
BOARD OF DIRECTORS - ANN ARBOR AREA TRANSPORTATION AUTHORITY

DATE: Thursday, April 18, 2019

TIME: 6:30pm – 9:00pm

PLACE: Ann Arbor District Library, 343 South Fifth Avenue, Ann Arbor MI 48104

MEETING CHAIR: Eric Mahler

AGENDA

	Info Type*	Detail
1) Opening Items		
1. Approve Agenda	D	
2. Public Comment	O	
3. General Announcements + Farewells	O	
2) Consent Agenda		
1. Minutes (February + March)	D	
2. OPEB Filing		
3) Policy Monitoring and Development		
1. Board's Annual Plan of Work Items	O	
2. Committee Reports		
1. Governance Committee	O/M	Mahler
a. 3.1 Governing Style		
b. Retreat Planning		
c. Coaching Advisory Report		
2. Finance Committee	O	Allemang
3. Monitoring Reports		
1. 2.11 Communication + Support	M	Carpenter
2. 2.6 Cash + Investments	M	Metzinger
4. Other Board Reports & Ownership Linkage		
1. LAC, WATS, A2 Transportation Commission	O	Krieg, Sims
2. Task Forces	O	Allemang, Mahler
4) Strategy and Operational Updates: CEO		
1. Fare Study Introduction	D	Metzinger
2. Innovation Updates	O	Roberts/Sanderson
3. CEO Report	O	Carpenter
5) Emergent Business		
6) Closed Session Closed Session under the Michigan Open Meetings Act, MCLA 15.268 (c), (d), (e) and (h) re: Real Estate	D	
7) Closing Items		
1. Topics for Next Meeting: Paratransit, Q2 Reports, Retreat		<i>Thursday, May 16, 2019</i>
2. Public Comment		
3. Board Assessment of Meeting		

4. Adjournment		
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* M = Monitoring, D = Decision Preparation, O = Other

Monitoring Reports

Sample Motions

Accepting: I move that:

- We affirm that Monitoring Report XYZ has been read by board members, and
- We accept this report as it provides
 - a reasonable interpretation of the policy and
 - evidence of compliance with that reasonable interpretation [or... while not in compliance, shows evidence of reasonable progress/commitment toward compliance]

Not Accepting: I move that:

- We affirm that Monitoring Report XYZ has been read by board members, and
- We do not accept this report
 - as the interpretation for XYZ.XYZ cannot be deemed reasonable by a rational person
 - A. OR
 - though it provides a reasonable interpretation, it does not adequately provide evidence of compliance for XYZ.XYZ.
- CEO will provide an updated Monitoring Report XYZ within ## months.

If additional policy development is desired:

Discuss in Board Agenda Item 3.0 Policy Monitoring and Development. It may be appropriate to assign a committee or task force to develop policy language options for board to consider at a later date.

Emergent Topics

Policy 3.13 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

1. What is the nature of the issue? Is the issue within the scope of the agency?
 2. What is the value [principle] that drives the concern?
 3. Whose issue is this? Is it the Board’s [Policy, 3.0 and 4.0] or the CEO’s [running the organization, 1.0 and 2.0]?
 4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related? Does the Board wish to change what it has already said?
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Board Minutes – February 21, 2019

Recommended Action(s): Approve for Posting to Website

Information Type: Decision

Meeting Information: Ann Arbor District Library, February 21, 2018 at 6:30 p.m.

Board Members in Attendance: Eric Mahler, Kyra Sims, Prashanth Gururaja, Mike Allemang, Roger Hewitt, Jesse Miller, Kathleen Mozak-Betts, Larry Krieg, Eli Cooper, Sue Gott

Staff in Attendance: Matt Carpenter, John Metzinger, Bryan Smith, Tim Sanderson, Geri Barnstable

Chairman Eric Mahler noted that a Quorum was present and called the meeting to order at 6:28 p.m.

1) Opening Items

1. Approve Agenda

Mr. Hewitt moved to approve the agenda. Mr. Krieg seconded. All approved the agenda.

2. Public Comment

Mr. Jim Mogensen, from the public spoke about finding information about Greyhound Lines and who might be purchasing them.

3. General Announcements

None.

2) Consent Agenda

1. Mr. Hewitt made a motion for the minutes from the Board Meeting in January 2019 be moved to the record. Mr. Allemang seconded. The motion passed with abstentions from Mr. Cooper and Ms. Gott.

3) Policy Monitoring and Development

1. Audit Task Force

Mr. Cooper, a member of this Task Force, introduced Ms. Pamela Hill of the auditing firm Plante Moran who reviewed details and noted that we received a favorable report then read a letter to the Board with those details. She noted that procedures for FTA review would begin soon. The balance sheet was reviewed and with

our assets, we are in a very strong long-term position for future growth. Questions followed; in particular about cash flow.

2. Board's Annual Plan of Work

Chairman Mahler noted that the following are due: update The Ends, Retreat Planning, Ownership Task Force, Resource Allocation Task Force and that each is moving along. He noted they could do better monitoring their own policies for which Rose Mercier could provide new tools at the ½ day retreat. Mr. Carpenter noted that the CEO Evaluation is to begin after the Board receives the Ends Report, and will conclude before the Budget Process begins.

3. Policy Monitoring and Committee Reports

1. Governance Committee

Chairman Mahler reported that the Committee discussed the ½ Day Retreat to plan for the Full Day Retreat and that Rose Mercier would be a facilitator who could bring good tools. A pre-work document will be sent out after this meeting. Mr. Allemang noted that it would be a good meeting if thought was given ahead of time.

2. Finance Committee

Mr. Allemang reported that the Committee discussed most of what is on the agenda tonight; in particular Monitoring Report 2.5, Ownership Linkage and Q1 Financial Report.

3. Service Committee

Mr. Hewitt reported that there was a preliminary discussion of the Long-Range Business Plan for presentation tonight, and that public engagement would be key, along with the Board participating in public outreach. The Q1 Service Report was also reviewed.

4. Other Boards and Ownership Linkage

1. LAC, WATS, A2 Transportation Commission

Cheryl Weber reported that the primary mission of the Annual Plan about vehicles was discussed.
WATS

Mr. Krieg reported that the agenda was not completed but that transportation and funding are going fine.

A2 Transportation Commission

Mr. Cooper attended instead of Ms. Sims. He reported that there was a presentation of Quiet Zone Assessment, a presentation on roadway safety and that Micromobility will be researched by the Committee.

2. Task Force Reports

Mr. Allemang reported that all 4 members of the Ownership Linkage Task Force met last week and that the first outreach will be to the legal owners with a letter to the 3 town leaders.

Chairman Mahler reported that the Resource Allocation Task Force met last week and had a robust discussion of the goal of the Task Force. They will have a report for the Board within the next few months.

4) Strategy and Operational Updates: CEO

1. Service Planning Process Discussion

Mr. Carpenter reported that the Long-Range Plan is directed by Board Policies and that today they would be presenting the plan to make the plan. The Board must be comfortable with the process. The need for federal grants, year by year steps and feedback from the Board were presented as well as being transparent and financially sustainable. Mr. Sanderson added more details of the Planning Process noting that the goal is to

create a vision from the Ends Policies and Executive Limitations. Chairman Mahler noted the need for the Board to have a role in the monitoring process and risk management. Questions and discussion followed including more details on how the Board can get involved.

2. Monitoring Report 2.5: Financial Conditions and Activities

Mr. Metzinger reported that they presented to the Finance Committee and got input regarding policies and sub-policies. He provided detailed examples, including large capital projects, that the price of fuel is unknown ahead of time because it is purchased on the Spot Market, and the Reserve Policy. Mr. Metzinger asked the Board to accept the report and the vote was to accept the report with exceptions as noted.

3. Q1 Financial Report

Mr. Metzinger reviewed the Balance Sheet noting that there was a good reserve balance at the end of December. He listed investments which are limited by the Board and State Law and that he and Mr. Allemang are looking at a clearer report.

4. Q1 Service Report

Mr. Smith reported that schedule changes which were asked about a few meetings back are in the report. Mr. Allemang asked why Ridership is slightly down and Mr. Smith noted that it was perhaps because there had not been an increase in service. Questions followed including regarding congestion and rush hour usage.

5. CEO Report

Mr. Carpenter noted that the Governor's 1st Draft of her budget included road funding which is tied to transit and the MPTA is working on how this affects public transit.

5) Board Development

6) Emergent Business

7) Closing Items

1. Topics for next meeting: TOD Presentation, Planning Process Feedback

2. Public Comment

1. Mr. Jim Mogenson talked about long-term planning and the county's structural finances.

2. Ms. Michelle Barney from Ypsilanti came to praise the AAATA regarding the handling of the blizzard and the cold snap. She used ARide. She suggested publicizing public meetings a month ahead of time.

3. Board Assessment of Meeting

4. Adjournment at 9:08 p.m.

Respectfully submitted by,
Geri Barnstable

Board Minutes – March 21, 2019

Recommended Action(s): Approve

Information Type: Decision

Meeting Information: Ann Arbor District Library, March 21, 2018. 6:32 p.m.- 9:36 p.m.

Board Members in Attendance: Eric Mahler, Kyra Sims, Prashanth Gururaja, Mike Allemang, Roger Hewitt, Jesse Miller, Kathleen Mozak-Betts, Larry Krieg, Eli Cooper, Sue Gott

Staff in Attendance: Matt Carpenter, Bryan Smith, Tim Sanderson, Phil Webb, Candace Moore, Rosa-Maria Njuki, Geri Barnstable

Chairman Eric Mahler noted that a quorum was present and called the meeting to order at 6:32 p.m.

1) Opening Items

1. Approve Agenda

Mr. Hewitt moved to approve the agenda. Ms. Mozak-Betts seconded. All approved the agenda.

2. Public Comment

Mr. Jim Mogensen spoke about fares and fare studies he learned about at other meetings.

3. General Announcements

Mr. Carpenter announced 2 new staff members. Both were in attendance. Candace Moore is the new Manager of Fleet Services. Rosa-Maria Njuki is the new Corporate Strategy and Performance Officer.

2) Consent Agenda

1. Minutes from the February 21st Meeting were not in the packet, so this was withdrawn from the agenda. These minutes will be circulated after this meeting and be included in the packet for the next Board Meeting, along with the Minutes from the March meeting.

