposes that 50 percent of the capital cost will be provided from Capital Investment Grant (“Small Starts”) funds, 25 percent from other state or federal funds, and 25 percent from the local tax base.

If a two-county tax base were chosen to provide the local share for the Full Service Alternative, a 0.40 mill rate in Washtenaw and in Livingston Counties would fund the operating deficit and would provide for the initial capital investment over a period of three to four years before startup of operations.

If a smaller geographic area is willing to fund the Full Service, the same operation and initial investment could be provided by a 0.84 mill rate in the following jurisdictions:

- City of Ann Arbor – Washtenaw County
- Ann Arbor Township – Washtenaw County
- Northfield Township – Washtenaw County
- Green Oak Township – Livingston County
- Hamburg Township – Livingston County
- City of Brighton – Livingston County
- Genoa Township – Livingston County
- Marion Township – Livingston County
- City of Howell – Livingston County
- Oceola Township – Livingston County
- Howell Township – Livingston County

The Shuttle Service Alternative can be funded with a 0.34 mill rate in all of Washtenaw County. A variation would offset the Washtenaw requirement slightly with a parking charge imposed only on passengers who were not residents of Washtenaw County. This would be intended to capture revenue from non-Washtenaw County users who cross jurisdictional lines to get to the train service.

Similarly, the Shuttle Service Alternative could be funded with a 0.61 mill rate in the following jurisdictions, if they, rather than Washtenaw County alone, were to help fund the service:

- City of Ann Arbor – Washtenaw County
- Ann Arbor Township – Washtenaw County
- Northfield Township – Washtenaw County

- Green Oak Township – Livingston County
- Hamburg Township – Livingston County

Any estimate such as these millage rates depends entirely on the assumptions made and cannot be assured. The geographic areas comprising the authority are, here, intended as illustrative and do not represent a collective agreement on the final jurisdiction. These estimates depend on the assumptions set out in the memorandum below, each with its source.

## **Governance**

Michigan statutes offer a wide range of governance structures that could enable these funding concepts. The most predictable in the longer run is an Authority formed by the participating jurisdictions under Act 196.

An alternative in the shorter-term to monitor the development of the markets for the services and to prepare for the possibility of the creation of an Authority is an interlocal agreement among a similar group of jurisdictions under Act 7 to form an Exploratory Committee.

The legislation, interviews with local community leaders, and research that led to these conclusions is detailed in the following technical memorandum.

# 1. PROJECT BACKGROUND

The North-South Commuter Rail study team evaluated a number of commuter rail improvement and service options, included a limited assessment of alternative modes (i.e., bus, bus rapid transit, and highway improvements) to reduce congestion along the US-23 corridor in Washtenaw and Livingston counties. The team is currently evaluating commuter rail alternatives for the corridor. The five service alternatives considered by the team are summarized in Figure 1.

- Full Service Alternative: The Full Service Alternative for the North-South Commuter Rail would run 28 miles from downtown Ann Arbor to the city of Howell located in central Livingston County. Six stations are included in this alternative: Ann Arbor, Barton Drive, Whitmore Lake, Hamburg, Genoa, and Howell.
- Full Service Alternative without Barton Drive: The Full Service Alternative without Barton Drive would run 28 miles from downtown Ann Arbor to the city of Howell. Five stations are included in this alternative: Ann Arbor, Whitmore Lake, Hamburg, Genoa, and Howell.
- Starter Service Alternative: The Starter Service Alternative would run 28 miles from downtown Ann Arbor to the city of Howell. Three stations are included in this alternative: Ann Arbor, Whitmore Lake, and Howell.
- Minimum Operating Configuration Alternative: The Minimum Operating Configuration Alternative would run 10 miles from Barton Drive to Whitmore Lake. Two stations are included in this alternative: Barton Drive and Whitmore Lake.
- Shuttle Service Alternative: The Shuttle Service Alternative would run 12 miles from Downtown Ann Arbor to Whitmore Lake. Three stations are included in this alternative: Ann Arbor, Barton Drive, and Whitmore Lake.



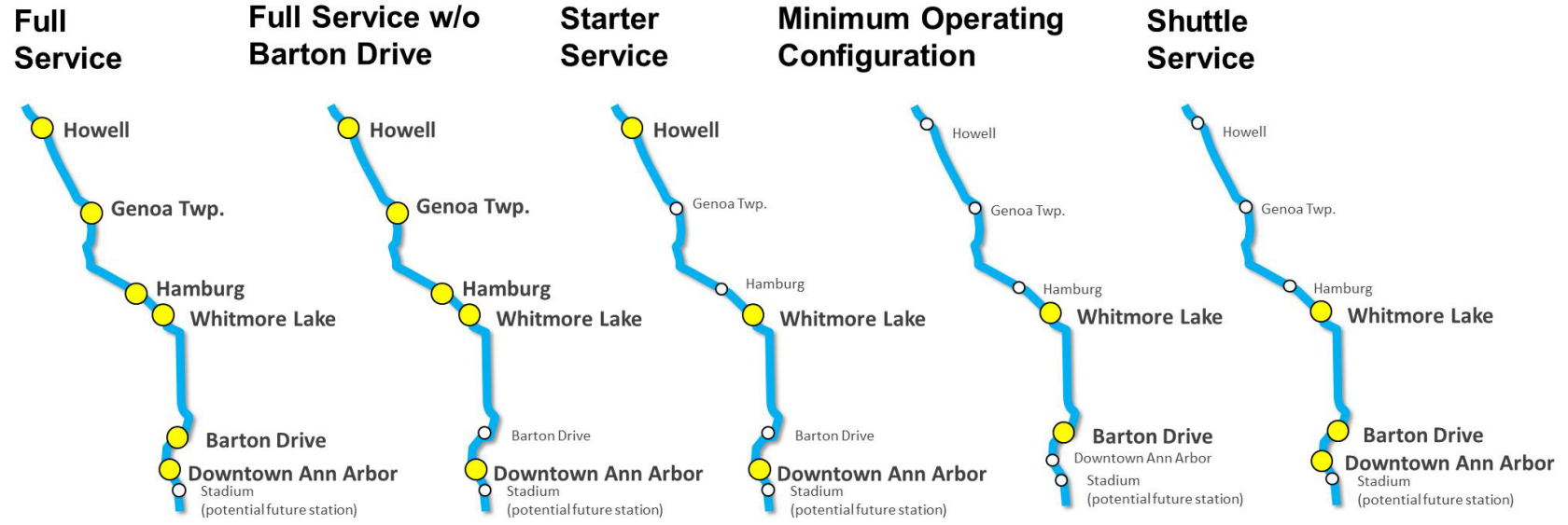


Figure 1: North-South Commuter Rail Service Alternatives

Initial capital and ongoing annual operating costs, as well as project ridership, were projected for all the service alternatives, and key elements are reported in Section 3, below. This memorandum addresses primarily two of these alternatives: the Full Service Alternative and the Shuttle Service Alternative, with the latter potentially serving as an initial phase of the full project.

This technical memorandum provides an assessment of the Governance and Funding options for the service. The memorandum is organized into the following sections:

- Peer Agency Experiences
- North-South Commuter Rail Service Features
- Governance and Funding Options
- Inputs to Assessment of Options
- Evaluation of Governance Options
- Evaluation of Funding Options

As discussed below, the schedule for the North-South Commuter Rail project is not yet determined. Throughout this memorandum, project dollar figures are presented in constant dollars without inflation. Estimates developed for this study are assumed to be current. Only historic figures are presented in actual (year of expenditure) dollars.

## 2. PEER AGENCY ANALYSIS

There are a limited set of commuter rail projects implemented in the U.S. on an annual basis, and most that are implemented are extensions of existing lines or additions to existing networks (where the operator of the system is already well established). The proposed North-South Commuter Rail, on the other hand, would establish a new commuter rail service into a corridor that currently does not have such service, and would require development of a new entity to develop the project. Only a handful of recent examples exist for this scenario, and none in the state of Michigan. The experience of three recent projects from Nashville, Minneapolis, and Dallas-Fort Worth are profiled in the following sections.

### 2.1 Music City Star

Opening in 2006, the Music City Star is a 32-mile single-track commuter rail line running from downtown Nashville east to Lebanon, Tennessee. The system is overseen by the Nashville Regional Transportation Authority (NRTA), a regional transportation authority that also oversees commuter bus lines in the area. All system maintenance and operations are contracted out to a third party.

#### Capital Costs

The commuter rail operates on existing CSX lines, and original capital costs included expansions and upgrades to track, construction of six stations, acquisition and rehabilitation of railcars and locomotives, and upgrades to two existing rail yards to be used for vehicle storage and maintenance. Capital costs totaled \$41.1 million. Table 1 summarizes the sources of capital costs for Music City Star.

**Table 1: Music City Star – Sources of Capital Funds (millions)**

Source of Funds	Total Funds	%
<b>Federal</b>	<b>\$ 32.4</b>	<b>78.8%</b>
Section 5309	24.0	58.4%
FHWA High Priority Project Funds	7.4	18.0%
Section 115 Funds (STP)	1.0	2.4%
<b>State</b>	<b>4.0</b>	<b>9.7%</b>
TDOT General Fund	4.0	9.7%
<b>Local</b>	<b>4.7</b>	<b>11.4%</b>
Nashville & Eastern Railway Authority	2.5	6.1%
Metropolitan Government of Nashville	1.6	3.9%
City of Mt. Juliet	0.2	0.5%
City of Lebanon	0.2	0.5%
Wilson County	0.2	0.5%
<b>Total</b>	<b>41.1</b>	<b>100.0%</b>

Source: FTA

#### *Federal Sources*

Federal funds accounted for 79 percent of total capital costs for the project. Section 5309 Capital Investment Grants (CIG) funding (\$24.0 million) accounted for 58 percent of total project costs.

Because the CIG share was less than \$25 million, the project was exempt from FTA’s evaluation and rating requirements. Additional funds coming from the Federal Highway Administration’s High Priority Project Program and the Surface Transportation Program (STP) fund.

*State Sources*

Proceeds from the Tennessee Department of Transportation general fund (\$4.0 million) accounted for 10 percent of total project capital costs.

*Local Sources*

Local funds accounted for 11 percent of total project capital costs. Various local sources contributed to the project, including the Nashville and Eastern Rail Authority (\$2.5 million), Metropolitan Government of Nashville (\$1.6 million), City of Mt. Juliet (\$0.2 million), City of Lebanon (\$0.2 million), and Wilson County (\$0.2 million).

Operating Costs

Based on the Music City Star 2005 Business Plan, average operating costs were projected to be \$4.0 million in 2010. NRTA oversees commuter bus operations in addition to commuter rail, so commuter rail-only funding source data is unavailable. Table 2 summarizes the projected source of operating funds in 2010 per the Music City Star Business Plan.

**Table 2: Music City Star – Sources of Operating Funds - 2010 Projection**

<b>Source of Funds</b>	<b>Total Funds (\$M)</b>	<b>%</b>
<b>Fares</b>	<b>\$ 1.7</b>	<b>41.7%</b>
<b>Federal</b>	<b>1.1</b>	<b>26.5%</b>
5307 Funds	1.1	26.5%
<b>State</b>	<b>0.5</b>	<b>12.2%</b>
<b>Local</b>	<b>0.8</b>	<b>19.6%</b>
<b>Total</b>	<b>4.0</b>	<b>100.0%</b>

Source: Music City Star Business Plan

*Fares*

Music City Star was projected to have fare revenue of \$1.7 million in 2010 and farebox recovery ratio of 42 percent. Note that according to the NTD, the service had an actual farebox recovery ratio of 16 percent.

*Federal Sources*

The Music City Star Business Plan projected proceeds from Section 5307 grants to cover 27 percent of total operating costs in 2010. Section 5307 funds covered preventative maintenance costs, which are operational in nature.

*State Sources*

The Music City Star Business Plan projected that the Tennessee Department of Transportation would provide \$487,000 in formula grants to help fund operations.

### *Local Sources*

The Music City Star Business Plan projected local governments would provide 20 percent of total operating costs for the system. This projection was based on commitments made by the affected jurisdictions. Nashville was projected to cover 60 percent of the local share with Wilson County, Mt. Juliet, and Lebanon covering the remaining 40 percent.

## 2.2 Northstar Commuter Rail

Northstar Commuter Rail is overseen by Metro Transit, a division of the Metropolitan Council. Metropolitan Council is the metropolitan planning organization of the Minneapolis-St. Paul region. The operations and maintenance of the infrastructure is contracted out to BNSF, while Metropolitan Council maintains ownership of the rolling stock. The service extends 40 miles from downtown Minneapolis to St. Cloud, Minnesota via a BNSF right-of-way.

### Capital Costs

The commuter rail operates on existing BNSF freight rail lines and new construction included a vehicle maintenance facility, a layover facility, stations and parking garages, and track and signal upgrades. The project also included an extension to the existing light rail system in downtown Minneapolis to connect with the Northstar terminal station. Table 3 summarizes the sources of capital funds. Total capital cost for the project was \$320 million.

**Table 3: Northstar – Sources of Capital Funds**

Source of Funds	Total Funds (\$M)	%
<b>Federal</b>	<b>\$ 161.9</b>	<b>50.6%</b>
Section 5309	161.9	50.6%
<b>State</b>	<b>98.6</b>	<b>30.8%</b>
General Obligation Bonds	98.6	30.8%
<b>Local</b>	<b>59.5</b>	<b>18.6%</b>
Anoka County	34.8	10.9%
Shepburne County	8.2	2.6%
Hennepin County	8.0	2.5%
Metropolitan Council	5.9	1.8%
Minnesota Twins	2.6	0.8%
<b>Total</b>	<b>320.0</b>	<b>100.0%</b>

Source: Federal Transit Authority

### *Federal Sources*

As part of the Full Funding Grant Agreement (FFGA) signed by federal, state, and local officials in 2007, Section 5309 CIG funding was committed to cover 51 percent of the project's total capital cost.