3) Board Development: Transit Oriented Development

1. Bradley Strader Presentation

Mr. Strader discussed having development and street design shaped by mixed use, both residential and commercial. This varies in different areas. He talked about stages and influencers and who

participate, such as the municipalities usually having the authority for decisions. He advised that AAATA can advocate for Transit Oriented Development work with the community for it to become increasingly transit friendly. Questions and discussion followed. Highlights included long term commitment by local governments, the Washtenaw BRT and examples of other cities. Mr. Carpenter made closing comments that the next step would be to have this in the Strategic Business Plan in the section on land development, to complement transit use.

4) Policy Monitoring and Development

1. Board's Annual Plan of Work

1. Chairman Mahler noted that the Ends will be finalized at the retreat and that the Resource Allocation Task Force is planning their next meeting.

2. Policy Monitoring and Committee Reports

1. Governance Committee

Chairman Mahler reported that they found the ½ Day Retreat to be fantastic and are awaiting Rose Mercier's results to use toward the Full Day Retreat.

2. Finance Committee

Mr. Allemang reported that the Committee discussed the 2 monitoring reports that would be discussed that night. On Policy 2.3, Compensation + Benefits, they agreed that Item B is compliant. For this, the Committee voted 3 members for B, in compliance with exceptions noted. 1 person voted it was non-compliant. There was also a lot of discussion about Policy 2.8, Asset Allocation. Voting on compliance, 3 voted "B" and 1 chose non-compliant. Mr. Metzinger reviewed the Budget Calendar for 2020 and the impact of both Federal and State Budgets. He also noted that there will be a change in the reporting format for the next quarter, to provide a better look at cash flow and generally be more detailed.

3. Service Committee

Mr. Hewitt reported that there was a preliminary discussion of Long-Range Planning and that public engagement would be key, along with the Board participating in public outreach.

3. Other Boards and Ownership Linkage

1. LAC, WATS, A2 Transportation Commission

LAC

Cheryl Weber reported that the primary mission of the LAC Annual Plan about vehicles was discussed.

WATS

Mr. Krieg reported that the agenda was not completed but that transportation and funding are going fine.

A2 Transportation Commission

Mr. Cooper attended instead of Ms. Sims. He reported that there was a presentation of Quiet Zone Assessment, a presentation on roadway safety and that Micromobility will be researched by the Committee.

2. Task Force Reports

Mr. Allemang reported that all 4 members of the Ownership Linkage Task Force met last week and that the first outreach will be to the legal owners with a letter to the 3 town leaders.

Chairman Mahler reported that the Resource Allocation Task Force meeting will be scheduled for the first week in April.

5) Strategy and Operational Updates: CEO

1. Service Planning Process Follow Up Discussion

Mr. Sanderson reported that a schedule is being developed now in response to the Board's comments. It is expected to go out for public comment during mid-summer. Next steps include a more formal schedule and milestones to report back to the Board on. Questions and discussion followed including more details on how the Board can get involved.

2. Monitoring Reports

1. 2.3: Compensation + Benefits

Mr. Carpenter reported that we don't believe our staff compensation is far off from others however, the system is obsolete, so a consultant will be hired to help put a new system in place by January 2020. There was a discussion and questions about how much in compliance AAATA is. Mr. Carpenter indicated that he believed some parts were non-compliant because they were not specific enough. Mr. Allemang motioned for a vote, seconded by Ms. Gott. It was unanimous for "B", in compliance with exceptions as noted.

2. 2.8: Asset Protection

Mr. Carpenter reported that this was discussed at the Finance Committee Meeting. At its core, it is about financial risk with fixed assets, but innovation is also included as an asset. Mr. Carpenter stated that guidance from the Board is being sought. There was much discussion, especially about what each letter vote means. When they voted it was for "B", Asset Protection is in compliance except for as noted, Items 2.8.2.a, 2.8.3.3, 2.8.5.2, 2.8.5.6.

3. CEO Report

Mr. Carpenter reported that Mr. Smith had emailed the University of Michigan about the campus situation. He then reported on his trips for APTA to Washington, D.C. and MPTA to Lansing. The focus in Washington is on Federal Budgets by APTA and the Bus Coalition. In Washington, he met with the offices of Congresswoman Dingell and Senators Peters and Stabenow. He provided more details. The focus in Lansing is the Governor's Budget which is in its early stages so too soon to be assessed. He felt heard at all levels.

6) Emergent Business

None.

7) Closing Items

1. Topics for next meeting: Fares, Retreat Planning

2. Public Comment

1. Mr. Jim Mogenson talked about living wage ordinances, an article in the Ann Arbor Observer about

the most recent millage and gave some history of capital spending.

2. Ms. Michelle Barney from Ypsilanti asked for Security at the YTC and inquired about extended service on Sunday. Mr. Smith responded that extended service had already been implemented.
3. Board Assessment of Meeting
4. Adjournment
Mr. Hewitt motioned to adjourn, seconded by Ms. Gott. The vote was unanimous. The meeting adjourned at 9:36 p.m.

Respectfully submitted by,
Geri Barnstable

Issue Brief: Corrective Action Plan for OPEB Liability

Meeting: Board of Directors

Meeting Date: April 18, 2019

Agenda Item: #2.2

Recommended Committee Action(s):

Approve resolution adopting corrective actions for the underfunding of Other Post-Employment Benefits (OPEB) liability as required by Michigan Public Act 202 of 2017.

Prior Relevant Board Actions and Policies:

- Policy 2.0, Global Executive Restraint: “The CEO shall not cause, allow or fail to address any ... organizational circumstance that is ... unlawful, imprudent...”
- Policy 2.5, Financial Condition and Activities: “...the CEO will not cause, allow, or fail to address the development of fiscal jeopardy ...”
- Policy 2.6, Cash and Investments: “The CEO will not fail to hold ... surplus capital for investment according to the Board’s investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.”

Issue Summary:

Michigan Public Act 202, “Protecting Local Government Retirement and Benefits Act,” was adopted by the legislature in 2017. This law requires municipal governments with underfunded retirement benefits to develop and submit for approval by the Michigan Stability Board a Board-adopted Corrective Action Plan annually until funding status is achieved.

Background:

AAATA has a post-employment benefits liability of \$1,705,243, as determined through actuarial valuation by CBIZ Retirement Plan Services in December, 2018, and as demonstrated in the FY2018 Audited Financial Statements. The net position of this liability was \$108,394 at the end of FY2018, resulting in an underfunded status.

The Authority is obligated under P.A. 202 to submit for approval to the Michigan Stability Board a plan to correct the underfunded status. Board authorization of the plan is required by state law, and the resolution in Attachment 1 achieves this purpose.

Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** Establishes Corrective Action Plan to correct underfunding of the OPEB liability. Funding this liability will transfer funds between unrestricted assets on the balance sheet with no effect on the net position or reserves of the Authority.
- **Social:** N/A
- **Environmental:** N/A
- **Governance:** N/A

Attachments:

1. Resolution #04/2019: Adopt Corrective Action Plan for OPEB Liability
2. Corrective Action Plan

ADOPT CORRECTIVE ACTION PLAN FOR OPEB LIABILITY

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
ANN ARBOR AREA TRANSPORTATION AUTHORITY**

We hereby certify that the following Resolution was duly approved and adopted by the Board of Directors (herein after referred to as the Board) of the Ann Arbor Area Transportation Authority at a meeting held on April 18, 2019 at which a quorum was present and acting throughout.

WHEREAS, AAATA has an underfunded Other Post-Employment Benefits (OPEB) Liability, which was actuarially determined to be \$1,705,243 at the end of FY2018, as shown in the actuary letter and the audited financial statements for the fiscal year; and

WHEREAS, the State of Michigan has adopted Public Act 202 of 2017, which requires the development of and submission of a Board-approved corrective action plan to ensure adequate funding of OPEB liabilities; and

WHEREAS, the fiduciary net position of funds held for the OPEB Liability are \$108,394, which is lower than the 40% funded status required by state law, leaving a net OPEB Liability of \$1,596,849;

NOW THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Corrective Action Plan as attached to this resolution, which changes the status of the OPEB liability to a funded status.

Eric A. Mahler, Chair
April 18, 2019

Kyra Sims, Secretary
April 18, 2019

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Retirement Health Benefit Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: _____ Six-Digit Muni Code: _____
Retirement Health Benefit System Name: _____
Contact Name (Administrative Officer): _____
Title if not Administrative Officer: _____
Email: _____ Telephone: _____

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one retirement health benefit system that has been determined to have an underfunded status. Underfunded status for a retirement health system is defined as being less than 40% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annual required contribution (ARC) for all of the retirement health systems of the local unit of government is greater than 12% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

Due Date: The local unit of government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board. The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.

Filing: Per Sec. 10(1) of the Act, this Corrective Action Plan must be approved by the local government's administrative officer and its governing body. **You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.** Per Sec. 10(4) of the Act, failure to provide documentation that demonstrates approval from your governing body will result in a determination of noncompliance by the Board.

The submitted plan must demonstrate through distinct supporting documentation how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, the submitted plan may demonstrate how and when the ARC for all of the retirement healthcare systems will be less than 12% of annual governmental fund revenues, as defined by the Act. Supporting documentation for the funding ratio and/or ARC must include an actuarial projection, an actuarial valuation, or an internally developed analysis. The local unit must project governmental fund revenues using a reasonable forecast based on historical trends and projected rates of inflation.

The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-2017, Local Unit Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System OPEB

Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

Municipal Stability Board: The Municipal Stability Board (the Board) shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If a corrective action plan is approved, the Board will monitor the corrective action plan for the following two years, and the Board will report on the local unit of government's compliance with the Act not less than every two years.

Review Process: Following receipt of the email by Treasury, the Board will accept the corrective action plan submission at the next scheduled meeting of the Board. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

Considerations for Approval: A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status, as well as the date prospective actions will be taken. A local unit of government may also include in its corrective action plan a review of the local unit of government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local unit of government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

- (i) Requiring cost sharing of premiums and sufficient copays.
- (ii) Capping employer costs.

Implementation: The local unit of government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with the Act. If the Board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.