### *State Sources*

Proceeds from state general obligation bonds accounted for 31 percent of the project's capital costs. The FFGA enabled the release of \$98.6 million in state bonding money set aside for the project. The Minnesota Legislature originally approved a \$37.5 million bonding bill for the project in 2005; an

additional \$60.0 million was approved in 2006 session. This completed the state’s capital commitment required to seek federal capital funds.

*Local Sources*

Local funds accounted for 19 percent of total project capital costs. Various local sources contributed to the project, including the Anoka County Regional Rail Authority (\$34.8 million), Shepburne County Regional Rail Authority (\$8.2 million), Hennepin County Regional Rail Authority (\$8.0 million), Metropolitan Council (\$5.9 million), and the Minnesota Twins (\$2.6 million).

Operating Costs

Between 2012 and 2014, Northstar Commuter Rail averaged a total annual operating cost of \$16.3 million. Table 4 summarizes the source of operating funds over the three years.

**Table 4: Northstar – Sources of Operating Funds - 2012-2014 3-Year Average**

<b>Source of Funds</b>	<b>Total Funds (\$M)</b>	<b>%</b>
<b>Fares</b>	<b>\$ 2.5</b>	<b>15.4%</b>
<b>Federal</b>	-	<b>0.0%</b>
<b>State</b>	<b>5.3</b>	<b>32.3%</b>
Motor Vehicle Sales Tax	4.2	26.0%
Minnesota DOT	1.0	6.4%
<b>Local</b>	<b>8.4</b>	<b>51.6%</b>
Shepburne County	1.2	7.1%
Counties Transportation Improvement Board	7.2	44.4%
<b>Other</b>	<b>0.1</b>	<b>0.7%</b>
<b>Total</b>	<b>16.3</b>	<b>100.0%</b>

Source: Metro Transit

*Fares*

Northstar Commuter Rail averaged \$2.5 million in fare revenue over the three-year period. The service has a farebox recovery ratio of 15 percent.

*Federal Sources*

The service used no federal funds to cover operating expenses over the three years from 2010 to 2012.

*State Sources*

State funds accounted for 32 percent of total operating costs over the three-year period. Proceeds from the state motor vehicle sales tax—a 6.5 percent statewide tax—made up the largest share of state funds. The Minnesota Department of Transportation contributed an average of \$1.0 million to operations over the three years.

*Local Sources*

Local funds accounted for 52 percent of the operating costs over the three-year period. The largest contribution (\$7.2 million) came from the Counties Transportation Improvement Board (CTIB)—a joint powers board of Anoka, Dakota, Hennepin, Ramsey, and Washington counties. The CTIB

awards capital and operations grants to transit projects through a quarter-cent sales tax and a motor vehicle sales tax. Shelburne County, which is not a part of the CTIB, contributed an additional \$1.2 million to operations.

*Other Sources*

Revenue from Park & Ride garages at Northstar stations contributed an average of \$113,000 to annual operations over the three years.

## 2.3 Trinity Railway Express

Opening in 1996, Trinity Railway Express (TRE) is a joint project of the Dallas Area Rapid Transportation Authority (DART) and the Fort Worth Transportation Authority (The T). The operation and maintenance is entirely contracted out to private entities, and those contracts are overseen by DART, as the agent of the partnership. The service extends from downtown Dallas, past the DFW International Airport, and into downtown Fort Worth.

Capital Costs

The Trinity Railway Express service runs over existing freight rail right of way. Capital costs for the project included track and signal improvements, bridge improvements, vehicle acquisitions, maintenance facility improvements, construction of stations, and improvements at Union Station. Capital costs for the project totaled \$160.6 million. Table 5 summarizes the initial capital costs for TRE.

**Table 5: TRE – Sources of Capital Funds**

Source of Funds	Total Funds (\$M)	%
<b>Federal</b>	<b>\$ 120.0</b>	<b>74.7%</b>
Section 5309	62.4	38.9%
Section 5307	1.1	0.7%
Flexible Funds (CMAQ & STP)	40.4	25.2%
ISTEA Section 1108 Highway Funds	16.1	10.0%
<b>State</b>	<b>-</b>	<b>0.0%</b>
<b>Local</b>	<b>40.5</b>	<b>25.2%</b>
FWTA 0.5% Sales Tax	21.3	13.3%
DART	8.1	5.0%
Tarrant County & Cities	6.5	4.0%
Railtran	4.6	2.9%
<b>Other</b>	<b>0.1</b>	<b>0.1%</b>
<b>Total</b>	<b>160.6</b>	<b>100.0%</b>

Source: Federal Transit Authority

*Federal Sources*

TRE used a variety of federal funding sources for initial project capital costs. Section 5309 CIG funds accounted for 39 percent of all project costs; proceeds from the CMAQ and STP program accounted for an additional 25 percent of the initial capital costs. Discretionary grants included in the Intermodal Surface Transportation Efficiency Act (ISTEA) accounted for 10 percent of all costs.

Section 5307 Urbanized Area Formula Grants—formula-based funds used for capital maintenance costs, accounted for less than one percent of all project capital costs.

#### *State Sources*

No state funds were used to the initial capital costs of the project.

#### *Local Sources*

Local funds accounted for 25 percent of total project capital costs. Various local sources contributed to the project, including a Fort Worth sales tax (13 percent), DART funds (5 percent), Tarrant County (4 percent), and Railtran—the local project development authority (3 percent).

## 2.4 Conclusions

The following high-level funding and governance conclusions advance from the recent projects reviewed:

- The federal share of capital funding for commuter rail projects can vary significantly, but each peer system relied on a substantial amount of Section 5309 Capital Investment Grant (CIG) funding (i.e., between 39 percent to 58 percent) with other federal and state programs combined to achieve between 48 and 89 percent project of non-local capital funding. It is reasonable to expect 75 percent non-local capital funding for a new commuter rail project.
- Each of the peer examples succeeded with its own governance structures for developing, building, and operating commuter rail. The project examples reviewed above demonstrate that regional authorities and sub-regional (multi-jurisdictional) authorities can advance the capital and operations investment of a proposed commuter rail service through the FTA capital grants process. In each case, the commuter rail service traversed more than one local jurisdiction and the governance structure also involved participation by more than one jurisdiction.
- While the initial capital investment is a first challenge to most communities and is generally larger than the annual operating deficit, it is AECOM's experience that the local share of operations funding (sometimes 100% local) is much higher than the local share of capital funding (11 to 52% in the illustrative projects) and varies greatly from one system to another. State support for rail operations varies greatly from state-to-state, and while the Michigan's Comprehensive Transportation Fund program for transit operations is substantial, there is little precedent for its use for rail services.



## 3. NORTH-SOUTH COMMUTER RAIL SERVICE FEATURES

Two alternative projects are being considered for the North-South Commuter Rail service: a Full Service and a potential first-phase Shuttle Service.

### 3.1 Full Service

The Full Service Alternative for the North-South Commuter Rail would run 28 miles from downtown Ann Arbor to the city of Howell located in central Livingston County. Six stations are included in this alternative (see Figure 1). This service would operate with four train sets going into Ann Arbor during the morning, and returning to Howell in the afternoon peak.

Total capital costs for the Full Service North-South Commuter Rail alternative are projected to be \$122.3 million (2017 \$). Annual operating costs for the Full Service North-South Commuter Rail alternative are projected to be \$13.2 million (2017 \$).

### 3.2 Shuttle Service

The North-South Commuter Rail Shuttle Service Alternative would run 12 miles from downtown Ann Arbor to Whitmore Lake just south of the Washtenaw-Livingston county line (see Figure 1). Three stations are included in this alternative and the overnight storage and maintenance facility would be in Whitmore Lake. Compared to the Full Service, this service could operate with two train sets that would make multiple end-to-end trips during each peak commuting period (morning and afternoon).

Capital costs for the Shuttle Service would be \$65.2 million, while annual operating costs would be \$7.0 million.

### 3.3 Development Timing

Based on typical development schedules for comparable FTA-funded commuter rail projects, if funding is available, revenue service could be expected approximately 3 to 10 years after initiation of environmental review. Design and construction would require a substantial portion of this time before the initiation of operations. Furthermore, if debt financing is employed, capital renewal requirements suggest that debt should have no more than the weighted life-cycle of the specific improvements.

Population growth is projected to increase steadily over the period from the initiation of environmental reviews to revenue service. Congestion on US-23—the primary north-south artery between Livingston County and Ann Arbor, will increase as population in the area increases, thus increasing the feasibility of the commuter rail project.

## 4. GOVERNANCE AND FUNDING OPTIONS

Governance and funding options for the North-South Commuter Rail project need to be coordinated to ensure that partners funding the project—in particular in the ongoing operations of it—are provided a role in decision-making on the service as it evolves. The issue of stable ongoing operations funding over the long term is a major consideration in the viability of a service, even though the initial capital investment is often what is most focused-upon.

The State of Michigan offers a number of flexible options allowing local municipalities, transit agencies, and others the ability to establish multi-jurisdictional authorities that could be used for advancing the project. To date, these options have not been leveraged to fund and operate commuter rail service in Michigan.

### 4.1 Governance Options

#### New Authority (Act 196) in All or Part of Livingston and Washtenaw Counties

Act 196 of 1986, the law most likely to be used to support formation of a North-South Commuter Rail Authority, allows for the formation of a public authority through the adoption of articles of incorporation by an affirmative vote of the members elected to and serving on the legislative bodies of each political subdivision. Under Act 196, a municipality, a group of municipalities, a county, or a portion of a county or municipality may form a new transit authority.

Members may be political subdivisions, cities, villages, townships, and counties by itself or in combination with one or more other political subdivisions. Political subdivisions need not be completely included within the authority, but may only include subdivisions or portions of themselves that are bounded by electoral precinct lines. (§124.454) Elements of the Article of Incorporation are detailed in §124.456.

Once an Authority is formed, additional jurisdictions may become members of the Authority upon a majority vote of the members of the jurisdiction's legislative body and an affirmative two-thirds vote by resolution of the board of the Authority. Amendment to and duly published revisions of Articles of Incorporation by the Authority will complete entry process. (§124.457) Authorities may leave under the procedures of §124.458.

Taking the relatively small service area of the North-South Commuter Rail project, the prescribed method of incorporation and relative ease with which additional jurisdictions may enter into the Authority, there are a limited number of jurisdictional choices for initial formation.

Once an Authority is formed, participating jurisdictions may assign or transfer tax revenue to the Authority under §124.461, and may also procure financing on its own authority under § 124.467. The Authority is also authorized to levy a property tax within its area not to exceed 5 mils with the approval of a majority of registered voters (§124.468). The millage may have a duration of up to 25 years if the authority is operating fixed guideway transit.

In 2007, the Washtenaw County Board of Commissioners adopted a resolution approving the creation of the Washtenaw and Livingston Line (WALLY) Regional Transportation Authority pursuant to Act 196 as

described above. Details of the resolution, the Articles of Incorporation, draft By-Laws and a proposed fact sheet are included in Appendix I of this technical memo. Although the creation of the Authority was not advanced, this document provides a good example of how such an entity could be organized.

#### Interlocal Agreement (Public Act 7)

An even more flexible arrangement, particularly for interim or exploratory entities when the constituents may not yet have the appetite to authorize an entity with dedicated funding authority, is what is generically known as a joint powers agreement. These are established by mutual agreement among two or more governmental entities to use some portion of their respective powers through the joint powers entity. A well-known commuter rail service that has operated as a joint powers agreement for several decades is Caltrain, owned and operated by the Peninsula Corridor Joint Powers Board, which was created by agreement of the three counties of San Francisco, San Mateo, and Santa Clara. The term “joint powers agreement” is most frequently used in California, Minnesota, and Texas under their respective statutes, but is also used generically to describe the analogous arrangements in most states.

In Michigan, Public Act 7 of 1967, the Urban Cooperation Act, authorizes two or more local governments to enter into an interlocal agreement and permits tax and revenue sharing, but creates no new funding authority. Each entity that is a member of the authority may allocate some of its own funding to the authority. However, this may mean that a joint powers agreement established to advance a transit project may have difficulty maintaining a stable source of operations and financing dollars needed to sustain a transit service.

#### Southeast Michigan Regional Transit Authority

The Southeastern Michigan Regional Transit Authority (RTA) was created by Public Law 909 of 2012, which parallels Act 196 of 1986 with specific provisions for the RTA. The RTA, established in Wayne, Oakland, Macomb, and Washtenaw counties, could play a role in the project through a Joint Powers Agreement or similar voluntary arrangement, or through expansion of its boundaries.

Notably, the RTA recently supported a ballot proposition in four counties with a proposed 1.2-mill property tax proposal that would have funded a plan of projects that had been developed for the four counties. This plan included commuter rail connecting Detroit and Ann Arbor, but was otherwise a mix of bus and bus rapid transit services and investments. The failure to approve this proposal in November sets the stage for a revision of regional transit priorities, which could add a significant potential avenue for establishing a rail service in the North-South Commuter Rail corridor, either in the initial priorities or in a later tier.

This is because the RTA act provides options for expansion to adjacent Counties (such as Livingston) within Section 4 of the Act:

- (1) A county that is not included in a public transit region and is not a participant in an authority may petition an authority to become a part of the public transit region and the authority, subject to approval of the petition by resolution of the governing body of the petitioning county.
- (2) A petitioning county shall be added to a public transit region and an authority if both of the following conditions are satisfied:

- (a) The petitioning county is adjacent to a county that is, at the time of the petition, included in the public transit region.
- (b) The addition of the petitioning county to the public transit region and the authority is approved by the RTA board.

Any taxing provisions would not apply to new territory until approved by referendum.

## 4.2 Funding Options

This section provides a high-level overview of potential capital and operating funding sources for the North-South Commuter Rail.

### Capital Funding

This section summarizes the capital funding options that should be considered for the North-South Commuter Rail service.

#### *Section 5309 Capital Investment Grant Program*

A general practice is to propose that 50 percent of the total project capital cost be provided by Section 5309 Capital Investment Grant (CIG) funds. CIG is a discretionary, competitive program that serves as the primary capital grant program of the Federal Transit Administration (FTA). As the project advances, discussions with the FTA will be helpful in establishing an acceptable financial planning assumption. A key consideration will be the “competitiveness” of the project for funding under Section 5309 CIG program. As a project with a total cost of less than \$300 million, the potential North-South Commuter Rail would best line up with the Small Starts funding program portion of CIG.

#### *Other Federal and State Funding*

Federal funds other than Section 5309 CIG program may be used to make up other non-local or state capital funds. Surface Transportation Program (STP) funds and Congestion Management Air Quality (CMAQ) funds are among the more common sources of Federal funds in this role.

State funding is also frequently used in commuter rail projects elsewhere in the country. In the three illustrative peer projects shown above, Tennessee and Minnesota provided state funds, but Texas did not. Although there was no direct state funding in Texas’ case, Federal Highway program funds, that otherwise might have been available to the state, were applied under the “Flexible Funding” provisions to the commuter rail project. State discretionary grants for transit capital projects may be used, or funds dedicated through legislation including specifically the North-South Commuter Rail project may be appropriated. Michigan’s Comprehensive Transportation Fund (CTF) Capital Assistance Program provides matching funds for transit projects receiving federal funds. Although the CTF transit funding has been used primarily applied to the state’s bus services, it appears that commuter rail service could be eligible for CTF funding.

Although exploration of more specific combinations of available sources remains for a later phase of project outreach, this memorandum assumes 25 percent of the total capital cost of the project as an illustrative amount available from federal or state sources other than Section 5309 CIG funds. This

percentage is typical of similar projects and could be accounted for by some combination of flexed funding (i.e., CMAQ or STP funding), other federal discretionary or formula funding, state bond funding secured by state revenues, or any other state appropriations available to the project.

#### *Remaining Local Capital Requirement*

Approximately 25 percent of the capital cost would remain to be funded from local sources. Based on the local funding options, this amount would be funded by a new millage tax in some combinations of the counties or jurisdictions being provided service. While immediate considerations of the current revenue opportunities may ultimately suggest the substitution of an alternative source, such as a tax increment district or limited excise tax, that determination should be made when the decision to proceed with the project is imminent.

#### Operating Funding

This section summarizes the funding options for ongoing annual operations costs that should be considered for the North-South Commuter Rail service.

#### *Fare Revenue*

Based on travel demand forecast models, fare revenue is anticipated to cover 8.3 percent and 11.4 percent of operating costs for the Full Service and Shuttle Service Alternative, respectively.

#### *Federal Operating Funds*

The primary source of federal operating assistance comes from Section 5307 Urbanized Area Formula Grants program, a formula-based program that offers transit capital and operations assistance to service providers in urbanized areas. For urbanized areas greater than 200,000 people, funds are apportioned directly to the service providers; for urbanized areas under 200,000 people, funds are apportioned to the state for distribution. In addition to capital costs, eligible uses of the proceeds from the grants include preventative maintenance activities and rebuilding of vehicles, track, signals, and communications equipment. Note that any new service would not be eligible for existing Section 5307 funds (these currently fund AAATA operations); any eligible funds would be allocated to North-South Commuter Rail based on the incremental service improvements to the urbanized area.

Another source of federal operating funds is Section 5337 State of Good Repair Grants, another formula-based program that offers funds to be used for the maintenance, replacement, and rehabilitation of fixed guideway capital assets. These grants could not be used for initial project operations, as the eligibility is for fixed guideway systems in revenue service for at least seven years.

Based on peer agency analysis and current trends in funding, North-South Commuter Rail should not anticipate more than five percent of total annual operating costs be provided by federal funds.

#### *State Operating Funds*

Michigan's CTF provides funding for transit operations and are apportioned to service providers in the state's annual transportation budget. Currently, the primary source of funds is the Local Bus Operating (LBO) Assistance Program. It should be noted that proceeds from the Capital Assistance Program have historically also been used to cover operating cost shortfalls. Based on the financial documents from the RTA of Southeast Michigan, North-South Commuter Rail should not anticipate receiving more than 10 percent of their operating costs from state sources.

### *Remaining Local Operating Requirement*

Approximately 75 percent of the operating costs would remain to be funded from local sources. Based on the local funding options, this amount would be funded by a new millage tax in some combinations of the counties or jurisdictions being provided service. While immediate considerations of the current revenue opportunities may ultimately suggest the substitution of an alternative source, such as a tax increment district or limited excise tax, that determination should be made when the decision to proceed with the project is imminent.

## **5. INPUTS TO ASSESSMENT OF OPTIONS**

In order to gauge local support for several aspects of the proposed North-South Commuter Rail project, the analysis team conducted a series of interviews with representatives from several communities and agencies. The interviewees included representatives from the Michigan Public Transit Association as well as the Counties (Livingston and Washtenaw), Cities (Ann Arbor, Howell and Brighton) and Townships (Northfield, Genoa and Hamburg) along the proposed service route.

The following sections provide a summary of local support for the project scope and timing, governance options, and funding proposals.

### **5.1 Project Scope and Timing**

This section summarizes the local consensus related to the project's overall service plans, lists local project champions, and discusses the potential for incremental service.

#### Attractive Aspects of the Project

In general, the North-South Commuter Rail project is seen as a utility for commuting trips to Ann Arbor as congestion on US-23 is seen as a major issue for the counties. Some aspects of the proposed service are more attractive to the localities than others. Community representatives spoke of the potential for station area development, particularly at the Hamburg and Howell stations—two Livingston County communities who have consistently demonstrated the highest level of support for the proposed service. Communities also showed interest in using the service to commute to Ann Arbor for University of Michigan football games on Saturdays in the fall.

The City of Brighton indicated that some connection to the city from the nearest station would be vital to generating more local support. As planned, the nearest station is Genoa approximately five miles from downtown Brighton. A shuttle connection was mentioned as an option to connect the city to the service. Dedicated station parking for residents from each municipality was also listed as a potential option to generate more public support for the project.

#### Community Project Champions

Business leaders in the various communities were identified as the main champions of the project. Specifically, the Howell Chamber of Commerce, Brighton Chamber of Commerce, and the Livingston County Economic Development Council were mentioned as the projects most-vocal backers. Representatives also mentioned that the University of Michigan and specifically the University of

Michigan Health System could be potential beneficiaries of the new service. The City of Ann Arbor would be a beneficiary and has been a project supporter.

#### Partial Implementation of the Proposed Service

There was a consensus among community representatives that partial implementation of the commuter rail service would be accepted, especially if it was determined as a better approach for state and federal funding support. However, representatives from outlying communities in Livingston County made clear that there would be little or no support for local funding toward an interim service that did not directly connect to their area, even if a connection was planned as a second phase of service.

## 5.2 Governance

This section summarizes local agreements and disagreements about project governance, the potential for establishing a new transit agency to oversee the new service, and local experience with intergovernmental coordination.

#### Communities Involved in Project Governance

There was not a consensus among the community representatives about whether project governance and funding should be defined at a local, jurisdictional level or a broader countywide level. There was agreement that those jurisdictions with stations in the immediate commuter shed in both Washtenaw and Livingston counties should be involved in the governance and funding of the service. However, it was mentioned that the communities would likely not support their role in funding unless it is part of a broader transportation package addressing other transportation infrastructure needs. There was also agreement among the representatives that it would be difficult to assemble the needed capital and operating fund for the service if a narrow, jurisdictional tax base is selected. A narrow tax base would also leave out many nearby stakeholders and beneficiaries.

#### Establishment of New Transit Agency

There have been ongoing discussions within Livingston County about the establishment of a countywide transit authority. Many communities have expressed support for the concept, but there is little consensus about the timing of or overall community support for such an arrangement. There was general support among the representatives for the possibility of a combined multijurisdictional entity to advance project development and continue momentum on the project prior to construction and operations or funding agreements. Act 196 is particularly attractive because the approvals are combined at the aggregate level (i.e., multijurisdictional level); any approvals that require majority approval by jurisdiction might result in a non-continuous grouping of supporters geographically.

There were varying opinions from the Livingston County representatives about the possibility of joining an expanded RTA of Southeast Michigan. Some saw this option as the best way to build out a regional transit network; others believe that there is little or no chance that local voters would choose to link their communities to the larger Detroit region via a regional transit network. However, there was consensus among the representatives that this option should be considered as a long-term solution due to Washtenaw County's inclusion as part of the RTA.

### Experience with Establishing Local Governance Entities and Intergovernmental Coordination

The most prominent example of recent intergovernmental coordination according to the representatives was Livingston County's cooperation with Ann Arbor SPARK to start up Livingston County Economic Development Council. Another example of cross-county coordination is the service agreement with Flint MTA to provide transportation to employers in the US-23/ I-96 area near Brighton and Howell. There have also been coordinating efforts related to water, sewer, and library services among Livingston County communities.

## **5.3 Funding**

This section summarizes the consensus about the use and availability of local funding for the new service.

### Support for a Local Millage Dedicated to the New Commuter Rail Service

A newly levied property tax millage will most likely be the primary method for supplying the local share of the new service's initial capital and ongoing annual operating costs. There was a general sense among representatives that any new millage would need to be minor and that the new service would need to demonstrate significant non-local financial support to have any chance at passing. Support for any levy would likely be limited to townships directly adjacent to the service's right-of-way, and any broader tax base (i.e., two- or one-county tax base) would need to fund other transportation needs in addition to the North-South Commuter Rail service. Ultimately, there needs to be an analysis showing that the funding is only coming from communities with a significant share of the projected ridership.

Any proposed mill rate would need to be between 1.0 and 2.0, or lower, to have a chance of passing. Both Genoa Township and the City of Brighton have had recent transportation millages fail, though there has been success in millages related to public safety.

### Other Local Funding Mechanisms

There is a general recognition among the communities that other local funding mechanisms (e.g., tax increment financing) would be unlikely to generate sufficient project funds for the initial capital improvements or for the ongoing annual operations. Most communities in the corridor are limited in general fund availability and would not be able to dedicate significant resources to the service.



## 6. EVALUATION OF GOVERNANCE OPTIONS

There is considerable recognition of the long-run benefits of transit service generally—and of the North-South Commuter Rail service specifically—in relieving congestion in the commute to and from Ann Arbor. There is also recognition in commuter rail investment facilitating economically productive land development oriented to the commuter rail stations and in the broader service area.

Currently, there is not a near-term consensus to fund and implement the North-South Commuter Rail. As an interim step, an advantageous approach could be to create an exploratory committee consisting of representatives from the cities, townships and counties along the corridor to continue to develop service concepts, explore funding possibilities and monitor the development of the ridership demand. Such a committee could be formed either relatively informally by the interested jurisdictions, or in the form of an Act 7 Interlocal Agreement.

Under an Act 7 agreement, a separate board or commission could be established to administer the agreement and continue progress in development of the project. Specific objectives that could be furthered by such an organization could include:

- Service planning and refinement
- Station site acquisition or concept design
- Governance structure
- Project funding agreements (local and non-local)
- Environmental clearance

Such an organization, established with a mission to advance the improvement of transit service in the corridor and convened at recurring intervals, could be a vehicle to continue progress toward the project implementation.

The organization could also be utilized to fund or even operate the piloting of corridor transit services (e.g., commuter bus service) that could test the demand for daily service and potentially supplement an eventual rail service in the future. Public Act 7 is utilized for public transportation purposes in many locations in the state, frequently to operate multi-jurisdictional bus services in areas including Port Huron, Marquette and Cadillac.

If it is decided, based on continued development of the project, to support exploring one of the longer-range governance and funding options, the cross-jurisdictional nature of the North-South Commuter Rail service and material long-run financial requirements require cooperation and concerted action. An interlocal structure such as an Act 7 exploratory committee is important in preparing for development of those options as well as coordinating with other transit, transportation, and land use plans in the region.

Looking forward to the potential decision to proceed with implementation, the governance form of a transit authority meets the stable funding requirements as well as the multi-jurisdictional governance requirements of the service. The Act 196 authorities have proven to be the most successful in recent transit service implementations in Michigan.

The planning and financial analysis in parallel tasks of this North-South Commuter Rail study suggest—and this governance assessment confirms—that an initial investment in the Shuttle Service Alternative is a likely predecessor to a project approaching the Full Service implementation. If the overall institutional framework of transportation in the region remains unchanged, the exploratory committee can confirm the developing feasibility of such an investment in the jurisdictions benefitting and offer the possibility of creating an Act 196 authority in those jurisdictions with governance by the participating entities. This analysis was not conclusive regarding whether that will be on a countywide or more limited geographical boundary basis, and the exploratory committee should continue to consider the alternatives.

## 7. EVALUATION OF FUNDING OPTIONS

This section provides an assessment of the local percentage shares of initial capital costs and ongoing annual operating costs for the North-South Commuter Rail alternatives. Mill rates for different funding scenarios are also presented and evaluated.

### 7.1 Financial Structure

The local funding analysis has been carried out in terms of constant 2017 dollars, with the capital project and a typical operating year analyzed.

The analysis shows that the operating requirement is substantially higher in the long run, particularly for the local jurisdictions which are expected to fund a higher share of the operating requirement than of the capital. The relative capital and operating requirements show that for both the Shuttle and Full Service alternatives, the millage rate required for operations is adequate to fund the local capital share when collected over some portion of the planning, development, design, and construction period. Therefore, this analysis focuses on the total funding concepts and on the local operating requirement.

An alternative approach when capital and operating requirements are known with greater certainty and a project schedule can be estimated would be to evaluate financing (i.e., borrowing) the local capital portion, either through the project sponsor such as an authority or through a local partner agency. Because capital renewal would require ongoing resources comparable to the initial capital millage, the relatively low millage required for financed capital could be ongoing and additive with the millage required for operating.

The assumed local shares of capital and operations funding are based on peer projects and services (as presented in Section 2), as well as an understanding of possible funding sources present in the State of Michigan.