3. DESCRIPTION OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

- **Please Note:** If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local unit of government done to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Note: Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

Category of Prior Actions:

- System Design Changes** - System design changes may include the following: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: *Benefit levels of the retired membership mirrors the current collective bargaining agreement for each class of employee. On **January 1, 2017**, the local unit entered into new collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** that increased employee co-payments and deductibles for healthcare. These coverage changes resulted in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system is **40%** funded as of **June 30, 2017**.*

- Additional Funding** – Additional funding may include the following: paying the annual required contribution in addition to retiree premiums, voluntary contributions above the annual required contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local unit created a qualified trust to receive, invest, and accumulate assets for retirement healthcare on **June 23, 2016**. The local unit of government has adopted a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC). Additionally, the local unit has committed to contributing **\$500,000** annually, in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.*

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **42%** as indicated on page **13**.*

4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prospective actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local unit of government do to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Category of Prospective Actions:

- System Design Changes** - System design changes may include the following: Changes to coverage levels (including retiree co-payments, deductibles, and Medicare eligibility), changes to premium cost-sharing, eligibility changes, switch to defined contribution retiree health care plan, changes to retiree health care coverage for new hires, etc.

Sample Statement: *The local unit will seek to align benefit levels for the retired membership with each class of active employees. Beginning with **summer 2018** contract negotiations, the local unit will seek revised collective bargaining agreements with the **Command Officers Association** and **Internal Association of Firefighters** to increase employee co-payments and deductibles for healthcare. These coverage changes would result in an improvement to the retirement system's funded ratio. Please see page **12** of the attached actuarial analysis that indicates the system would be **40%** funded by **fiscal year 2020** if these changes were adopted and implemented by **fiscal year 2019**.*

- Additional Funding** – Additional funding may include the following: meeting the annual required contribution in addition to retiree premiums, voluntary contributions above the annual required contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local unit will create a qualified trust to receive, invest, and accumulate assets for retirement healthcare by **December 31, 2018**. The local unit of government will adopt a policy to change its funding methodology from Pay-Go to full funding of the Annual Required Contribution (ARC) by **December 31, 2018**. Additionally, beginning in fiscal year 2019, the local unit will contribute **\$500,000** annually in addition to the ARC for the next five fiscal years. The additional contributions will increase the retirement system's funded ratio to **40%** by **2022**. Please see page **10** of the attached resolution from our governing body demonstrating the commitment to contribute the ARC and additional **\$500,000** for the next five years.*

- Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: *Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the healthcare liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the health system to reach a funded status of **42%** by **2022** as shown in the attached actuarial analysis on page **13**.*

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for *(insert local unit name)* _____ to make, at a minimum, the retiree premium payment, as well as the normal cost payments for all new hires (if applicable), for the retirement health benefit system according to your long-term budget forecast?

- Yes
 No
If No, Explain

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

Documentation should be attached as a .pdf to this corrective action plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

Naming convention: when attaching documents please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document "Attachment 2a" and the second document "Attachment 2b".

Naming Convention

Type of Document

- | | |
|--|---|
| <input type="checkbox"/> Attachment – 1 | This Corrective Action Plan (Required) |
| <input type="checkbox"/> Attachment – 1a | Documentation from the governing body approving this Corrective Action Plan (Required) |
| <input type="checkbox"/> Attachment – 2a | An actuarial projection, an actuarial valuation, or an internally developed analysis, which illustrates how and when the local unit will reach the 40% funded ratio. Or, if the local unit is a city, village, township, or county, ARC will be less than 12% of governmental fund revenues, as defined by the Act. (Required) |
| <input type="checkbox"/> Attachment – 3a | Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information). |
| <input type="checkbox"/> Attachment – 4a | Documentation of commitment to additional payments in future years (e.g. resolution, ordinance) |
| <input type="checkbox"/> Attachment – 5a | A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio |
| <input type="checkbox"/> Attachment – 6a | Other documentation, not categorized above |

7. CORRECTIVE ACTION PLAN CRITERIA

Please confirm that each of the four corrective action plan criteria listed below have been satisfied when submitting this document. Specific detail on corrective action plan criteria can be found in the [Corrective Action Plan Development: Best Practices and Strategies](#) document.

Corrective Action Plan Criteria	Description
<input type="checkbox"/> Underfunded Status	Is there a description and adequate supporting documentation of how and when the retirement system will reach the 40% funded ratio? Or, if your local unit is a city, village, township, or county, how and when the ARC of all retirement healthcare systems will be less than 12 percent of governmental fund revenues?
<input type="checkbox"/> Reasonable Timeframe	Do the corrective actions address the underfunded status in a reasonable timeframe (see CAP criteria issued by the Board)?
<input type="checkbox"/> Legal and Feasible	Does the corrective action plan follow all applicable laws? Are all required administrative certifications and governing body approvals included? Are the actions listed feasible?
<input type="checkbox"/> Affordability	Do the corrective action(s) listed allow the local unit to make the retiree healthcare premium payment, as well as normal cost payment for new hires now and into the future without additional changes to this corrective action plan?

8. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I, _____, as the government's administrative officer (insert title) _____ (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

I confirm to the best of my knowledge that because of the changes listed above, one of the following statements will occur:

- The _____ (**Insert Retirement Healthcare System Name**) will achieve a funded status of at least 40% by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

OR, if the local unit is a city, village, township, or county:

- The ARC for all of the retirement healthcare systems of _____ (**Insert local unit name**) will be less than 12% of the local unit of government's annual governmental fund revenues by Fiscal Year _____ as demonstrated by required supporting documentation listed in section 6.

Signature _____

Date _____

Issue Brief: Board's Annual Plan of Work

Meeting: Board of Directors

Meeting Date: 4/18/2019

Information Type: Other

Issue Summary:

As approved by the Board, the Board's Annual Plan of Work, Item # 3.1, and Monitoring Calendar is attached to this Issue Brief for reference.

Attachment 1:

Annual Plan of Work Calendar

Author: GB

Reviewed by: MC

Approved by: MC

Date: January 18, 2019

Annual Board Plan of Work Approved October, 2018												Item 3.1	
		Q1 of each fiscal year			Q2			Q3			Q4		
ANNUAL BUDGET CYCLE		Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	August	Sept
Old Ends Review				⊗ Monitor Ends									
Renew Ends													
Strategic Business Plan								⊗	Strategic Business Plan				
Budget Development												Draft Budget	
Budget Approval		⊗											⊗ Approve budget
		Key: ⊗ indicates key step.											
Plan of Work													
	Ownership Linkage												
	Ends Policies			Review Old Ends	Update Ends Policies	Update Ends Policies	Finalize Ends Policies						
			• Ownership Linkage Task Force	• Ownership Linkage Task Force	• Ownership Linkage Task Force	• Ownership Linkage Task Force						• Budget	• Budget
					• Resource Allocation Task	• Resource Allocation Task Force	• Resource Allocation Task Force					• Bylaws, etc	• Bylaws, etc
						• Orientation, etc	• Orientation, etc	• Orientation, etc		• Role of LAC	• Role of LAC	• Role of LAC	
							• Ridership/Coverage						
						• Long-Range Service Planning Input	• Long-Range Service Planning Input	• Long-Range Service Planning Input	• Service Planning Cont.	• Service Planning Cont.	• Service Planning Cont.	• Service Planning Cont.	• Service Planning Cont.
	Board Education (TBD)	• Emerging Tech		Affordability & Equity				Transit and Land Use			Advocacy		
Oversight, Accountability and Monitoring Reports													
	Directly to Full Board	• 2.0		• 1.0	• Board member Disclosure Statements due (3.3.2.1)			• 2.11					• 2.4
	Governance	• 3.3 • 4.1 • CEO expense report	• 4.2	• 4.3	• 4.4 • CEO expense report • CEO Evaluation	• 3.4 • CEO Evaluation • CEO Compensation (odd years)	• 3.2 • CEO Evaluation	• 3.1 • CEO expense report • CEO Evaluation process	• 3.6 • 3.7	• 3.8 • CEO pay (3.4.7)	• CEO expense report	• 3.5	• 3.0 • 4.0
	Service Committee		• 2.2 • Q4 Service Report		• 2.2	• Q1 Service Report			• Q2 Service Report	• 2.10	• Draft Budget Preview	• Q3 Service Report	
	Finance Committee		Report: • Q4 Financial Report	• 2.7		• 2.5 • Q1 Financial Report	• 2.3 Compensation + Benefits • 2.8 Asset Protection	• 2.6	• Q2 Financial Report	• 2.9	• Draft Budget Preview	• Q3 Financial Report	
	Audit Task Force		• Form Task Force	Field Work	Draft	Present							
CEO Strategy Updates			BRT	YTC		• Long-Range Service Planning Process							
Misc							Labor Agreement (every 5 years)						Offer Elections (Byl II.2) Set meeting times (IV.1)

Issue Brief: Planning for Board Retreat

Meeting: Board

Meeting Date: April 18, 2019

Information Type: Decision Preparation

Recommended Action(s): Receive for Information. Finalize agenda if possible.

Alternative Option(s): Defer to Governance Committee.

Prior Relevant Board Actions and Policies: March 11, 2019 retreat planning workshop.

Issue Summary:

The Governance Committee would like Board feedback to help finalize the agenda for the Board's annual retreat. The date has been confirmed as June 6, 2019 at the Briarwood Hilton.

Background:

The Board had a ½ day workshop on March 11, 2019 to discuss potential agenda items for the annual retreat. In general, prioritizing Ends policies was seen as a important priority. Other consideration were the potential for adding a vision statement and considering whether some Ends policies might work better as Executive Limitations.

Impacts of Recommended Action(s):

- **Budgetary/Fiscal: NA**
- **Social: NA**
- **Environmental: NA**
- **Governance: Important for the Board to set agency direction.**

Attachments: 1: Report of Board Workshop – The Governance Coach (Rose Mercier)

REPORT OF BOARD WORKSHOP

AAATA

March 11, 2019

Prepared by Rose Mercier

Tel. 613-548-0614 Mobile 613-529-1652

rose@governancecoach.com



Expert Coaching. Practical Resources.

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1. Workshop Objectives and Agenda

The objectives of the March 11th meeting of the board and senior staff objectives were threefold:

- Decide the focusing question or theme of the board's spring retreat.
- Identify resources for productive, informed retreat
- Determine in general the preparation required from today until the retreat

2. Introduction and Process

The introduction to the afternoon emphasized the importance of the board's work in setting direction.

- The board is accountable to the owners for setting direction. It is one of its most important accountabilities.
- Setting sound direction is more likely if a board engages in active exploration of future possibilities ("futuring").
- The goal of "futuring" is to develop strategic foresight which is the ability to make decisions which are judged to be good not just in the present, but in the future.
- Strategic foresight uses environmental scanning information, expert input, trends and drivers. It seeks to understand that information in sufficient depth to discern range of future possibilities and potential impacts for the organization.
- That journey through the ranges of possible futures is the board's work. In fact, some would say it is an ethical responsibility to develop strategic foresight, along with a profound understanding of the context in which the organization operates, so that its decisions keep relevant.