#### Capital

Total capital costs for the Full Service North-South Commuter Rail alternative are projected to be \$122.3 million; capital costs for the North-South Commuter Rail Shuttle Service Alternative are projected to be \$65.2 million. Based on the analysis of peer systems and current trends in FTA funding, non-local funding should be expected to cover more than 75 percent of total project capital costs. Table 6 summarizes the projected sources of capital funds for the two project alternatives.

**Table 6: Projected Sources of Capital Costs (millions of 2017 \$)**

Source of Funds	Full Service		Shuttle Service	
	Capital Funds	%	Capital Funds	%
Federal (5309 Grants)	\$ 61.2	50.0%	\$ 32.6	50.0%
Federal/ State	30.6	25.0%	16.3	25.0%
Local	30.6	25.0%	16.3	25.0%
<b>Total</b>	<b>122.3</b>	<b>100.0%</b>	<b>65.2</b>	<b>100.0%</b>

### *Federal Capital Funds*

Section 5309 Capital Investment Grants funds are projected to cover 50 percent of the total project capital costs for both service alternatives. Federal capital funds for peer agencies are summarized below:

- Music City Star: 58 percent
- Northstar Commuter Rail: 51 percent
- Trinity Railway Express: 39 percent

It is anticipated that the primary source of federal capital funds for the new North-South Commuter Rail would be Section 5309 Capital Investment Grants. Based on peer agency analysis and current trends in federal capital funding for transit, it can be assumed that a Full Funding Grant Agreement (FFGA) for the required capital improvements would cover 50 percent of all project costs.

Other federal funds are projected to cover between 0 percent and 25 percent of the total project capital costs for both service alternatives. Other federal (non-CIG) capital funds for peer agencies are summarized below:

- Music City Star: 20 percent
- Northstar Commuter Rail: 0 percent
- Trinity Railway Express: 35 percent

### *State Capital Funds*

At this time, no capital funds have been committed to the North-South Commuter Rail project by Michigan. State capital funds for peer agencies are summarized below:

- Music City Star: 10 percent
- Northstar Commuter Rail: 31 percent
- Trinity Railway Express: 0 percent

State funding, like non-CIG federal funding, has typically been used in other states to comprise part of the match to CIG funds. For the purposes of this analysis, State funds are assumed to cover between 0 percent and 25 percent of the total project capital costs for both service alternatives, complementing the same range for non-CIG Federal funds. These two sources (non-CIG Federal and state) are projected to combine to fund 25% of the North-South Rail project's capital costs.

### *Local Capital Funds*

Proceeds from non-local sources are expected to fund 75 percent of total project capital costs for both service alternatives (i.e., 50 percent from CIG funding, 25 percent from other federal or state sources). The balance of capital funds (25 percent) shall be covered at the local level through the introduction of a new county-based or jurisdiction-based property tax millage.

### Operating

Annual operating costs for the Full Service North-South Commuter Rail alternative are projected to be \$13.2 million; annual operating costs for the North-South Commuter Rail Shuttle Service Alternative are projected to be \$7.0 million. Based on projected fare revenue for the services, the analysis of peer systems, and current trends in FTA and state capital funding, the local share of operating costs should be

expected to cover 77 percent and 74 percent of total costs for the Full Service and the Shuttle Service alternatives, respectively. Table 7 summarizes the projected sources of annual operating funds for the two project alternatives.

**Table 7: Projected Sources of Annual Operating Costs (millions of 2017 \$)**

Source of Funds	Full Service		Shuttle Service	
	Annual Op. Funds	%	Annual Op. Funds	%
Fare Revenue	\$ 1.1	8.3%	\$ 0.8	11.4%
Federal	0.7	5.0%	0.4	5.0%
State	1.3	10.0%	0.7	10.0%
Local	10.1	76.7%	5.2	73.6%
<b>Total</b>	<b>13.2</b>	<b>100.0%</b>	<b>7.0</b>	<b>100.0%</b>

*Fare Revenue*

Travel demand forecasts have projected farebox recovery ratios of 8.3 percent and 11.4 percent for the Full Service and Shuttle Service Alternatives, respectively.

*Federal Operating Funds*

Federal funds are projected to cover five (5) percent of the annual operating costs for both service alternatives. Federal operating funds for peer agencies are summarized below:

- Music City Star: 27 percent
- Northstar Commuter Rail: 0 percent
- Trinity Railway Express: unavailable

Proceeds from Section 5307 Urbanized Area Formula Grant funds can be used for maintenance costs, which are operational in nature. Nashville is a smaller urbanized area than Ann Arbor, and therefore the Music City Star does not have this same constraint on use of Section 5307 funds for operations. A long-run assumption of any contribution greater than 5 percent is not prudent given statutory limits on the use of federal funds for transit operations. The RTA of Southeast Michigan projected a 5 percent contribution from federal sources for the annual operating costs for their proposed services.

*State Operating Funds*

State funds are projected to cover 10 percent of the annual operating costs for both service alternatives. State operating funds for peer agencies are summarized below:

- Music City Star: 12 percent
- Northstar Commuter Rail: 32 percent
- Trinity Railway Express: unavailable

State funding varies greatly from state-to-state, so the proposed service should not use non-Michigan peers to determine reasonable funding levels. It was determined that the experience of the RTA of Southeast Michigan is most applicable to the analysis of North-South Commuter Rail. The RTA projected a 10 percent contribution from state sources—primarily the CTF—for the annual

operating costs for their proposed services. North-South Commuter Rail should reasonably expect the same level of state funding support.

*Local Operating Funds*

Proceeds from non-local sources are expected to fund 23 percent and 26 percent of annual operating costs for the Full Service and Shuttle Service Alternatives, respectively. The balance of operating funds (77 percent and 74 percent, respectively) would be covered at the local level through the introduction of a new county-based or jurisdiction-based property tax millage.

## 7.2 Mill Rate Analysis

This section provides a summary of the various projected local mill rates required to fund both the project capital costs and the ongoing annual operating costs of the two North-South Commuter Rail service alternatives being considered. Table 8 summarizes the projected local shares of project capital costs and annual operating costs for the two alternatives.

**Table 8: Summary of Local Capital and Operating Costs**

Local Share	Full Service	Shuttle Service
Capital Cost	\$ 30.6	\$ 16.3
Annual Operating Cost	10.1	5.2

This analysis considers two tax base scenarios:

- Two- or One-County tax base: This scenario assumes a broad tax base that includes all of Washtenaw County and Livingston County for the Full Service Alternative and all of Washtenaw County for the Shuttle Service Alternative. This scenario would have the largest tax base from which to draw funds and would require the lowest new mill rate.
- Jurisdictional tax base: This scenario assumes a narrower tax base that includes only cities and townships along or adjacent to the proposed right of way for both alternatives. This scenario would have smaller tax base from which to draw funds and would require a higher new mill rate. For the shuttle alternative, the analysis considers two jurisdictional tax bases: one that includes Green Oak Township and Hamburg Township in Livingston County (Option 1) and one that does include any Livingston County jurisdictions (Option 2).

Table 9 summarizes the tax base scenarios for both service alternatives.

**Table 9: Summary of Tax Base Scenarios**

<b>Tax Base Scenario</b>	<b>Full Service</b>	<b>Shuttle Service</b>
County Tax Base	-Washtenaw County -Livingston County <b>-Tax Base = \$25.2 B</b>	-Washtenaw County <b>-Tax Base = \$15.3 B</b>
Jurisdictional Tax Base (Option 1)	-City of Ann Arbor -Ann Arbor Township -Northfield Township -Green Oak Township -Hamburg Township -City of Brighton -Genoa Township -Marion Township -Howell Township -City of Howell -Oceola Township <b>-Tax Base = \$12.0 B</b>	-City of Ann Arbor -Ann Arbor Township -Northfield Township -Green Oak Township -Hamburg Township <b>-Tax Base = \$8.4 B</b>
Jurisdictional Tax Base (Option 2)	n/a	-City of Ann Arbor -Ann Arbor Township -Northfield Township <b>-Tax Base = \$6.1 B</b>

Sources: Washtenaw County Equalization Department; Livingston County Board of Commissioners

Figure 2 through Figure 6 are maps of the tax base scenarios being considered for both service alternatives

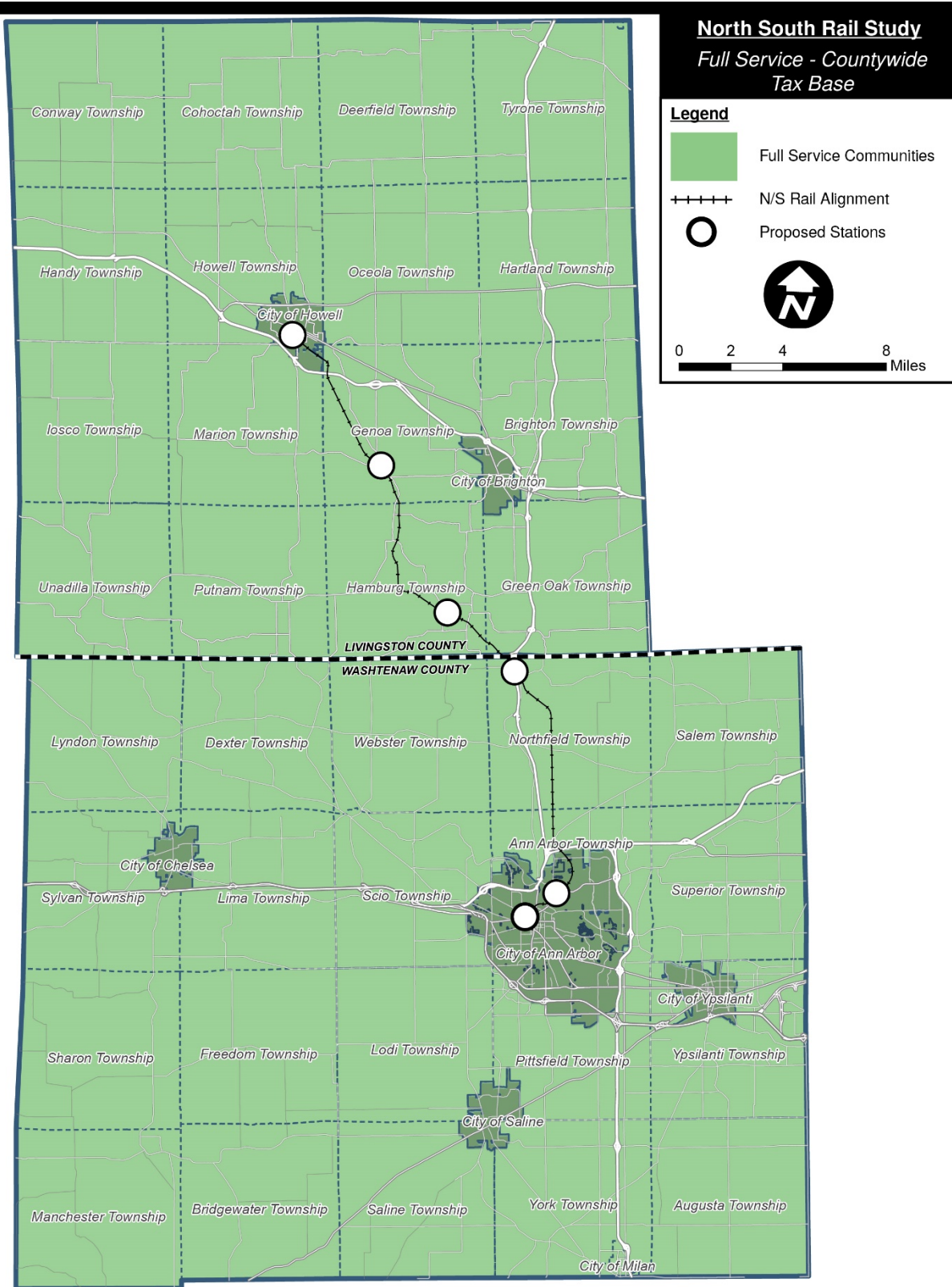


Figure 2: Full Service Alternative – Two-County Tax Base



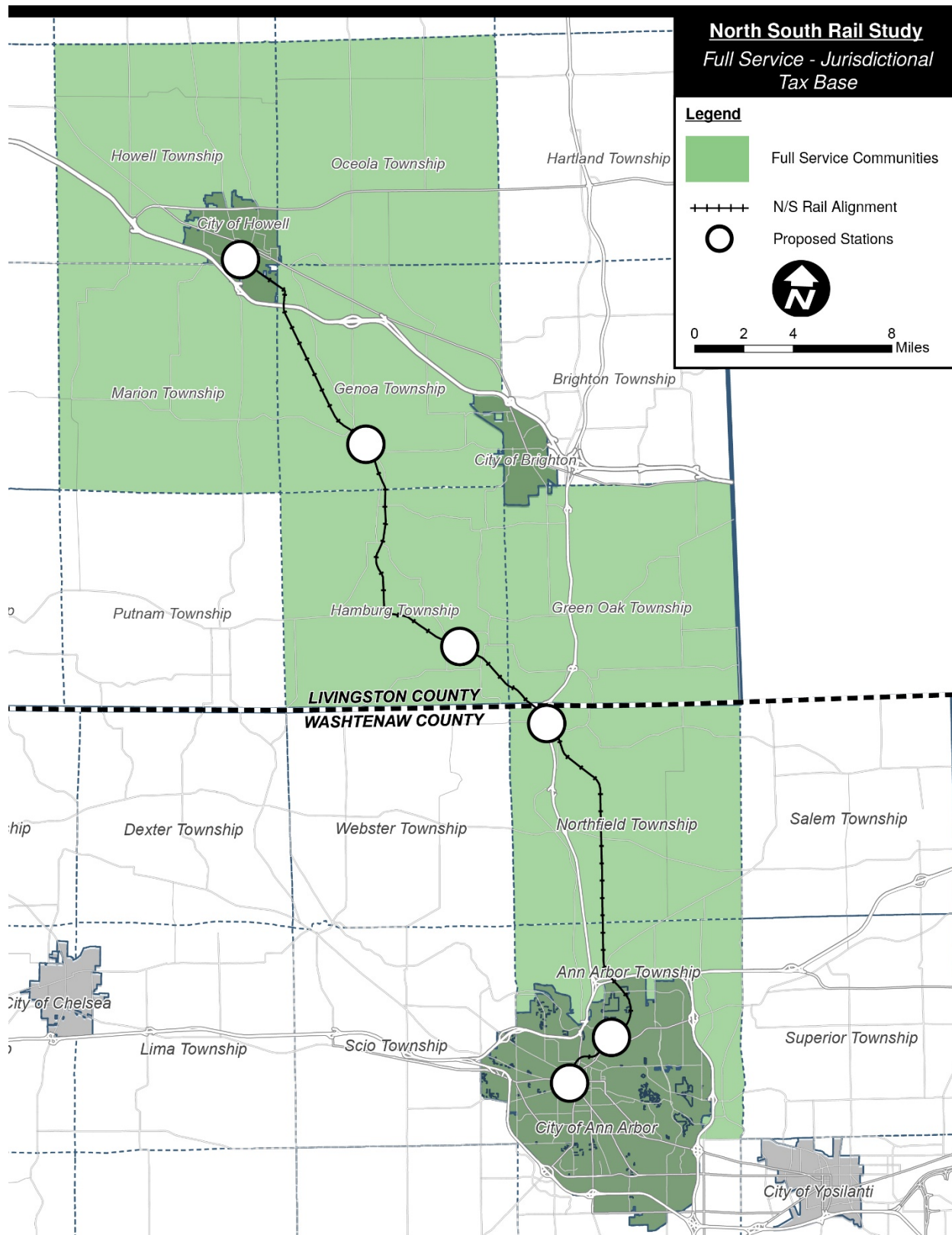


Figure 3: Full Service Alternative – Jurisdictional Tax Base

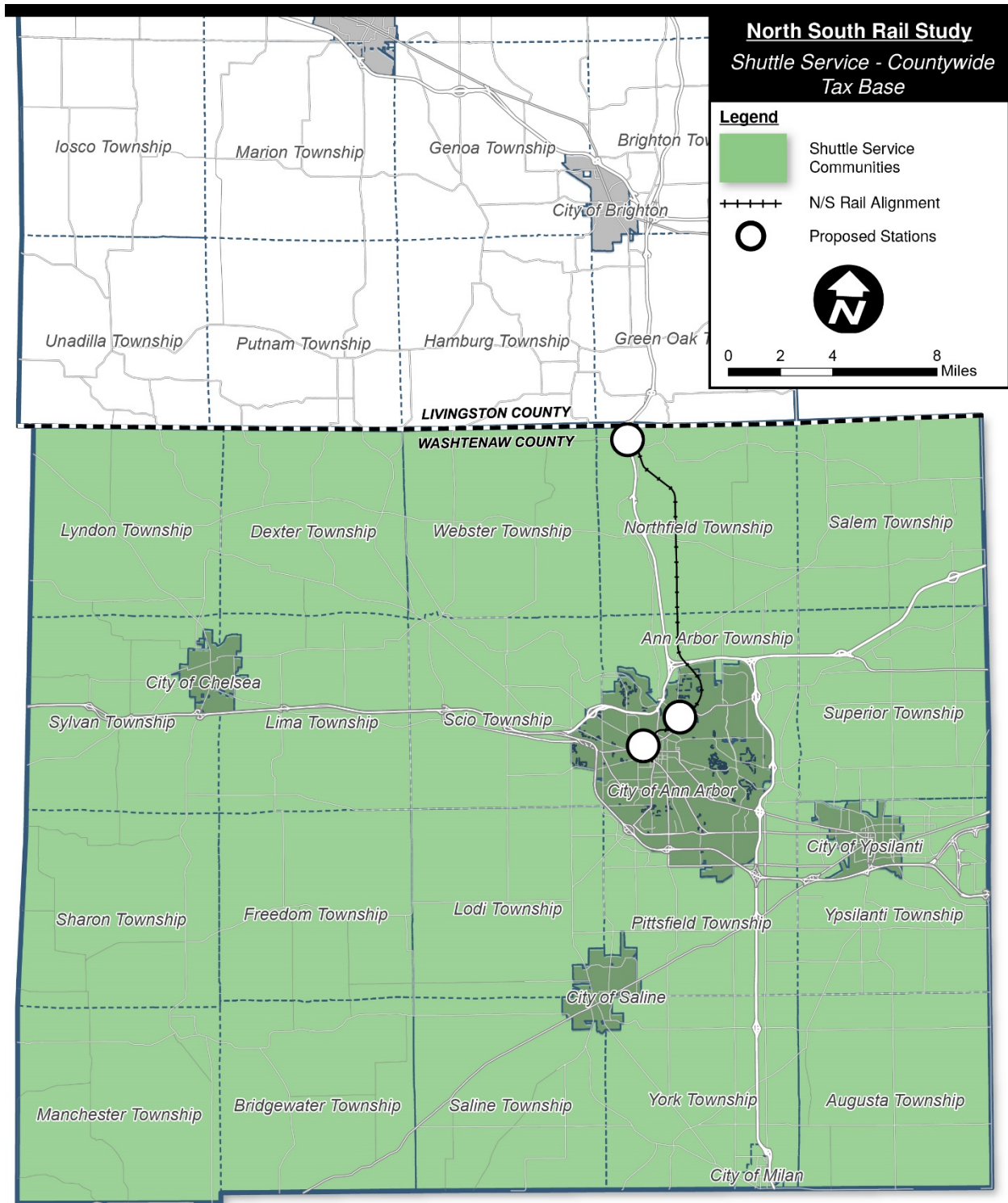


Figure 4: Shuttle Service Alternative – One-County Tax Base

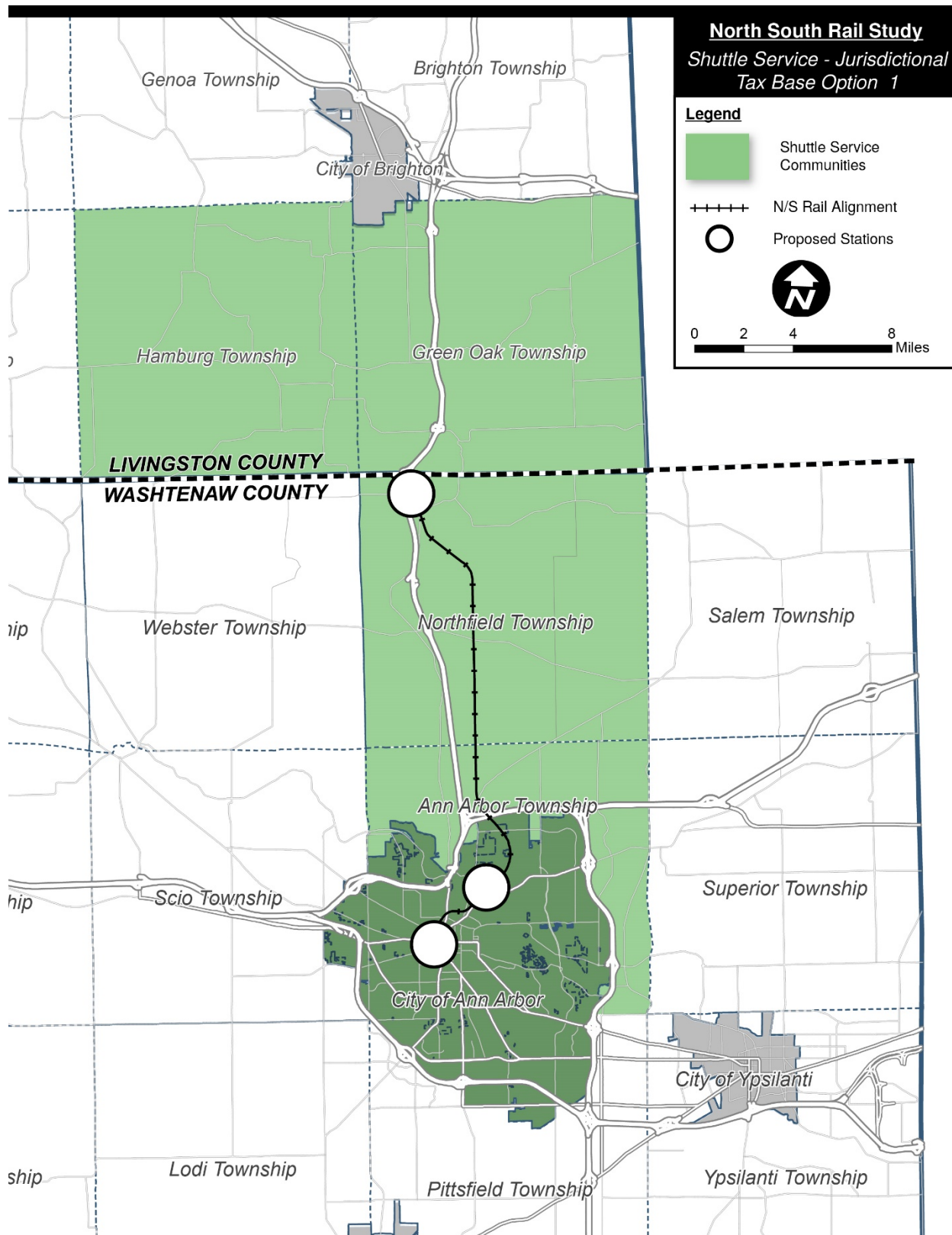


Figure 5: Shuttle Service Alternative – Jurisdictional Tax Base (Option 1)

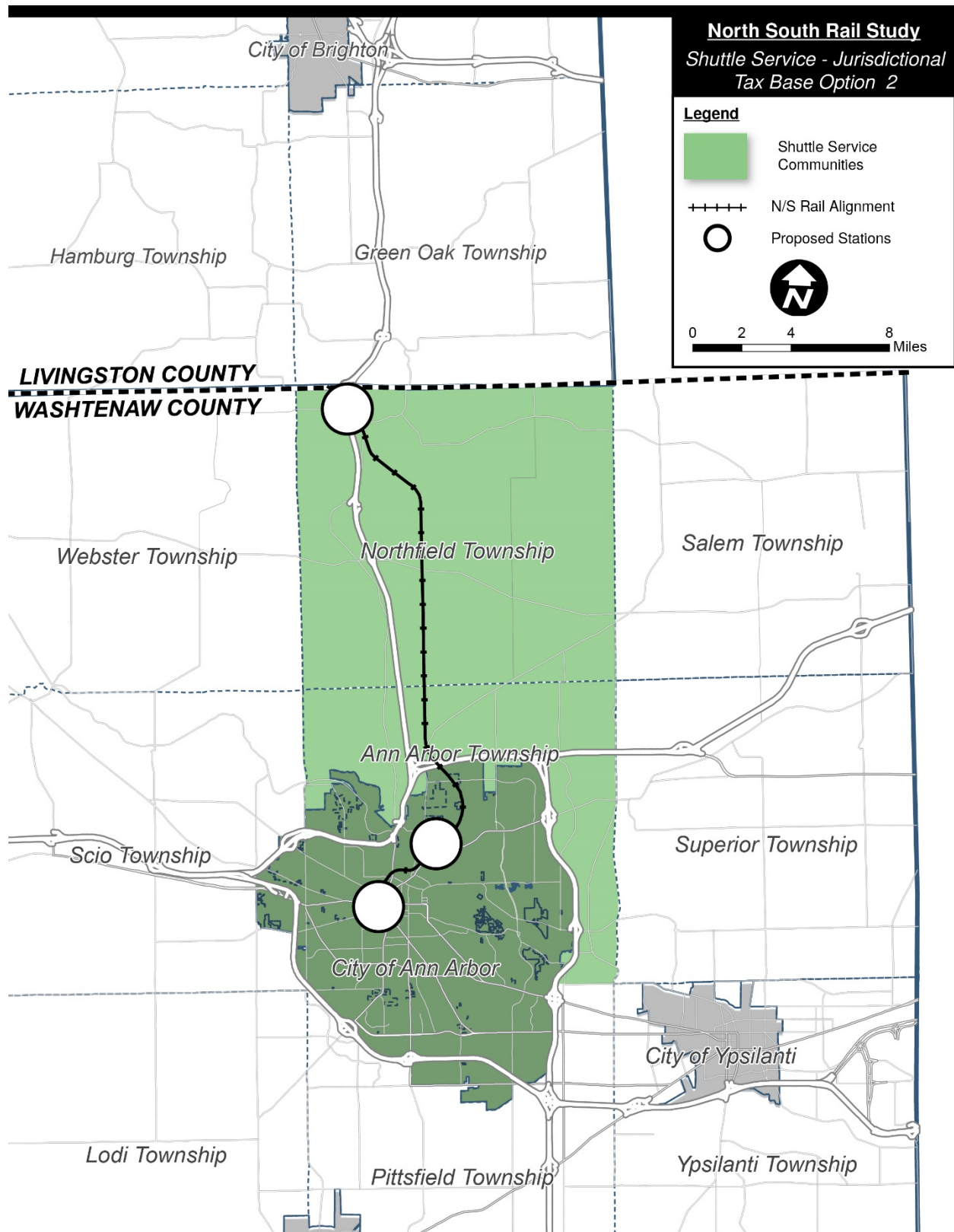


Figure 6: Shuttle Service Alternative – Jurisdictional Tax Base (Option 2)

### Full Service Alternative

Total funding required for the North-South Commuter Rail Full Service Alternative includes both capital and operating costs. For the new service, only one mill rate is calculated to fund both the initial project capital costs and the ongoing annual operations costs. Over time, due to the relatively short anticipated construction schedule, operating costs will total more than capital costs. Any single mill rate introduced to fund the local share of total project costs needs to be sufficient to fund the ongoing annual operating costs. Thus, the mill rates presented in this section are based on projected annual operating costs; the time period required to collect enough revenue to fund the initial capital costs based on the mill rates are also calculated.

#### *Annual Operations Funding*

The projected local share of annual operating costs for the Full Service Alternative is \$10.1 million (2017 \$). This section summarizes the projected mill rates required to fund ongoing annual operations for the two tax base scenarios.