The afternoon was designed to enable everyone to speak fully on four questions which were provided to the board members in advance.

Question 1:

What problems might the Authority need to solve in the short to medium-term future, i.e. the next 2 to 4 years? What factors might produce the problems you identify?

Question 2:

What opportunities might be available or what imperatives might the Authority need to act on in the short to medium-term future, i.e. the next 2 to 4 years? What factors might produce the opportunities or imperatives you identify?

Question 3:

What macro-level trends (economic, technological, social, political, etc. do you think might create risks for the Authority in the longer-term future, i.e. the next 5 to 10+ years? (Identify your ideas about both the trends and the possible risks each presents.)

Question 4:

What macro-level trends (economic, technological, social, political etc.) do you think might generate opportunities or imperatives for the Authority in the longer-term future, i.e. the next 5 to 10+ years? (Talk about both the trends and the opportunities/imperatives each presents).

NOTE: Think about *opportunities* as choices that might emerge as a result of a single trend or factor or confluence of trends or factors. *Imperatives* can be thought of as something that necessitates action(s).

The "Interview Matrix" exercise is based on dividing the larger group into groups of four. Within each group of four, individuals are numbered off 1 to 4, and over six rounds of paired interviews each person interviews three other people in their group. Once the interviews are complete, the number 1's gather in one group, as do the number 2's, 3's, and 4's. The number groups harvest the information gathered in their interviews as well as add their ideas because while they interviewed others they would not have yet answered the question. The number groups then categorize the harvested information into themes.

3. The Number Groups Present Their Summaries

Following are the themes identified in the responses to each of the four questions

Question 1:

What problems might the Authority need to solve in the short to medium-term future, i.e. the next 2 to 4 years? What factors might produce the problems you identify?

- Growing A-Ride costs and meeting increasing demand due to aging population
 - Stability/growth in Federal and State funding is unsure
 - Fluctuations in ridership (flattening? Declining?)
 - Financial sustainability: flat revenue vs growing costs
 - Big capital investments are needed before growth: YTC, garage/storage, Y-Lot, BRT
 - Uncertainty from changing technology
-

Question 2:

What opportunities might be available or what imperatives might the Authority need to act on in the short to medium-term future, i.e. the next 2 to 4 years? What factors might produce the opportunities or imperatives you identify?

- Strategic planning (owner relations, congestion)
 - RTA
 - Community economic growth
 - Sustainability
 - Technology (mobile payments, vehicle, traffic management)
 - Ridership
 - Urban mobility
-

Question 3:

What macro-level trends (economic, technological, social, political, etc. do you think might create risks for the Authority in the longer-term future, i.e. the next 5 to 10+ years? (Identify your ideas about both the trends and the possible risks each presents.)

- Land use and development (both pro density /anti diversity)
 - Federal/state funding decreasing
 - Economic development choked by reducing labor mobility
 - (Risk of) Local millage support declining (sustaining current positive levels)
 - (Risk of) Local political support declining
 - Technology disruption
 - Aging population outgrowing transit supply
 - RTA
 - Ridership
 - Limited resources
-

Question 4:

What macro-level trends (economic, technological, social, political etc.) do you think might generate opportunities or imperatives for the Authority in the longer-term future, i.e. the next 5 to 10+ years? (Talk about both the trends and the opportunities/imperatives each presents).

Automation /Technology

- Technology as tool to enhance our work and services as opposed to 'keeping up'
- Stay nimble
- Data collection/analysis to enhance services/drive decisions

Funding /\$

- Prioritization and trade-offs
- Population growth and job growth ➡ opportunity to provide better (or more?) service
- Shift economic paradigm; beneficiaries contributing more to supplement our funding

Ecology and economy

- Climate change
- Ecological consciousness
- Leveraging economic and ecological problems to provide solutions

4. Discussion of Possible Themes for Retreat

We began with a discussion of the criteria that might be useful in discerning the focus or questions that would generate a productive discussion in the retreat. We added to the list of criteria as the discussion of possible topics continued. Following are the criteria that the Board members identified:

- The focus of the retreat should be appropriate for the board, i.e. *it focuses on the board's work and avoids operational questions*
- The focus of the retreat should be on questions where the Authority has a greater degree of control to or generate affect or, where the Authority can play a leadership the role in the space
- The retreat should select questions where scale or scope of potential enterprise impact is greatest
- The selected questions should favor those which are proactive (vision, opportunities, Ends)
- The ret that helps us to more explicitly define who we serve
 - How that might change
 - Beneficiaries of service (less direct)
 - Others who are trying to do same/similar things
- Impact of technology
- Enables greater clarity and specificity to the Ends /prioritization of the Ends

In the ensuing discussion there was coalescence of opinion around using the retreat to focus the board's energy on arriving at greater clarity and specificity in the Board's Ends policies, with the outcome being direction that helps staff focus the Authority's resources.

Possible approaches to this discussion were identified:

- Establishing some type of prioritization among the Ends. Doing so might mean considering the trade-off among Ends. At present, the Ends speak to “all residents”. Is there a need to reflect on the trade-offs between rider and community-level benefits.
- Prioritization might also require consideration of where the Authority provides greatest value? E.g., Folks that are neediest /fixed route? Legally required / additional voluntary coverage?
- Are there current Ends policies where the underlying values are better expressed in Executive Limitations policies?
- The relative priority of Ends might be a worthwhile question to explore with the legal owners if there is an appropriate occasion.

5. Next Steps

It seems reasonable to assume that the focus of the retreat will be striving for greater clarity and specificity in the Board’s Ends policies, with the outcome being direction that helps staff focus the Authority’s resources. With that in mind, I offer four guidelines about Ends policies you may find helpful to keep in mind.

- An Ends policy statement describes what benefits are to be produced, for whom, at what worth or cost. Everything else is a means. The highest level Ends policy needs all three elements. Lower level Ends may state only beneficiary and benefit, or may state only beneficiary or only benefit.
- Prioritization is another way of expressing “at what worth/cost”. Prioritization, in effect, says producing this End is worth more to us (for any number of reasons).
- Ends policies are only about results that produced outside the Authority.
- Ends policies describe results that will be produced because of the Authority; they do not describe the Authority or what it does. Quick rule of thumb: if the verb in the sentence refers to the Authority – the statement is a means.

I would also encourage you to consider lifting up the values related to the positive impact on the Area’s environmental health and economic prosperity in the current Ends statement into a vision statement that the board uses to frame its Ends, and use Ends to describe those benefits that the Authority has the capacity to directly produce and that the Board can reasonably hold the CEO accountable to achieve.

I have offered for your consideration some observations about the current Ends policies in the Appendix in this report. You may find these helpful during or after your retreat. They are offered with a view to ensuring that the important values you hold are expressed in a way that provides the clearest direction.

6. Closing

This report summarizes the board’s work during its retreat planning meeting. I am happy to answer any questions arising from this report or offer any further guidance as you move forward with your planning.

Once again, it was a pleasure to work with the AAATA Board and staff. I look forward to continuing to support your journey to governance excellence.

Respectfully submitted,



Rose Mercier
Senior Consultant

Appendix 1 – Considerations in Current Ends

1.0 AAATA exists to provide access to destinations throughout the Ann Arbor-Ypsilanti Area for increasing numbers of residents, workers and visitors via transportation options that contribute to the Area's social, environmental and economic vitality at a cost that demonstrates value and efficient stewardship of resources.

Commented [RM1]: This is an example of where the verb refers to the AAATA. An End should describe the results to be produced because of the Authority. Better would be: AAATA exists so that increasing numbers of residents, workers and visitors have access to destinations through the Ann Arbor-Ypsilanti Area via transportation options that contribute to the Area's social, environmental and economic vitality at a cost that demonstrates value and efficient stewardship of resources.

1.1. All residents of the Area can participate fully in society without a personal vehicle.

- 1.1.1. People with low incomes can afford to travel in the Area.
- 1.1.2. People, including those with disabilities or mobility impairments, seniors, minors, and non-English speakers, have equitable access to opportunities in the Area.
- 1.1.3. People with access to a personal car find public transit to be an attractive alternative.
- 1.1.4. Passengers are highly satisfied with public transportation services that are safe, reliable, courteous, comfortable, convenient, and fast.

Commented [RM2]: Passengers are highly satisfied with public transportation service options – is an End. The qualifying adjectives – while important values – are more appropriately integrated into your Executive Limitation on Treatment of Riders. This doesn't make these values any less important – the direction you provide to the CEO still directs so that it would be unacceptable if transportation services were not safe, reliable, courteous, comfortable, convenient and fast. Another option – which I favor less – would be to add 1.1.4.1 Transportation services are safe, reliable, courteous, comfortable, convenient and fast.

1.2. The Area's natural environment is enhanced.

- 1.2.1. The Area's overall transportation system minimizes energy use and pollution.
- 1.2.2. The Area's carbon footprint is reduced.
- 1.2.3. The Area's air is cleaner.
- 1.2.4. The Area's natural resources are conserved.
- Land development can become more compact and walkable in part because of transportation options.
- 1.2.5. Agency operations make efficient use of energy, water, materials, and other natural resources; and minimize waste.

Commented [RM3]: This is an orphan statement currently. The "in part" of this is out of the control of the CEO; you might consider restating this End so that it is a result that is produced because of the AAATA and is a direction you can hold the CEO accountable to achieve. Something like this, "Transportation service options mitigate the impact of limited parking and auto congestion on growth of the local economy."

1.3. The Area prospers economically.

- 1.3.1. Workers and students can access employment opportunities without need of a personal vehicle.
- 1.3.2. Employers have access to a diverse labor pool.
- 1.3.3. Visitors have access to the Area.
- 1.3.4. The Area's economy grows despite limited parking and auto congestion.
- 1.3.5. The Area is connected to the Metro Detroit region.
- 1.3.6. Local leaders are aware of the contribution public transportation makes to the community.
- 1.3.7. The Authority will remain economically viable in the long term.

Commented [RM4]: 2 observations. First, as statement this is not an End. It is about the operations of the Authority. Second, the underlying value in this statement is better stated as an Executive Limitation.

RM Note: I wonder if the values expressed in 1.2 (+ 1.2.1, 1.2.2, 1.2.3 and 1.2.4) and 1.3 (+ 1.3.4,) might be better lifted up and stated in a Vision that becomes the organizing Framework for your Ends policies. The vision is a lens through which you set direction. Stating these important ideas in a Vision also acknowledges that the Authority, on its own, cannot make the Vision reality. It creates an imperative for the Board /the Authority to foster alliances and collaboration with other Area organizations to buy into and work towards achieving your vision. You can maintain the statements (1.2.4 – restated, 1.3.1 to 1.3.5 could remain but in a restated form.

Commented [RM5]: Does this refer only to awareness of the contribution to economic prosperity? If not, it should be 1.4

Commented [RM6]: 3 observations. First this is not an End it is a statement about the Authority. Second, it might be a value that is reflected in the statement of 'at what cost' in the highest level End, although "efficient stewardship of resources" may already incorporate this value. If not, you might say "at a cost that demonstrates efficient stewardship of resources and maintains long term economic viability" Third, the value of sustaining long-term economic viability might be appropriately stated within the Executive Limitation on Protection of Assets.

Issue Brief: Governance Coaching Report

Meeting: Board

Meeting Date: April 18, 2019

Information Type: Other

Recommended Action(s): Receive report for information.

Prior Relevant Board Actions and Policies: Existing contract with Rose Mercier’s firm, The Governance Coach.

Background:

Rose Mercier’s contract includes at-a-distance feedback for the Board itself in the form of written assessments of monthly board meetings, done by reviewing on-line video. Ms. Mercier has provided an example of such a report for the Board to consider (attached). This is a standard service she offers. The AAATA is already paying for this service as part of the ongoing fee.

The CEO did make a decision to defer this element of the original proposal until the Board had more time to consider whether/how to use it. Now seems like a reasonable time.

Impacts of Recommended Action(s):

- **Budgetary/Fiscal:** No budgetary impact.
- **Social:** NA
- **Environmental:** NA
- **Governance:** Improved governance skill.

Attachment 1: Coach’s Advisory: AAATA November and December 2018 Meetings (Example)



THE GOVERNANCE COACH'S ADVISORY

Ann Arbor & Area Transportation Authority

Welcome to your first coaching advisory report!

Following the review of the packet for each board meeting, we will give you feedback on how you are doing in your application of the Policy Governance® model. As you will see in the headings in the Report, we organize our comments according to the principles of Policy Governance®. We do this because it is the application of all principles that produces the comprehensive integrity that the system provides. By using this format, we can keep you advised as to where you are on track and where you need to do some work to retain the integrity of those principles. This will be the standard format for each report.

On the following page is the dashboard for your advisory report. This will appear on page 1 of all subsequent reports. Our intent with the dashboard is to give you an “at a glance” sense of where you are employing your governance model well and where you could improve. You are able see trends as the dashboard tracks the indices from the previous five consecutive Coaching Advisories.

The body of the report will include comments of two kinds. Some will simply be suggestions for how you can maximize the value of the model. It is always your decision as to whether or not to take action on these suggestions. In other cases, we will specifically point out if your actions as a board are inconsistent with a principle of the model. It will be to your advantage to take particular note of any inconsistencies and determine how you wish to correct them.

Also note the list, “*Cumulative Summary of Suggestions for Further Action*” at the end of the report. It provides a quick cross-reference to the items you should address in your system. We suggest that you determine a way to address these items on a regular basis so that the list stays manageable.

From time to time we will also append documents to the report or refer you to specific tools in your Policy Governance® Reference Manual from The Governance Coach™

We will use the board of directors section of the Ride website to access meeting packets and stay abreast of your current policies.

And please remember....achieving Policy Governance® mastery is a journey.



THE GOVERNANCE COACH'S ADVISORY

Ann Arbor & Area Transportation Authority Coaching Advisory Dashboard

Meeting Date	18/11/15	18/12/10	yy/m/d	yy/m/d	yy/m/d
Ownership					
Governance Position					
Board Holism					
Ends Policies					
Board Means Policies					
Executive Limitations Policies					
Policy Sizes					
Delegation to Management					
Any Reasonable Interpretation					
Monitoring					

Key:



No activity this meeting on which to assess model consistency



Model consistent, based on minutes of this meeting



Not contravening principle, but opportunity for improvement



Not consistent with principle

The Governance Coach's Advisory

AAATA

November 15, 2018 Meeting

December 20, 2018 Meeting

Ownership

Policy Governance® Principle: The Board governs on behalf of its legal owners and those to whom it is morally accountable, the “moral owners.” The legal “owners” are the Cities of Ann Arbor and Ypsilanti and the Township of Ypsilanti and the moral “owners” are the residents of the Cities of Ann Arbor and Ypsilanti, the Township of Ypsilanti and the Townships of Ypsilanti, Pittsfield, Scio and Superior. The board has an obligation to be the informed voice of the owners. The Board provides leadership by first serving, seeking to put the interests of the owners ahead of any personal interests Board Members may have.

NOVEMBER 14, 2018

There was no ownership work at this meeting.

DECEMBER 20, 2018

The Ownership Linkage committee has provided the board with a proposed definition of its owners and an amendment of the 3.0 so that it contains the definition and has begun work on a multi-year plan. Keep up the good work.

Governance Position

Policy Governance® Principle: The Board forms the middle link in a chain of moral authority between the owners and the CEO. The Board's role is to set direction for the organization on behalf of the owners, and properly empower the CEO to manage. The Board is accountable for its own work and how it does that work. The Board is also accountable for what it has delegated to the CEO. All authority in the staff organization and in Board committees and officers flows from the Board.

I use this section to comment on board orientation and board education/development as a board typically engages in these activities in order to develop its capacity to develop policy, including those which set direction or limits.

NOVEMBER 14, 2018

You are implementing good practice by advance agenda planning and considering which elements of board education and development you wish to address in the year ahead. Good job.

DECEMBER 20, 2018

Using external experts to deepen the board's knowledge in areas relevant to policy development is good practice. I read that one of the possibilities under consideration is the review of the Ends although some board members are hesitant because the board just completed the revision of its Ends policies. While an annual review Ends policies is good practice, the intent of this practice is to consider minor alterations or 'tweaks', perhaps in response to insights gained through board education or ownership linkage. It is not good practice to make substantive changes on an annual basis. Such changes render out-of-date strategic plans and corresponding operating budgets that the CEO may have developed based on the present set of Ends. You may want to consider using "Ends review" to describe the annual process, and "Ends redevelopment" to describe something similar to the work you did between January and June when you made significant changes to your Ends polices. You can choose your own cycle for redevelopment but it is typically multi-year, e.g. every three or four years.

Board Holism

Policy Governance® Principle: The Board has authority only as a group. Individual Board Members do not have any authority. Committees do not have any authority other than that specifically authorized by the Board. When the board speaks with authority it has only one voice.

NOVEMBER 14, 2018

The annual plan identifies monitoring reports which are delivered directly to the board and those that are delivered to a committee. This may, in fact, be happening but it is the board which should be determining the final decision about the acceptability of the CEO's monitoring reports. The Board can delegate responsibility for assessing if a monitoring report presents verifiable evidence of a policy's reasonable interpretation, but cannot delegate the accountability for assuring organizational performance which is carried out through the process of monitoring. So the motion to accept a monitoring report should be recorded in the board's minutes. I do appreciate in the board packets I have reviewed that the two monitoring reports (Treatment of Staff and Ends) were preliminary. However, it would still be appropriate for the board to acknowledge that it has received the report and assessed it in its current state. There are two sample motions that the board can use for monitoring reports. I have added to these options in the attached Appendix 1.

NOVEMBER 14, 2018 and DECEMBER 20, 2018

I notice that the board's committees discuss several items on the board's agenda prior to the board meeting, presumably to talk in more depth about a topic than would be reasonable to do during a board meeting. It is important to take care that committees do not make a decisions for which they have not been delegated authority and/or which rightfully belong to the board as a whole. For example, the Ownership Linkage committee can, as recorded in the minutes, "reach a consensus on who our owners are", you want as the committee did, to bring its considered recommendation to the board any change in the definition of ownership in the board's Governance Process policy 3.0 can only be approved by the board.

Ends Policies

Policy Governance® Principle: The Board defines in writing policies which describe the outcomes or effects that the organization is to produce, the recipients of those outcomes, and what it is worth to produce them. These are Ends policies. All decisions that are *not* about outcomes, recipients, or worth are means decisions.

In this section of the Coaching Advisory I comment on Ends policies discussions or decisions and preparation for Ends review or development.

NOVEMBER 14, 2018 and DECEMBER 20, 2018

There was no specific work done on Ends policies at either meeting.

I am going to provide feedback on the current version of your Ends polices as a separate Coaching Advisory. I do not provide special Advisories on a regular basis, I will prepare them if there is a specific subject I want to address in more depth.

Board Means Policies

Policy Governance® Principle: The Board defines in writing the job results, practices, and discipline that make up its own job. These policies are about the Board's means. To distinguish them from the means used by the staff, they are called Governance Process policies. The Board also defines in writing the details of how it will delegate to and hold the CEO accountable. These means policies are called Board – Management Delegation policies.

I also use this section of Coaching Advisories to comment, as appropriate, on agenda structure and minutes content as they record the Board's governance decisions.

NOVEMBER 14, 2018

I noticed that you used separate motions to approve items in the Consent Agenda. Items are usually placed in a Consent Agenda because they are non-controversial and not likely to elicit questions. While there is an

opportunity provided for any director to remove an item from the consent agenda so that it can be considered and voted on separately. Any remaining items on the consent agenda are then approved in single motion without discussion. There may be other regulations that require you to use separate motions. Otherwise, I offer this as food for thought.

I also noticed that the agenda item, Monitoring Report 2.2, appears under the agenda item, “Strategy and Operational Updates: CEO”. You may want to consider separating agenda items related to CEO evaluation, i.e. Monitoring Reports, from “Updates” to reinforce that Monitoring of CEO performance is the board’s function. Even if the CEO is only reporting that the monitoring report will not be submitted, it is still better placed outside “Strategy and Operational Updates” which should be restricted to reports on items delegated to the CEO or a presentation of operational information that the board has requested from the CEO.

Your annual board calendar is an excellent tool for ensuring that the board’s work is complete. Moving forward, you may want to include regularly scheduled policy content review in your annual plan. However, it is probably prudent to live with your policies for a year so that when you start to review their content, you have experience of living with the policy.