Two-County Tax Base: The two-county tax base for the Full Service Alternative includes all of Washtenaw and Livingston counties; these counties have a combined tax base of \$25.2 billion (2016 \$). Due to low inflation rates, 2016 dollars and 2017 dollars are effectively equal, and no inflationary adjustments are needed for this analysis. In this scenario, the required mill rate to fund annual operations is projected to 0.40. Table 10 summarizes the sources of local funds for a Full Service two-county tax base scenario.

**Table 10: Full Service Operations – Two-County Tax Base Scenario Summary (millions)**

<b>County</b>	<b>Taxable Value</b>	<b>Mill Rate</b>	<b>Projected Proceeds</b>
Washtenaw	\$ 15,257.4	0.40	\$ 6.1
Livingston	9,906.1	0.40	4.0
<b>Total</b>	<b>25,163.5</b>	<b>0.40</b>	<b>10.1</b>

Jurisdictional Tax Base: The jurisdictional tax base for the Full Service Alternative includes the City of Ann Arbor, Ann Arbor Township, Northfield Township, Green Oak Township, Hamburg Township, City of Brighton, Genoa Township, Marion Township, City of Howell, Oceola Township, and Howell Township; these jurisdictions have a combined tax base of \$12.0 billion (2016 \$). In this scenario, the required mill rate to fund annual operations is projected to 0.84. Table 11 summarizes the sources of local funds for Full Service jurisdictional tax base scenario.

**Table 11: Full Service Operations – Jurisdictional Tax Base Scenario Summary (millions)**

Jurisdiction	Taxable Value	Mill Rate	Projected Proceeds
City of Ann Arbor	\$ 5,293.5	0.84	\$ 4.5
Ann Arbor Township	500.3	0.84	0.4
Northfield Township	331.4	0.84	0.3
Green Oak Township	1,100.4	0.84	0.9
Hamburg Township	1,149.3	0.84	1.0
City of Brighton	501.7	0.84	0.4
Genoa Township	1,268.3	0.84	1.1
Marion Township	511.0	0.84	0.4
City of Howell	357.4	0.84	0.3
Oceola Township	608.6	0.84	0.5
Howell Township	398.9	0.84	0.3
<b>Total</b>	<b>12,020.7</b>	<b>0.84</b>	<b>10.1</b>

*Capital Funding*

The projected local share of total capital costs for the Full Service Alternative is \$30.6 million (2017 \$). Applying a constant mill rate (i.e., 0.40 mills for the two-county tax base and 0.84 mills for the jurisdictional tax base), the amount of time required to accumulate the tax proceeds to fund the initial capital costs would be between 3 and 4 years. Should capital construction needed to be expedited, short-term financing could be considered.

Shuttle Service Alternative

Total funding required for the North-South Commuter Rail Shuttle Service Alternative includes both capital and operating costs. For the new service, only one mill rate is calculated to fund both the initial project capital costs and the ongoing annual operations costs.

*Annual Operations Funding*

The projected local share of annual operating costs for the Shuttle Service Alternative is \$5.2 million (2017 \$). This section summarizes the projected mill rates required to fund ongoing annual operations for the two tax base scenarios.

One-County Tax Base: The one-county tax base for the Shuttle Service Alternative includes all of Washtenaw County, which has a tax base of \$15.3 billion (2016 \$). In this scenario, the required mill rate to fund annual operations is projected to 0.34. Table 12 summarizes the sources of local funds for Shuttle Service one-county tax base scenario.

**Table 12: Shuttle Service Operations – One-County Tax Base Scenario Summary (millions)**

County	Taxable Value	Mill Rate	Projected Proceeds
Washtenaw	\$ 15,257.4	0.34	\$ 5.2

Based on travel demand forecasts, some commuters using the proposed Shuttle Service would be Livingston County residents who do not fund the ongoing annual operations through their property

taxes in this tax base scenario. Park and Ride revenue from these commuters should be considered as operating revenue as part of the analysis, thus lowering the local share of ongoing annual operating costs. If annual parking revenue were assumed, it would offset the local share of operating costs, thus decreasing slightly the required mill rate. Introducing parking fees on non-Washtenaw county residents has not been taken into account as part of the ridership analysis or the fare revenue analysis.

Jurisdictional Tax Base (Option 1): The jurisdictional tax base (option 1) for the Shuttle Service Alternative includes the City of Ann Arbor, Ann Arbor Township, Northfield Township, Green Oak Township, and Hamburg Township; these jurisdictions have a combined tax base of \$8.4 billion (2016 \$). In this scenario, the required mill rate to fund annual operations is projected to 0.61. Table 13 summarizes the sources of local funds for Shuttle Service jurisdictional tax base (option 1) scenario.

**Table 13: Full Service Operations – Jurisdictional Tax Base Scenario (Option 1) Summary (millions)**

Jurisdiction	Taxable Value	Mill Rate	Projected Proceeds
City of Ann Arbor	\$ 5,293.5	0.61	\$ 3.3
Ann Arbor Township	500.3	0.61	0.3
Northfield Township	331.4	0.61	0.2
Green Oak Township	1,100.4	0.61	0.7
Hamburg Township	1,149.3	0.61	0.7
<b>Total</b>	<b>8,374.9</b>	<b>0.61</b>	<b>5.2</b>

Jurisdictional Tax Base (Option 2): The jurisdictional tax base (option 2) for the Shuttle Service Alternative includes the City of Ann Arbor, Ann Arbor Township, and Northfield Township; these jurisdictions have a combined tax base of \$6.1 billion. In this scenario, the required mill rate to fund annual operations is projected to 0.80. Table 14 summarizes the sources of local funds for Shuttle Service jurisdictional tax base (option 2) scenario.

**Table 14: Full Service Operations – Jurisdictional Tax Base Scenario (Option 2) Summary (millions)**

Jurisdiction	Taxable Value	Mill Rate	Projected Proceeds
City of Ann Arbor	\$ 5,293.5	0.84	\$ 4.5
Ann Arbor Township	500.3	0.84	0.4
Northfield Township	331.4	0.84	0.3
<b>Total</b>	<b>6,125.2</b>	<b>0.84</b>	<b>5.2</b>

*Capital Funding*

The projected local share of total capital costs for the Full Service Alternative is \$16.3 million. Applying a constant mill rate (i.e., 0.34 mills for the one-county tax base, 0.61 mills for the jurisdictional tax base (option 1), or 0.84 mills for the jurisdictional tax base (option 2)), the amount of time required to accumulate the tax proceeds to fund the capital improvements would be

between 3 and 4 years. Should capital construction needed to be expedited, short-term financing could be considered.

Mill Rate Analysis Summary

Table 15 summarizes the proposed mill rates for the different tax base scenarios for the two alternatives.

**Table 15: Summary of Mill Rates**

Tax Base Scenario	Full Service		Shuttle Service	
	Tax Base	Mill Rate	Tax Base	Mill Rate
County Tax Base	\$25.2 B	0.40	\$15.3 B	0.34
Jurisdictional Tax Base (Option 1)	\$12.0 B	0.84	8.4 B	0.61
Jurisdictional Tax Base (Option 2)	n/a	n/a	6.1 B	0.84

Based on interviews with stakeholders, the projected mill rates required to fund the initial capital costs and the ongoing annual operating costs are acceptably small. However, it should be noted that there was a consensus among the local representatives that transportation-related mills have not had recent success, particularly in Livingston County, and that there will be significant push back from jurisdictions included in the tax base but not directly adjacent to the service right-of-way.



## **APPENDIX I: WASHTENAW COUNTY BOARD OF COMMISSIONERS RESOLUTION (2007)**



COUNTY ADMINISTRATOR  
220 NORTH MAIN STREET, P.O. BOX 8645  
ANN ARBOR, MICHIGAN 48107-8645  
(734) 222-6850  
FAX (734) 222-6715

TO: Barbara Levin Bergman  
Chair, Ways & Means Committee

THROUGH: Robert E. Guenzel  
County Administrator

FROM: Anthony VanDerworp, AICP, Director  
Department of Planning and Environment

DATE: September 19, 2007

SUBJECT: Creation of Washtenaw and Livingston Line Regional Transportation  
Authority

**BOARD ACTION REQUESTED:**

It is requested that the Washtenaw County Board of Commissioners adopt the resolution which approves the Articles of Incorporation establishing the Washtenaw and Livingston Line (WALLY) Regional Transportation Authority. The Authority will initially be responsible for the establishment and operation of a commuter rail line between Livingston and Washtenaw Counties.

**BACKGROUND:**

In 2006, a coalition of communities along the northern US 23 corridor began a dialogue calling for analysis and improvements to the transportation network between Livingston and Washtenaw Counties. This effort initially focused on the removal of the US 23 Environmental Assessment from the Michigan Department of Transportation's deferred project list.

This coalition began discussing opportunities related to the railroad corridor that travels from the south through the City of Ann Arbor, Ann Arbor and Northfield Townships and into Livingston County through Hamburg Township, and the Cities of Brighton and Howell. This corridor was also a feature of the City of Ann Arbor's Model for Mobility, which envisioned use of this rail corridor to mitigate congestion along US 23, which would be exacerbated by construction work in the summer of 2007.

With over 9,000 commuters traveling into Washtenaw County from Livingston County and more than 2,000 making the reverse commute each day, the demand for alternative transportation choices extends beyond construction-related congestion. The creation of the WALLY Regional Transportation Authority, pursuant to Public Act 196 of 1986, as amended, provides the legal framework to accept funds, negotiate service contracts, and perform the necessary core functions to implement and operate commuter rail service between the two counties.

The proposed Authority would be comprised of eight members, with four members appointed by each County, including one county commissioner from each jurisdiction.

**DISCUSSION:**

The provision of commuter rail service between Livingston and Washtenaw Counties (a 26 mile initial route) will provide numerous community benefits including mitigated congestion along the US 23 vehicular corridor, reduced vehicle emissions and greenhouse gases, and the provision

of transportation choices for residents of both counties who prefer rail transportation or are unable to utilize vehicular modes.

In addition to meeting the goals of the Washtenaw County Comprehensive Plan, the proposed commuter rail corridor is part of the 2001 Regional Transit Plan adopted by the Southeast Michigan Council of Governments (SEMCOG). The proposed service is also supported by the rail owner, Great Lakes Central Railroad. The company has the capacity to support the service, and has passenger cars and other necessary equipment. Other project partners include the University of Michigan and the Environmental Protection Agency who have pledged to purchase passes on behalf of employees, all leading to a high likelihood of success.

**IMPACT ON HUMAN RESOURCES:**

None.

**IMPACT ON BUDGET:**

Establishment of the Authority will have no impact on budget. Any contribution of funds for the initial operating functions of the Authority once established would be considered under separate action.

**IMPACT ON INDIRECT COSTS:**

Washtenaw County will initially provide office space and general office support to the established Authority to minimize operational expenses.

**IMPACT ON OTHER COUNTY DEPARTMENTS OR OUTSIDE AGENCIES:**

Authority to be co-established by Livingston County.

**CONFORMITY TO COUNTY POLICIES:**

The establishment of the WALLY Authority is consistent with the Washtenaw County Comprehensive Plan.

**ATTACHMENTS:**

- Proposed Resolution (including proposed Articles of Incorporation)
- Frequently Asked Questions on creation of Regional Authority
- Draft Authority By-Laws (provided for information purposes)

A RESOLUTION THAT APPROVES THE ARTICLES OF INCORPORATION ESTABLISHING THE WASHTENAW AND LIVINGSTON LINE REGIONAL TRANSPORTATION AUTHORITY

WASHTENAW COUNTY BOARD OF COMMISSIONERS

September 19, 2007

WHEREAS, a coalition of local units throughout Livingston and Washtenaw Counties has formed to explore options to the increasing congestion in the US-23 Corridor and has worked to develop commuter rail service between the counties; and

WHEREAS, Public Act 196 of 1986, as amended, provides for the establishment of regional transportation authorities; and

WHEREAS, the community coalition has designated a subcommittee to establish a regional transportation authority; and

WHEREAS, whereas the creation of a regional transportation authority is the recommended method to implement commuter rail service between Livingston and Washtenaw Counties; and

WHEREAS, the proposed action is consistent with several transportation and intergovernmental cooperation goals in the Washtenaw County Comprehensive Plan; and

WHEREAS, the development of commuter rail service between Livingston and Washtenaw Counties is consistent with the Regional Transit Plan, adopted in 2001 by SEMCOG;

NOW THEREFORE BE IT RESOLVED that the Washtenaw County Board of Commissioners hereby approves the Articles of Incorporation (Attachment A to this resolution) establishing the Washtenaw and Livingston Line Regional Transportation Authority.

COMMISSIONER	Y	N	A	COMMISSIONER	Y	N	A	COMMISSIONER	Y	N	A
Bergman	X			Ping Mills			X	Schwartz	X		
Grewal	X			Ouimet	X			Sizemore	X		
Gunn	X			Peterson	X			Smith	X		
Irwin	X			Lovejoy Roe	X						

CLERK/REGISTER'S CERTIFICATE - CERTIFIED COPY      ROLL CALL VOTE: TOTALS      10    0    1

STATE OF MICHIGAN      )

I, Lawrence Kestenbaum, Clerk/Register of said County of Washtenaw and Clerk of Circuit Court for said County, do hereby certify that the foregoing is a true and accurate copy of a resolution adopted by the Washtenaw County Board of Commissioners at a session held at the County Administration Building in the City of Ann Arbor, Michigan, on September 19<sup>th</sup>, 2007, as it appears of record in my office.

COUNTY OF WASHTENAW)<sup>SS</sup>

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court at Ann Arbor, this 20<sup>th</sup> day of September, 2007.