Executive Limitations Policies

Policy Governance® Principle: The Board makes decisions about the means of the operational organization. However, rather than prescribing board-chosen means -- which would enable the CEO to escape accountability for attaining Ends, these policies define limits on operational means, thereby placing boundaries on the authority granted to the CEO. These means would be unacceptable because they are unlawful, imprudent, or unethical, even if they worked to achieve Ends. Written policies describing these limits are called Executive Limitation.

NOVEMBER 14, 2018

As part of our coaching services we provide suggestions about any policy changes under consideration. If I haven’t seen a policy prior to the meeting at which it is considered, I would likely address it in a Coaching Advisory. For this Advisory, I have used the proposed changes to the Executive Limitations policies (2.4 Financial Planning and 2.5 Financial Conditions and Activities) and the Governance Process policy that were recommended to the board for its approval. I have offered suggestions in a redline document which is included as Appendix 2 to this report. As with any suggestions provided in a Coaching Advisory, it is your choice to act or not on the suggestions.

I have made suggestions about policies #2.4 and #2.5 because I notice that your Executive Limitations policies use “fail to” language which has been replaced by more contemporary language. Around 2007, John and Miriam Carver moved away from the once familiar, “shall not fail to” terminology. They had determined that “shall not fail to” statements were problematic because (a) they often create back-door management prescriptions, they fail to describe the condition(s) that is unacceptable, and finally, they are grammatically awkward. Going forward, I can provide suggestions whenever you proposed amendments to Executive Limitations and/or when a policy is being monitored.

In EL 2.2, Treatment of Staff, #2.2.2.1 as currently stated, “*Fail to provide internal controls necessary to enforce such policies*” is a good example of how fail to language creates a back-door management prescription. The board has already identified that “*unenforced (unwritten, unclear, outdated, unavailable) personnel rules and contracts*” is the unacceptable condition. What the board does by adding #2.2.2.1 is specify the means that management must use to achieve enforcement. One of the principles of Policy Governance is that the board authorizes the CEO to make detailed decisions about the means used to achieve compliance with a reasonable interpretation of its Executive Limitations. As currently written, this policy (#2.2.2.1) as stated is inconsistent with this principle.

DECEMBER 20, 2018

I have addressed EL 2.7 in the section, “Monitoring”.

Policy Sizes

Policy Governance® Principle: Board policies in every category are developed one level at a time, from the broadest, most inclusive level to succeeding levels of detail. Each level of detail added further limits the range of interpretation that is delegated. The policies in Ends, Governance Process, Board – Management Delegation, and Executive Limitations categories are comprehensive, and there are no Board policies outside of these four categories. They replace, at the board level, more traditional documents such as mission statements, strategic plans and budgets.

NOVEMBER 14 and DECEMBER 20, 2018

I have identified the issues with this principle in the policy reviews.

Clarity and Coherence of Delegation to Management

Policy Governance® Principle: The Board delegates operational matters only to the CEO. The Board does not delegate to anyone who reports to the CEO. The board does not give Board officers or committees jobs that interfere with, duplicate, or obscure the job given to the CEO. The CEO is accountable to the Board for everything that happens in the operations of the organization.

NOVEMBER 14 and DECEMBER 20, 2018

I have addressed the challenge that policy #2.2.2.1 presents for this policy in the section titled, Executive Limitations Policies.

Any Reasonable Interpretation

Policy Governance® Principle: The CEO is given the right to make more detailed decisions about Ends and operational means, using any reasonable interpretation of Ends and Executive Limitations policies. (If there is no CEO, the board must delegate to two or more individuals, avoiding overlapping expectations or causing confusion about the authority of various managers.) The Board Chair is given the right to use any reasonable interpretation of Governance Process and Board – Management Delegation policies unless the Board has explicitly given that right to another board member or Board Committee.

NOVEMBER 14 and DECEMBER 20, 2018

Based on the minutes, there was no work related to this principle.

Monitoring

Policy Governance® Principle: The Board monitors the performance of the organization by fairly, systematically and thoroughly assessing whether the CEO has made a reasonable interpretation of the policies it has delegated to the CEO (Ends and Executive Limitations), and provided data demonstrating accomplishment of that interpretation. The CEO's evaluation is simply the cumulative summary of these assessments.

NOVEMBER 14, 2018

I have reviewed the monitoring report for Treatment of Staff and will provide more detailed suggestions in a separate document. My overall comment is that the investment of time and thought about how to present evidence demonstrating achievement of reasonable interpretations is evident. It underscores how developing and assessing monitoring reports presents a significant learning curve to both CEOs and boards implementing Policy Governance. An important guideline that applies in both the development and the assessment of a monitoring report is to start with the most detailed (or lowest) policy level, proceeding in order to higher level policy statement, and finally addressing the highest (Global) level policy. The rationale for this approach is that you want to address only those elements of a policy statement that have not been further interpreted by the board at a lower level. You generally find that by the time you arrive at the highest level policy, there are few (if any) elements remaining that require an interpretation. In reading the Executive Limitation on Treatment of Staff and the Ends policy monitoring report, it appears that the monitoring approach starts with the highest level and works through the policy in sequential order. This often creates more work and duplication than is necessary.

DECEMBER 20, 2018

An important thing to remember is that it is the CEO's job, not the board's, to make Ends measurable. I note that the Finance Committee minutes record that board members suggested possible or preferred measures. While board members can offer advice, remember that it is advice – not direction – and it can be used, or not, by the CEO, to whom the board has delegated the authority to make *any* reasonable interpretation of their Ends (and Executive Limitations) policies. An integral element of a reasonable interpretation is the measure selected to demonstrate achievement of the desired impact as articulated in the Ends, along with the rationale that justifies the selected measure.

EL-7 Ends Focus of Grants and Contracts

I have reviewed the monitoring report for this policy and offer suggestions on the monitoring report and the policy itself.

The rationale in the interpretation for what is included and not included in the term 'contract' and why 'grant' is not included as part of the interpretation is defensible because it confirms observable conditions. An interpretation is also defensible if the selected measures/standards are externally verifiable through research or testing or confirms observable phenomena.

As the monitoring report notes, this Executive Limitation, as written, does not really seem to fit with the nature of the AAATA. It is appropriate in organizations that make grants to other organizations or individuals. A more contemporary version of this policy, "*The CEO shall not enter into any arrangement to provide grants or contract for service provision that does not include expectations regarding the production of Ends and the avoidance of unacceptable means.*" However, even this policy is more appropriately used for an organization that provides grants – which as the monitoring report states AAATA does not – or an organization that contracts with external entities to deliver services, also not something that (as I understand currently) AAATA does. An example that might help understand where this might be applicable would be a charitable organization that contracts donation solicitation to a third party telemarketing firm.

The evidence as provided points to the consistency of contracts for operational activities with the limits stated in other Executive Limitations policies. Because all operational activity must be conducted within the limits set in these policies, the board would not be without assurance that the way the Authority lets contracts is compliant with the stated policies. I suggest that the Board consider eliminating this policy.

While the board can delegate to a committee the assessment of a monitoring report, the board, as a whole, should be formally accept (or not) the report. Remember that CEO performance is the equivalent of organizational performance, the assessment of which is the board's job. The board wants to assure itself that the monitoring data provides verifiable evidence of achievement of a reasonable interpretation of the board's policy. The board's job in assessing a monitoring report is to determine:

- (a) Is the interpretation reasonable: is there a clear, concise, detailed definition of the *measurement(s)* that will be used; and is there a *standard* of the chosen measure(s) to be achieved that will demonstrate achievement or compliance; and is there a justifiable rationale for the chosen measures and standards?
- (b) Is there verifiable evidence that demonstrates achievement of, or compliance with, the interpretation?

If the board wants to delegate an initial assessment of the monitoring report to a committee, as your annual agenda seems to indicate, then it should still have the committee bring their assessment to board for the board to accept. In the early stage of the learning curve around monitoring, it is helpful for the committee to explain its rationale for its recommendation. It is also valuable for all board members to have read the monitoring report and look for the measure, standard and rationale that makes an interpretation reasonable, and identify how the evidence supports the achievement of the interpretation.

Celebrate Your Progress

You are putting solid building blocks in place that support implementation of Policy Governance. You have made a good start on ownership linkage.

Keep Getting Better (One area we recommend you address ~~as soon as possible~~)

Eliminate the “fail to” language in Executive Limitations policies.

SUMMARY OF SUGGESTIONS FOR FURTHER ACTION

	Action Item	Coaching Report meeting date	Decision re Action	Date Action Completed
	General			
1				
	Linkage			
1				
2				
	Board-Management Delegation			
	Ends			
	EL Policies			
1	<i>Consider eliminating EL 2.7 Ends Focus of Grants and Contracts</i>	<i>11-12/2018</i>		
2	<i>Eliminate "fail to" language from EL policies.</i>	<i>11-12/2018</i>		
	Finances			
	GP Policies			
	Agenda, Minutes and Meetings			
	Monitoring			
1	<i>Begin the process of developing and assessing monitoring reports with the most detailed (lowest level) policy statement.</i>	<i>11-12/2018</i>		
2	<i>Record the board's decision on accepting the monitoring report in the board meeting minutes.</i>	<i>11-12/2018</i>		
3				
	Completed – to be removed from next list			

APPENDIX 1: Options for Board Motions Regarding Internal Monitoring Reports

Situation 1

Reasonable interpretation + sufficient, verifiable evidence + compliance for all policy items

The Board has assessed the monitoring report for [POLICY TITLE/NUMBER] and finds that it demonstrates compliance with a reasonable interpretation of policy.

Situation 2

Compliance with reasonable interpretation for most but not all policy items

The Board has assessed the monitoring report for [POLICY TITLE/NUMBER] and finds that it demonstrates compliance with a reasonable interpretation of the policy except for policy items (#) for which the Board expects a reasonable interpretation by [DATE].

Situation 3

Compliance with reasonable interpretation except non-compliance with some policy items

The board has assessed the monitoring report for [POLICY TITLE/NUMBER] and finds that it demonstrates compliance with a reasonable interpretation of the policy, except for the stated non-compliance with [POLICY ITEM #], which the Board acknowledges and accepts the planned date for compliance.

Situation 4

Non-compliance with reasonable interpretation + accepted date

The board has assessed the monitoring report for [POLICY TITLE/NUMBER] and acknowledges the non-compliance and accepts the planned date for compliance.

Situation 5

Does not demonstrate compliance with reasonable interpretation + board sets date

The board has assessed the monitoring report for [POLICY TITLE/NUMBER] and finds it does not demonstrate compliance with a reasonable interpretation of the policy. The Board expects the report to be resubmitted by [DATE].

Situation 6

Interpretations NOT reasonable + request for new report

The board has assessed the monitoring report for [POLICY TITLE/NUMBER] and finds that it does not provide a reasonable interpretation of the policy. The Board expects a reasonable interpretation by [DATE].

Situation 7

Ends policy early stage work

The board has assessed the interpretations for [POLICY TITLE/NUMBER] and, as of this date, finds the interpretations to be reasonable. The board recognizes that the interpretations may change in the next report and that evidence supporting achievement of a reasonable interpretation will be provided over time.

APPENDIX 2: Suggested Policy Changes

2.5 FINANCIAL CONDITION AND ACTIVITIES

With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

- 2.5.1 Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.
- 2.5.2 Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.
- 2.5.3 Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.
- 2.5.4 Compromise the independence of the Board's audit or other external monitoring or advice.
 - 2.5.4.1 Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.
 - 2.5.4.2 Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.
- 2.5.5 Allow expenditures that exceed the overall Board-approved budget.
 - 2.5.5.1 Allow cost overruns on capital projects.
- 2.5.6 Authorize contracts not anticipated in the current budget with a value greater than \$250,000.
 - 2.5.6.1 Split purchases or contracts into smaller amounts in order to avoid the above limit.
- 2.5.7 Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.
- 2.5.8 Adjust transit passenger fares or tax rates assessed by the Authority.
- 2.5.9 Acquire, encumber, or dispose of real estate.
- 2.5.10 Encumber the agency with financial debt without previous authorization from the Board.

2.4 FINANCIAL PLANNING/BUDGETING

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not: ~~cause, allow or fail to address budgeting that:~~

- ~~2.4.1 Permit financial planning that is not derived from a strategic multi-year plan.~~
- ~~2.4.12.4.2 Permit financial planning that risks incurring those situations or conditions described as unacceptable in the Board policy on Financial Condition and Activities.~~
- ~~2.4.22.4.3 Fails to place Permit financial planning that does place business decisions in a comprehensive, strategic context that illustrates progress towards a reasonable interpretation of Ends, and compliance with Executive Limitations.~~
- ~~2.4.32.4.4 Permit financial planning that Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.~~

Commented [RM1]: If the CEO "fails to address" something is equivalent to the CEO "allowing" something, so it is probably not necessary to say both.

Commented [RM2]: Better might be: "With respect to the actual, ongoing financial conditions and activities, the CEO shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with achievement of the board's Ends."

Commented [RM3]: "including an up-to-date procurement manual" is a specific means and more accurately is a further interpretation of "operate in a manner..." which would be more model consistent if it were a lower level policy statement. The question I have is whether the risk is operating without a manual or not documenting and enforcing /applying procurement procedures. Typically, it is the latter. Having a manual is a first step. Assuring that the manual is followed is as important. Better would be to add as 2.5.2.1 Operate without up-to-date, enforced procurement manual.

Commented [RM4]: Better would be: "Allow the Board to be without timely information regarding fraud, suspected fraud or financial mismanagement."

Commented [RM5]: Better would be: "Allow the Board to be without information and access to internal controls that

Commented [RM6]: Executive Limitations set limitations on CEO actions and decisions. Every decision which is 'off limits' to the CEO automatically becomes the Board's decision, so there is no need to state "without previous authorization".

That being said, we have been suggesting a way of stating a policy where the board wants to retain authority for making the decision but doesn't want the operational responsibility for deciding on when it would be prudent for the agency to take on debt. So we would add the lower level policy which requires for the board to identify criteria to be met prior to bringing a decision to the board. So 2.5.10 might start by saying something like, "Request a decision from the Board regarding debt encumbrance without providing evidence that such debt meets the following criteria:..."

Commented [RM7]: Better might be: "The CEO shall not permit planning that allocates resources in a way that risks fiscal jeopardy or that is not aligned with achievement of the board's Ends."

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Commented [RM8]: The problem with having a colon is that the statements which follow are an integral element of the statement and should more correctly be bullets. However, that would create an unmanageable statement to monitor. Better is to revise the revise the structure of the policy.

Formatted: Not Expanded by / Condensed by

Commented [RM9]: You could use 'budgeting' instead of financial planning if you prefer.

2.4.42.4.5 Permit financial planning Is unclear about long-term funding needs and growth projections.

2.4.5 ~~Allows inefficiencies due to over or under funding.~~

2.4.52.4.6 Causes (projects?) deficit spending.

2.4.62.4.7 Permit financial planning that D does not provide for adequate reserves.

2.4.72.4.8 Provides less for Board prerogatives during the year than is determined annually by the Board as set forth in #3.8.3 of the Cost of Governance policy.

2.4.8 Permit financial planning that Funds ongoing operations via debt or creates unfunded future obligations.

Commented [RM10]: Budgeting doesn't usually "cause" deficit spending, it can project a deficit. Better might be something like, "Permit budgeting that projects a year-end operating deficit."

3.8 COST OF GOVERNANCE

Because poor governance costs more than learning to govern well, the Board will invest in its governance capacity. Accordingly:

- 3.8.1. Board skills, methods, and supports will be sufficient to assure governing with excellence.
 - 3.8.1.1 Training and re-training will be used liberally to orient new members and candidates for membership, as well as to maintain and increase existing member skills and understandings.
 - 3.8.1.2 Outside monitoring assistance will be arranged so that the Board can exercise confident control over organizational performance. This includes, but is not limited to, fiscal audit.
 - 3.8.1.2.1 *Contracted auditing firms will be periodically rotated to maintain independence. Contracted auditors will serve no more than six consecutive years.*
 - 3.8.1.3 Outreach mechanisms will be used as needed to ensure the Board's ability to listen to owner viewpoints and values.
- 3.8.2 Costs will be prudently incurred, though not at the expense of endangering the development and maintenance of superior capability.
- 3.8.3 The Board will develop its budget by June 30 each year to assure its inclusion in the overall budget.

Meeting Summary

Ann Arbor Area Transportation Authority Board of Directors

Finance Committee

Tuesday, April 9, 2019

Present: Mike Allemang (Chair), Jesse Miller, Kyra Sims, Eli Cooper (phone),
Prashanth Gururaja (phone)

Staff: Matt Carpenter, John Metzinger, Mary Stasiak, Rosa-Maria Njuki, Geri
Barnstable

The meeting was called to order at 3:02 p.m. by Chairman Allemang.

1) Opening Items

a. Agenda (Additions, Approval)

None.

b. Communications

Mr. Metzinger gave an update on the Transition Plan for the Finance Department. He is working with the team to re-organize the work and assured the Committee that work is continuing with the team working positively together. A consultant from Plante Moran will come in on April 20th for up to 120 days and a consultant will help with the 2020 Budget.

2) Policy Monitoring and Development

a. Monitoring Report

1. 2.6: Cash & Investments

Mr. Metzinger noted that this is a short policy involving holding cash and investments based upon the Board's priorities and it clarifies what we perceive is the difference between the two. He assured the Committee that the Principal is protected from loss as evidenced by the current status. Last year bank statements were discussed as external proof of compliance. The Board also wanted evidence of deposits which has been stated with few exceptions. So, Mr. Metzinger believes we are in compliance. More details about compliance with the Board's Policies, including Appendix F were discussed with questions asked. These prompted Mr. Metzinger to suggest this is an opportunity to improve the Monitoring Report. It will be discussed further at the May committee meeting in conjunction with the second quarter financial results. A more detailed discussion of the level of

risk continued, including Futures and the limitations of daily data being just a snapshot. Mr. Carpenter asked what level of evidence will be enough for the Board. Chairman Allemang motioned for a vote on compliance. It was unanimous for “B”, “in compliance with noted exceptions”.

b. Ownership Linkage Update

Chairman Allemang reported that the kick-off meeting is Thursday with Mayor Taylor. Mr. Allemang, Chairman Mahler, Mr. Miller and Mr. Carpenter will be attending. They need meetings with Ypsilanti and Ypsilanti Township too.

3) Strategy and Operational Updates

a. Fare Study Preview

Mr. Metzinger presented a slide show about introducing some of the results. They will be introduced to the Board and the public over a period of a few months. This will be a comprehensive overview. He noted that part of the Survey included a comparison with peers. Other parts of the presentation included fares as part of Operating Revenue, opportunities and challenges that emerged, compliance with Federal Regulations, the impact of the RTA and that the next step will be a presentation to the Board in May. A discussion followed.

b. OPEB Liability Filing

Mr. Metzinger noted that this is a Resolution that will be presented to the Board next week. The state requires a filing regarding funding our underfunded OPEB liability. This will be accomplished by designating a small part of our cash and investments to fully fund the liability. This reclassification will not affect the operating reserves. There was also discussion about whether this resolution should be in the board’s consent agenda.

4) Closing Items

- a. Topics for Next Meeting: Additional discussion about the Fare Study and cash/investments, in addition to 2nd quarter financial report.
- b. The meeting was adjourned at 4:52 p.m.

Respectfully Submitted,

Geri Barnstable

Issue Brief: Communication and Support to the Board

Meeting: Board

Date: April 11, 2019

Agenda Item # 3.3.1

Recommended Committee Action(s):

- That the Board receive the monitoring report for information and accept by formal motion.

Issue Summary:

The CEO feels the report is largely complete and will ask the Board to accept. This report is scheduled to go directly to the Board without first going through a committee.

Background:

Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:

1. CEO sends Monitoring Report to all board members
2. All board members look particularly for two things in the Monitoring Report:
 - a. A reasonable interpretation of the policy
 - b. Evidence of compliance with the reasonable interpretation
3. Committee reviews and develops recommendation to accept/not accept the Monitoring Report
4. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)

Impacts of Recommended Action(s): Governance: perform key Policy Governance process

Attachments: Monitoring Report: 2.11 Communication and Support to the Board

Author: MC/BS/JM

Reviewed by: MC

Approved by: MC

2.11 Communication and Support to the Board

Monitoring Report for the Period: June 1, 2018 to March 30, 2019

Date of Report: Thursday, April 11, 2019

Board Survey due: ---- NA

Board Meeting: Thursday, April 18, 2019

AAATA board;

In accordance with the Board's Policy Manual; I present the Monitoring report on **Executive Limitation Policy 2.11 Communication and Support to the Board**. This report consists of internal report information from staff. This report is scheduled to go directly to the Board without first going through a committee.

I believe that the agency is in compliance, with the exception of policies 2.11.1.3 which has not yet been interpreted. Otherwise, I certify that the information is true and complete.