**LAWRENCE KESTENBAUM, Clerk/Register**

BY: \_\_\_\_\_

Deputy Clerk



**Res. No. 07-0167**

**Attachment A**

**ARTICLES OF INCORPORATION**

**OF**

**THE WASHTENAW AND LIVINGSTON LINE  
TO BE KNOWN  
AS  
“WALLY”**

**2007**

**TABLE OF CONTENTS**

**ARTICLE I** ..... 3  
    Name of Corporation

**ARTICLE II** ..... 3  
    Incorporating Political Subdivisions and Service Area

**ARTICLE III** ..... 3  
    Statutory Authority

**ARTICLE IV** ..... 3  
    Financial

**ARTICLE V** ..... 3  
    Address

**ARTICLE VI** ..... 4  
    Purposes

**ARTICLE VII** ..... 4  
    Powers

**ARTICLE VIII** ..... 4  
    The Board

**ARTICLE IX** ..... 6  
    Budget

**ARTICLE X** ..... 6  
    Dissolution

**ARTICLE XI** ..... 6  
    Amendment of the Articles

**ARTICLE XII** ..... 6  
    Effective Date

## **ARTICLE I**

The name of the Authority created is the "THE WASHTENAW AND LIVINGSTON LINE", hereinafter referred to as "WALLY".

## **ARTICLE II**

The incorporating political subdivisions of WALLY shall be the County of Washtenaw and the County of Livingston. The name and address of each is:

County of Washtenaw  
220 N. Main Street  
Ann Arbor, MI 48104

County of Livingston  
304 E. Grand River Ave.  
Suite 201  
Howell, MI 48843

## **ARTICLE III**

WALLY is organized pursuant to 1986 PA 196 (MCL 124.451, et seq.), as amended.

## **ARTICLE IV**

WALLY is to be financed through grants of money or property from federal or state governments, other revenues from federal or state governments, fees from riders, fees from contract users, financial contributions from federal, state, county, city or township governments, and other means as authorized by statute and as provided by these Articles of Incorporation.

## **ARTICLE V**

The registered office of WALLY shall be at:  
705 North Zeeb Road  
Ann Arbor, MI 48103

and the registered agent at that address is The Washtenaw and Livingston Line Board Secretary.

## ARTICLE VI

The purposes for which The Washtenaw and Livingston Line is created are, pursuant to 1986 PA 196, as amended, to plan, promote, finance, acquire, improve, enlarge, extend, own, construct, operate or cause to be operated, maintained, improved, enlarged, or modernized, a public mass transportation system within the legal boundaries of the incorporating public bodies.

## ARTICLE VII

WALLY is hereby empowered to do anything authorized or permitted by 1986 PA 196, as amended, and within the powers and/or limitations as provided in the Articles of Incorporation, and to do any other lawful act reasonable and/or necessary, proper, suitable or convenient for the achievement or furtherance of the purposes stated in Article VI.

## ARTICLE VIII

1. WALLY shall be directed and governed by a Board of Directors, hereinafter referred to as the "BOARD".
2. Each of the incorporating public bodies shall each appoint four (4) persons to the BOARD.
3. Members of the BOARD must be at least eighteen (18) years of age and residents of the WALLY service area. The service area shall be determined by the WALLY Board of Directors pursuant to the requirements of 1986 PA 196 as amended being MCL 124.451 et seq.
4. The County of Washtenaw and the County of Livingston shall each appoint four (4) persons to the BOARD. Of the four (4) persons appointed by each county, one (1) shall be a Commissioner of that County Board. The term of the Commissioner appointment from each County Board, shall be for a term that runs concurrent with the time period for which they hold their elected office.

The term of each non-Commissioner Board Member shall be for a term of three (3) years, except that for the first appointment the term shall be staggered as to length. Thereafter, the length of term is as follows:

The term of the first appointment for each County shall be one (1) year in length with subsequent terms all three (3) years in length.

The term of the second appointment for each County shall be two (2) years in length with subsequent terms all three (3) years in length.

The term of the third appointment for each County shall be three (3) years in length with subsequent terms all three (3) years in length.

All Board Members shall serve at the pleasure of the Appointing COUNTY and may be removed, before completing their full term, in the same manner by which they were appointed. All Board Members, once appointed, shall continue to serve until reappointed, removed, a replacement is appointed, or they resign. All persons appointed to fill a vacancy created by the death, resignation, or removal of an appointed and serving Board Member shall only serve to fill the original and remaining term of the Board Member they replaced.

5. The BOARD as fully constituted shall hold an initial meeting at a time and place selected and agreed to by the BOARD Members for the purpose of electing officers, adopting by-laws, and



taking any other action the BOARD deems necessary. Thereafter, the BOARD shall hold at least an annual meeting at such place and time as shall be fixed by the BOARD. The BOARD shall at its initial meeting, and at each annual meeting thereafter, elect a President, Vice President and Secretary. The BOARD shall have the authority to appoint a treasurer and recording secretary who need not be members of the BOARD. The BOARD shall transact such other business as may be necessary at its annual meeting and shall fix the time and place for regular meetings. The BOARD shall meet not less than ten (10) times per fiscal year.

6. The BOARD shall keep a written or printed record of every meeting, which record shall be subject to the provisions of 1976 PA 276, as amended (Open Meeting Act). The business that the Board of Directors performs shall be conducted at a public meeting held in a compliance with the Michigan Open Meeting Act, 1976 PA 276 (MCL 15.261, et seq.). To the extent it is not inconsistent with the Michigan Open Meeting Act all meetings shall be conducted in accordance with Roberts Rules of Order.
7. The BOARD shall supply a system of accounts to conform to the system required by law and shall provide for the annual auditing of said accounts in accordance with law. The audit report, once received by the Board, shall be provided to each incorporating subdivision and any community in the future that may purchase service from the Authority.
8. The BOARD may employ an Executive Director with such duties and authority as shall be determined by the BOARD or it may contract with a private firm to provide management or other services as it deems appropriate under the supervision of the BOARD. Should the BOARD employ an Executive Director it shall conduct an annual employment evaluation in writing of the person employed.
9. The BOARD shall adopt rules, regulations, and/or policies governing the employees, property, and facilities under its jurisdiction.
10. The BOARD shall have prepared an annual report regarding the operation and financial condition of WALLY, which report shall be available to the public and submitted to the incorporating political subdivisions.
11. The BOARD shall adopt by-laws, policies and procedures it deems reasonably necessary or proper for the conduct of the business of the BOARD and for accomplishing the purposes for which WALLY is created. In all matters coming before the BOARD a simple majority of Board Members present shall be sufficient to dispose of the issue.
12. THE WASHTENAW AND LIVINGSTON LINE Board Secretary shall be charged with the responsibility of causing these Articles of Incorporation to be filed as provided in 1986 PA 196, as amended. The Board Secretary shall be responsible to publish these Articles in a publication of general circulation within the service area of WALLY.
13. Board Members may be compensated for attendance at Board Meetings. They may, however, receive reimbursement for actual expenses incurred in the performance of their official duties. All such compensation and expenses must first be approved and enumerated in the annual budget.

## **ARTICLE IX**

WALLY shall annually adopt a budget as required by 1951 PA 51, as amended; provided, however, that no budget shall be adopted without concurrence of two thirds (2/3) of the Board Members appointed and serving. The original budget as adopted shall include revenues, expenses, and services that exist in any contract between WALLY and any other public or private entities that is in effect on the date the budget is adopted.

Subsequent budgets shall also include this information.

#### **ARTICLE X**

WALLY may be dissolved in accordance with the provisions of 1986 PA 196, as amended.

#### **ARTICLE XI**

These Articles of Incorporation shall only be amended by the concurrence of the legislative bodies of the incorporating political subdivisions that are, at the time of the proposed amendments, members of WALLY.

#### **ARTICLE XII**

WALLY shall become operative and the Articles of Incorporation effective on first day of October 2007. The effective date of the incorporation is contingent upon the incorporating political subdivisions successfully adopting pursuant to their legislative authority and practice, these Articles of Incorporation.

In the event the approval of the incorporating political subdivisions occurs after the date stated above, then the Authority shall be effective upon the date such concurrent approval is subsequently received.

The foregoing Articles of Incorporation were adopted by an affirmative vote of a majority of the members serving on the governing or legislative body of Washtenaw County, Michigan at a meeting duly held on the 19th day of September, 2007.

---

---

---

---

## On Behalf Of The Washtenaw And Livingston Line To Be Known As “Wally”

### **PROPOSED Fact Sheet**

#### **1. What is a PA 196 Transportation Authority?**

Public Act 196 of 1986 was passed by the legislature to establish a framework under which public bodies can incorporate separate public transit operations.

#### **2. Why do we need a new Transportation Authority?**

The State of Michigan and the Federal Government provide significant financial resources for capital and operating assistance to communities to enable them to operate public transportation services. The monies are distributed by formula. A transportation authority, consisting of all public bodies, is the best method to receive these funds.

#### **3. How is it formed?**

A public body, in this case the Counties of Livingston and Washtenaw, can form the Authority. The biggest advantage to having these two entities “incorporate” the Authority is that the rail line is located within both jurisdictions and therefore the Authority would have a “service area” within both counties. This would help the Authority receive funds and operate freely between counties.

#### **4. What type of organization operates now?**

At the present time there is not an organization in existence.

#### **5. Will the new Authority have employees?**

The new Authority will be governed by a Board of Directors that will have authority to direct public transportation operations. It is envisioned that the Authority will employ an Executive Director and an Administrative Assistant and that all other services will be contracted out.

#### **6. What is the single biggest advantage to form a Public Transportation Authority?**

Under present State and Federal Statutes, the new Public Transit Authority would be eligible for Federal and State revenues to help fund its operations.

#### **7. Are there other advantages to a new Authority?**

Yes. There are many advantages to a new Authority. An Authority operates as an independent public body and will therefore be responsible for its own income and expenditures. For example, any debts that it incurs will not be the obligation of any of its forming bodies. It is an independent public body and its’ liability will be limited only to its’ operations. It is able to purchase insurance and to take other risk management measures associated with its specific operations because it is an Authority, and that will better safeguard its assets.

#### **8. Will the Authority be able to levy a tax?**

Yes, but only under very strict conditions. First, the Board of Directors would have to approve such a measure, limited to a maximum of five mills for five years. One exception is that a millage may be levied for certain Federal projects that involve “Fixed Guide way” systems for a twenty-five year period. Second, once approved by the Board, the millage question would have to receive a majority vote by those voting within the Authority’s service area. Additionally, the incorporating public bodies, by a vote of their legislative bodies, could withdraw from the Authority, subject to certain legal restrictions, if they did not want to see their areas subject to the levy.

#### **9. What is the service area of the proposed Authority?**

The service area of the Authority would be the same area as the legal jurisdiction of the public bodies incorporating the Authority.

## **10. How would the new Authority be governed?**

The Board of Directors would be appointed by each County that will act as incorporators. The consensus of the study group is that an eight person board, with four members appointed by each incorporator, would work best. Additionally, one of the appointments, from each County, would be an elected member of the County Board.

The proposed Articles of Incorporation stipulate that Board members can be removed at any time before their term is up by the appointing Authority.

## **11. How will the finances of the Authority be conducted?**

First of all the Authority is a public body in the sense that it will be subject to all governmental requirements. For example, it will be subject to all the provisions of the Freedom of Information Act and the Open Meetings Act. Additionally, the Authority will be subject to specific restrictions in the Articles of Incorporation in regard to the adoption of a budget. Article IX requires the Board of Directors to annually adopt a budget, in accordance with 1951 PA 51, which requires six out of eight board members to support. Because PA 51 is cited as the guiding Act this means that all of the constraints of the Act will apply. Therefore, all revenues and expenses must be accounted for and categorized according to specific statutory provisions. PA 196 requires an annual audit. Other provisions of Act 51 will allow for oversight by the Michigan Municipal Finance Commission and the Michigan Department of Transportation. Furthermore, because the Authority plans on operating with Federal and State grants to supplement fares and other contributions, it will be required to submit applications, with budgets, prior to the beginning of the fiscal year to Federal and State agencies.

Since most applications must be submitted six months in advance of the fiscal year, this will allow for ample discussions about finances. Each grant that is submitted requires the Board of Directors to attest to the ability of the Authority to operate the services for which the grant is submitted and therefore, the fiscal health of the Authority.

**DRAFT BY-LAWS AND RULES OF PROCEDURE**

**OF**

**THE WASHTENAW AND LIVINGSTON LINE  
TO BE KNOWN  
AS  
“WALLY”**

**2007**

## TABLE OF CONTENTS

<b>ADOPTED PREAMBLE.....</b>	<b>3</b>
<b>ARTICLE I: OFFICES.....</b>	<b>3</b>
Section 1. OFFICE.....	3
<b>ARTICLE II: BOARD OF DIRECTORS.....</b>	<b>3</b>
Section 1. GENERAL POWERS.....	3
Section 2. NUMBER, TENURE AND QUALIFICATIONS.....	3
Section 3. REGULAR MEETINGS.....	4
Section 4. ORDER OF BUSINESS.....	4
Section 5. AGENDA MATERIALS.....	4
Section 6. SPECIAL MEETINGS.....	4
Section 7. PUBLIC NOTICE OF REGULAR OR SPECIAL MEETINGS.....	4
Section 8. MINUTES OF REGULAR AND SPECIAL MEETINGS.....	5
Section 9. EXECUTIVE SESSIONS OF THE BOARD.....	5
Section 10. QUORUM.....	5
Section 11. VOTING.....	5
Section 12. VACANCIES.....	6
Section 13. COMPENSATION.....	6
Section 14. ISSUES POLICY MEMORANDA.....	6
Section 15. CONFLICTS OF INTERESTS.....	6
<b>ARTICLE III: OFFICERS OF THE BOARD.....</b>	<b>6</b>
Section 1. OFFICERS OF THE BOARD.....	6
Section 2. ELECTION OF OFFICERS.....	6
Section 3. VACANCIES.....	6
Section 4. DUTIES.....	7
<b>ARTICLE IV: COMMITTEES.....</b>	<b>8</b>
Section 1. COMMITTEES.....	8
Section 2. STUDY/WORK SESSIONS OF THE BOARD.....	8
<b>ARTICLE V: INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS.....</b>	<b>9</b>
Section 1. INSURANCE.....	9
<b>ARTICLE VI: SEAL.....</b>	<b>8</b>
Section 1. SEAL.....	8
<b>ARTICLE VII: FISCAL YEAR.....</b>	<b>9</b>
Section 1. FISCAL YEAR.....	9
<b>ARTICLE VIII: PARLIAMENTARY RULES.....</b>	<b>9</b>
Section 1. PARLIAMENTARY RULES.....	9
<b>ARTICLE IX: PROCEDURE FOR AMENDING BY-LAWS.....</b>	<b>9</b>

## **ADOPTED PREAMBLE**

This public body corporate, having been created pursuant to Act 196, of 1986 being MCL 124.451, as amended, of the Public Acts of the State of Michigan, (the Act), is named THE WASHTENAW AND LIVINGSTON LINE (the "Authority"), and pursuant to the Act, power is granted to the Board of Directors of the Authority (the "BOARD") to make such rules and by-laws for its governance as it may deem appropriate.

## **ARTICLE I OFFICES**

### Section 1. OFFICE.

The principal office of the "Authority" shall be at 705 North Zeeb Road, Ann Arbor, MI 48103. The principal office of the "Authority" shall always be located in the jurisdiction of the "Authority" but may, from time to time, be moved to other locations pursuant to the directions of the "BOARD."

## **ARTICLE II BOARD OF DIRECTORS**

### Section 1. GENERAL POWERS.

The property, affairs, and business of the "Authority" shall be managed by the BOARD to the extent of the powers and authority delegated to the BOARD by the Act and the Articles of Incorporation.

### Section 2. NUMBER, TENURE AND QUALIFICATIONS.

The governing body of the "Authority" is the BOARD. The BOARD shall be appointed as provided in the Articles of Incorporation. The BOARD shall exercise all of the powers and duties set forth under the provisions of the Act.

### Section 3. REGULAR MEETINGS.

Regular meetings of the BOARD shall be held as determined by the BOARD at its annual meeting, at such times and places as determined, from time to time, by resolution of the BOARD. If the date fixed for any such regular meeting is a legal holiday under the laws of the State of Michigan, then the meeting shall be held on the next available day not a legal holiday or at such other time within the month as may be determined by resolution of the BOARD. At such meetings the BOARD may transact any business as may be brought before the meeting. The annual meeting will be held in the month of June.

Section 4. ORDER OF BUSINESS.

Conduct of a regular or special meeting shall require the following order of business.

1. Call to order by President
2. Adoption of agenda.
3. Adoption of Minutes of prior regular and/or special BOARD meetings.
4. Public Forum/Public Input (Testimony may be limited at the discretion of the BOARD).
5. Committee reports.
6. Operating Officer's report.
7. Old/New Business.
8. Comments from the BOARD.
9. Adjournment.

Section 5. AGENDA MATERIALS.

Preparation of agenda materials for the Annual, Regular and Special BOARD meetings shall be the responsibility of the President or their designee.

Section 6. SPECIAL MEETINGS.

A special meeting of the BOARD may be called at any time by the President at his/her discretion. Special meetings shall also be called by the President after having received a written request by two (2) members of the BOARD. Within 48 hours of a written request by two (2) members of the BOARD, the President shall schedule the Special Meeting within 10 calendar days from the date of receipt of the written request. Notice of Special Meetings, stating the purpose, shall be given to each member of the BOARD no less than 48 hours prior to the day named for the meeting either by mail, overnight delivery, electronic mail, charges prepaid, to the address supplied by the member of the Board of the "Authority" for the purpose of notice. A written notice shall be deemed to have been given to the person entitled thereto once deposited in the United States Mail overnight or electronic mail for transmission to the person.

Section 7. PUBLIC NOTICE OF REGULAR OR SPECIAL MEETINGS.

The BOARD shall hold all regular public meetings at specified times and places pursuant to the regular schedule adopted at the BOARDS annual meeting. Notice of all meetings shall be posted at the "Authority's" principal office, at the office's of the incorporating entities and elsewhere as the BOARD may direct. Public notice of the schedule of regular meetings for the following fiscal year shall be posted within 10 days after the first regular meeting for each fiscal year, and shall show the regular dates and times for meetings and the place at which meetings are held. Public notice of each rescheduled regular or special meeting shall be posted at least 18 hours before the meeting, giving the date, time and place of each meeting. If there is a change in the schedule of regular meetings of the BOARD, a public notice stating the new dates, times and places shall be posted within three days after the meeting at which the change is made. Any meeting which is recessed for more than 36 hours shall be posted prominently at the principal office of the "Authority" at the public building in which the meeting is to be held; a legal notice shall be published, prior to the meeting, in a newspaper of general circulation. Upon the written request of an individual, organization, firm or corporation, the Board Secretary shall send to the requesting party, electronic mail, fax or by first class mail, an advance copy of any notice for Regular or Special meeting of the BOARD. The Board Secretary shall supply, on request, copies of the public notice of any Regular or Special meetings thereof to any radio, or television station in the state as requested and to those in the local area as may, from time to time, be appropriate. The BOARD shall comply with all of the Open Meetings Act, being PA 267 of 1976 (MCL 15.261 et seq), as amended.

Section 8. MINUTES OF REGULAR AND SPECIAL MEETINGS.



The Board Secretary or their designee shall keep minutes of each regular and special meeting of the BOARD showing the date, time, place, members present, members absent and any decisions made at the meeting. The minutes shall be public records open to the public inspection and shall be available for public inspection not later than eight (8) business days after the meeting to which the minutes refer. Approved minutes shall be available for public inspection not later than five (5) business days after the meeting at which the minutes are approved by the BOARD.

Section 9. EXECUTIVE SESSIONS OF THE BOARD.

The BOARD may meet in closed sessions only for the following purposes:

- A. To consider the dismissal, suspension, or discipline of, or to hear complaints or charges brought against an employee, when the employee requests a closed hearing.
- B. To discuss strategy and conduct negotiations for collective bargaining agreements.
- C. To consider the purchase or lease of real property up to the time that an option to purchase or lease is obtained.
- D. To consult with Attorneys for the "Authority" regarding trial or settlement strategy in connection with specific pending litigation.
- E. To review the specific contents of an application for employment when the candidate request that the application remain confidential. However, all interviews for employment shall be held in an open meeting.
- F. To consider material exempt from discussion or disclosure by state or federal statute.

Closed session of the BOARD may be held as required to discuss matters as listed above or as the law allows. In order to convene all closed sessions the concurrence, by roll call vote, of 2/3 of the members appointed and serving shall be required. This vote shall be taken at a Regular or Special meeting of the BOARD in advance of the proposed Executive Session.

For all closed sessions, minutes shall be maintained by the Board Secretary, separate from the regular minutes and only available to parties in accordance with the provisions of the Open Meetings Act.

Section 10. QUORUM.

A simple majority of the BOARD shall be necessary to constitute a quorum for a meeting.

Section 11. VOTING.

All official action by the BOARD shall be taken in public session and shall be by resolution or motion. The affirmative vote of a simple majority of all members serving on the BOARD unless otherwise noted in the Articles, shall be necessary for the adoption of any resolution or motion. All votes of the BOARD, when taken shall be recorded by the Secretary. A roll call vote shall be taken when called for by any member of the BOARD in accordance with the Parliamentary Rules of the BOARD.

Section 12. VACANCIES.

Any vacancy occurring among the members of the BOARD by reason of death, resignation, disqualification, incapacity to serve, removal from office in accordance with law, or otherwise, shall be filled in the manner provided for in the Articles of Incorporation. No vacancies on the BOARD shall impair the ability of the BOARD to transact any and all business of the "Authority" and perform all its duties as provided by the Act.

Section 13. COMPENSATION.

Each member of the BOARD shall receive reimbursement for expenses incurred in the discharge of his/her duties as a BOARD Member. Each member of the BOARD may receive compensation as determined by the articles.

Section 14. ISSUES POLICY MEMORANDA.

The BOARD may from time to time, issue policy memoranda, the purpose of which is to maintain continuity, coherence, and consistency in the policies of the BOARD for the benefit of all BOARD Members and for the guidance of those tasked with the day to day operations of the Authority.

Section 15. CONFLICTS OF INTERESTS.

All BOARD Members and employees of the BOARD shall be governed by PA 317 of 1968 (MCL 15. 321 et seq). No employee or member of the BOARD shall be a party, either directly or indirectly, to any contract between himself or herself, and the Authority unless the employee promptly discloses any pecuniary interest in the contract to the BOARD. Once the interest is disclosed and made a part of the public record the vote shall occur without the participation of the interested BOARD Member or with knowledge of the apparent conflict of the employee.

**ARTICLE III  
OFFICERS OF THE BOARD**

Section 1. OFFICERS OF THE BOARD.

The officers on the BOARD shall be elected by the BOARD from among its members and shall consist of a President, Vice President and Secretary. The BOARD shall have the power to appoint a Treasurer and recording Secretary who need not be members of the BOARD.

Section 2. ELECTION OF OFFICERS.

The election of officers shall be conducted upon the completion of appointments or reappointments of the BOARD Members in accordance with the Articles. Annual Elections are to be held by the Board of Directors at the annual meeting. This nomination shall be made by the members present.

Section 3. VACANCIES.

Should any office described above become vacant, the BOARD shall fill the vacancy in accordance with Article III Section 1.

Section 4. DUTIES.

A. President

- 1) He/She shall preside, when present, at all meetings of the BOARD and shall consult with the Executive Director/manager in the preparation of the agenda for the Annual, Regular and Special BOARD meetings.
- 2) The President shall have the full right to propose and discuss motions and shall vote on all resolutions and motions.
- 3) The President together with the Secretary or Treasurer shall sign, execute, and acknowledge in the name of the "Authority" all contracts, agreements, and documents authorized by law.
- 4) The President shall appoint members of committees with concurrence of the BOARD.

- 5) The President shall be a member ex-officio of all committees.
- 6) The President shall perform all such other duties as from time to time shall be assigned by the BOARD.

B. Vice President

In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting, shall have all the powers and duties of, and be subject to all the restrictions upon the President. Furthermore, the Vice President shall perform such other duties as from time to time may be assigned to him/her by the BOARD. In the absence of the President and Vice President a majority of the BOARD may appoint a temporary President to serve only for the meeting at which such temporary President is appointed and a quorum is present.

C. Secretary

The Secretary of the Board or their designee is responsible to maintain and compile minutes as directed by the BOARD in accordance with the Open Meetings Act, being PA 267 of 1976 (MCL 15.261 et seq). The Secretary shall be responsible to insure an accurate record is maintained of all Regular and Special meetings of the BOARD and submit such records for approval through the BOARD.

D. Treasurer.

The Treasurer shall review the accounts receivable and payable of the Authority. He/she shall approve, in accords with the BOARD Policy, payments to contractors, vendors, goods, services or expenses of the "Authority", when due and cause those payables so approved to be paid in accordance with Board Policy. The Treasurer at minimum shall provide quarterly financial statements to the BOARD. All accounting shall be done in accordance with Public Act 51 of 1951 (MCL 247.651, et seq.) The Treasurer shall cause to be conducted an annual audit, the results of which shall be forwarded to the incorporating bodies and other interested persons, organizations, or as may be required by law.

## **ARTICLE IV COMMITTEES**

### Section 1. COMMITTEES.

#### A. Established.

The BOARD may by resolution establish committees, which shall consist of members of the BOARD as may be appointed by the President, with concurrence of the BOARD. The President of the BOARD shall appoint chairs of the committee and will be an ex-officio member of all committees.

#### B. Duties.

The instructions, procedures and scope of the committee's responsibilities shall be determined by the BOARD.

#### C. Notice.

Notice of committee meetings shall be made in the same manner as prescribed for regular meetings in these By-Laws.

### Section 2. STUDY/WORK SESSIONS OF THE BOARD.

Study sessions of the BOARD may be held periodically as determined by the President or by the BOARD. Notice of Study/Work sessions, stating the purpose, shall be given to each member of the BOARD not less than 48 hours prior to the day named for the meeting either by mail, overnight delivery, electronic mail, charges prepaid, to the address supplied by the member of the Board of the "Authority" for the purpose of notice. The notice shall clearly state that the meeting is a Work/Study session of the BOARD and no decisions will be made. All Study/Work Sessions of the Board will fully comply with the Open Meetings Act, being PA 267 of 1976 (MCL 15.261 et seq).

## **ARTICLE V INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS**

### Section 1. INSURANCE.

The BOARD shall purchase and maintain general liability and errors and omissions insurance, with policy limits reasonable in light of the BOARD'S responsibilities to protect against losses incurred or realized in the discharge of its functions. The BOARD shall secure surety bonds for those employees and/or contractors designated by the BOARD directly to handle and process state, federal and other funds received by the "Authority", as it deems appropriate.

## **ARTICLE VI SEAL**

### Section 1. SEAL.

The "Authority" shall have a seal, which shall have inscribed thereon the following: The Washtenaw and Livingston Line.

## **ARTICLE VII FISCAL YEAR**

Section 1. FISCAL YEAR.

The "Authority's" fiscal year shall be from October 1 through September 30 of each year.

**ARTICLE VIII  
PARLIAMENTARY RULES**

Section 1. PARLIAMENTARY RULES.

- A. Except where inconsistent with the Act or these By-Laws, Robert's Rules of Order, as from time to time revised, shall govern the proceedings of the BOARD and its committees.
- B. No parliamentary rule shall be suspended without the concurrence of 2/3 of the BOARD.

**ARTICLE IX  
PROCEDURE FOR AMENDING BY-LAWS**

These By-Laws may be altered, amended, or repealed and new By-Laws adopted, by vote of 2/3 of the members of the BOARD at any Regular or Special meeting provided that at least thirty (30) days written notice either by mail, overnight delivery, electronic mail, charges prepaid, to the address supplied by the member of the Board of the "Authority" for the purpose of notice, incorporating the exact language of the proposed change, has been given to all members of the BOARD.