Matt Carpenter,
CEO
Ann Arbor Area Transportation Authority

POLICY TITLE: <i>Communication and Support to the Board</i>	
2.11 The CEO will not permit the Board to be uninformed or unsupported in its work. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:	
2.11.1	Withhold, impede, or confound information relevant to the Board’s informed accomplishment of its job.
2.11.1.1	Neglect to submit monitoring data required by the Board in Board-Management Delegation policy “Monitoring CEO Performance” in a timely, accurate and understandable fashion, directly addressing provisions of Board policies being monitored, and including CEO interpretations consistent with Board-Management Delegation policy “Delegation to the CEO,” as well as relevant data.
2.11.1.2	Allow the Board to be unaware of any actual or anticipated noncompliance with any Ends or Executive Limitations policy, regardless of the Board’s monitoring schedule.
2.11.1.3	Allow the Board to be without decision information required periodically by the Board, including the agency and situational context and implications for a decision.
2.11.1.4	Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.

	<p>2.11.1.5 Let the Board be unaware of material internal changes, including changes in policy interpretation, significant reputational, legal, political, or financial risks, developments that have significant negative implications for the budget, threatened or pending lawsuits, relevant trends and any other incidental information requested by the Board. Incidental information includes:</p> <ul style="list-style-type: none"> A. operational and financial performance metrics B. customer satisfaction metrics, C. updates on capital improvement projects, D. quarterly budget to actual financial reports, E. timely notification of execution of budgeted items over \$250,000 and grant requests or awards over \$100,000. F. unbiased information on industry norms for CEO compensation at least every two years. G. advance notification of intended changes to staff rules (unionized or non-unionized), procurement manual, benefits, or compensation structure. H. CEO’s personal expense report to the Governance Committee of the Board at least quarterly, with explicit notation of the expenses of any other employee which benefited the CEO, aside from group expenses where the CEO’s participation was incidental.
	<p>2.11.1.6 Fail to provide Board education on the business of the agency relevant to the public at the request of the Board or in anticipation of the Board’s need to be responsive to community concerns.</p>
	<p>2.11.1.6.1 - Fail to periodically update the Board regarding the longer-term strategic context in which delegated decisions are being made.</p>
	<p>2.11.1.7 Let the Board be unaware if, in the CEO's professional opinion, the Board or individual Board members may not be in compliance with the Board’s own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that could be detrimental to the agency’s reputation or the working relationship between the Board and the CEO.</p>
	<p>2.11.2 Withhold from the Board and its processes logistical and clerical assistance.</p>
	<p>2.11.2.1 Allow the Board to be deprived of a legal, workable, user-friendly mechanism for official Board, officer, or committee communications.</p>
	<p>2.11.2.2 Allow the Board to be deprived of pleasant, productive and efficient settings and arrangements for Board and committee meetings.</p>

2.11.2.3	Hinder access to the Board for any person who alleges unethical or unlawful action or circumstance in the organization or by its representatives.
2.11.2.4	Neglect to transfer policy updates to the official record of the Board's Policy Manual in a timely manner.

Executive Limitations Policy 2.11

The CEO will not permit the Board to be uninformed or unsupported in its work.

Compliance: In compliance.

Current Interpretation & Rationale:

This policy is fully interpreted in the sub-policies below.

Evidence:

Evidence of compliance with sub policies below provides evidence of compliance with this policy.

Executive Limitations Policy 2.11.1

...The CEO shall not...Withhold, impede, or confound information relevant to the Board's informed accomplishment of its job.

Compliance: In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that staff are to provide the Board with whatever data, context, background, or other information it may need in order to meet its duties as identified in section 3.0 and 4.0 of the Board's Policy Manual. This includes whatever information the *full Board* requests or requires, and whatever information I perceive would be helpful to them in their work. I further interpret this policy to refer to the *full Board*, although staff can and will assist individual Board members as much as possible (policy 4.1.2), and will support established delegations (i.e. policies 3.5, 3.7.1, Bylaws Article V).

Furthermore, I interpret this policy to require the CEO and staff to always provide accurate, honest, timely information that provides the context necessary for the Board to understand the fundamental issues at hand. The CEO is not to knowingly allow omission or obstruction of important information.

Should the Board (or their agents) wish to directly gather information, for example by direct inspection, the CEO will ensure complete support for the Board.

As evidence, I will cite the number of times the Board itself has raised concerns that their ability to complete responsibilities outlined in policies 3.0 and 4.0 was somehow impeded by staff.

Evidence:

The CEO is not aware of any statement or action by the Board suggesting a perception that their ability to conduct their work has been impeded by staff. There is no record of such perception in meeting notes for Board or committee meetings.

Executive Limitations Policy 2.11.1.1

...The CEO shall not...Neglect to submit monitoring data required by the Board in Board-Management Delegation policy “Monitoring CEO Performance” in a timely, accurate and understandable fashion, directly addressing provisions of Board policies being monitored, and including CEO interpretations consistent with Board-Management Delegation policy “Delegation to the CEO,” as well as relevant data.

Compliance: In compliance.

Current Interpretation & Rationale: I interpret this policy to mean that draft monitoring reports will:

- Be provided to the board and/or committees by the due dates established in the Policy Manual’s Appendix A,
- Be complete (e.g. Have an operational interpretation and evidence for each policy), and
- Be judged as acceptable to the board.

Evidence:

All monitoring reports to the Board are available on the AAATA website at

<<http://www.theride.org/AboutUs/Board-Governance/Board-Monitoring-Reports>>.

In the first year of using Policy Governance, many monitoring reports were incomplete, and the CEO did not ask the Board to formally accept the reports. In the second year, the quality and content of the reports has continued to improve. All monitoring reports submitted during this monitoring period were as shown below. The table below illustrates the scoring for each monitoring reports required during the monitoring period up to date.

Monitoring Report	On Schedule?	Interpretation Accepted?	Evidence Accepted?	Board Conclusion
2.2	YES	YES	YES	B. In Compliance, except for item(s) noted.
2.3	YES	YES	YES	B. In Compliance, except for item(s) noted.
2.4	YES	YES	YES	B. In Compliance, except for item(s) noted.
2.5	YES	YES	YES, more detail desired.	B. In Compliance, except for item(s) noted
2.6	April 2019	TBD	TBD	TBD
2.7	YES	YES	YES	B. In Compliance, except for item(s) noted
2.8	YES	YES, where provided.	YES, where provided.	B. In Compliance, except for item(s) noted.
2.11	April 2019	TBD	TBD	TBD

Executive Limitations Policy 2.11.1.2

...The CEO shall not...Allow the Board to be unaware of any actual or anticipated noncompliance with any Ends or Executive Limitations policy, regardless of the Board's monitoring schedule.

Compliance: In compliance

Current Interpretation & Rationale:

I interpret this policy to mean that once the CEO becomes aware that the agency is not, or likely will not, comply with an existing Ends or Executive Limitation policy, they will make the Board or the Governance Committee aware in a constructive and timely manner (regardless of the schedule for Monitoring Reports). The CEO will need to exercise sound judgment and discretion in how they make the Board aware.

Evidence of compliance would include formal notices of non-compliance in written monitoring report or via other written reports.

Evidence:

During the monitoring period I have noted several instances on non-compliance in written monitoring reports. Those monitoring reports are available on the AAATA website.

Executive Limitations Policy 2.11.1.3

...The CEO shall not...Allow the Board to be without decision information required periodically by the Board, including the agency and situational context and implications for a decision.

Compliance: TBD

Current Interpretation & Rationale:

TBD

Evidence:

TBD

Executive Limitations Policy 2.11.1.4

...The CEO shall not... Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.

Compliance: In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that all items on Board or committee agendas must be summarized and contextualized effectively and must be clearly identified with the typologies listed above. Agendas should clearly list the typology of each item.

As evidence, agenda items must have Issue Briefs. These summaries must be judged to be effective by the Board. Agendas should also classify each item by typology.

Evidence:

- Most agenda items contained in board and committee packets had summary Issue Briefs. I estimate that more than 95% of agenda items included Issue Briefs.
- The CEO has received no complaints from Board members suggesting the presented information was unclear, inadequately contextualized or otherwise ineffective. The quality of ensuing Board discussions suggests that basic contextual information has been clearly communicated.
- Starting in November 2018, meeting agendas began classifying each item using the typology listed in the policy.

Executive Limitations Policy 2.11.1.5

...The CEO shall not... Let the Board be unaware of material internal changes, including changes in policy interpretation, significant reputational, legal, political, or financial risks, developments that have significant negative implications for the budget, threatened or pending lawsuits, relevant trends and any other incidental information requested by the Board. Incidental information includes:

- A. *operational and financial performance metrics*
- B. *customer satisfaction metrics,*
- C. *updates on capital improvement projects,*
- D. *quarterly budget to actual financial reports,*
- E. *timely notification of execution of budgeted items over \$250,000 and grant requests or awards over \$100,000.*
- F. *unbiased information on industry norms for CEO compensation at least every two years.*
- G. *advance notification of intended changes to staff rules (unionized or non-unionized), procurement manual, benefits, or compensation structure.*
- H. *CEO's personal expense report to the Governance Committee of the Board at least quarterly, with explicit notation of the expenses of any other employee which benefited the CEO, aside from group expenses where the CEO's participation was incidental.*

Compliance: In Compliance

Current Interpretation & Rationale:

I interpret this policy to mean that the CEO must, in a timely manner, make the Board aware of important developments, either internally or in the external environment, that can or may jeopardize the agency's ability to achieve the Board's Ends or comply with any Means policy, and that require a meaningful change. Examples of such changes include emergent threats to public perception, financial stability, or political support. I further interpret this policy to mean that, even though the CEO may adjust their interpretation as circumstances warrant, they should communicate any significant changes to the Board in a timely manner. This policy is informally known as part of the "no surprises" clause.

I further interpret this policy to mean that the Board has already identified specific pieces of information that it would like to routinely receive.

Reasonable evidence would include citations from Board and committee packets during the monitoring period. These packets are already in the possession of Board members but can be provided again as needed. Evidence would also include timely submission of: Quarterly Financial and Operational reports, updates on major capital projects (e.g. fleet purchases or construction) with a value greater than \$500,000; notification of budgeted expenditures on single large items (>\$249,999), CEO compensation information starting in 2018, advanced notifications, and CEO expenses.

Evidence:

Throughout the past year I have brought information to the attention of the Board or committees, evidence of which can be found in agenda packets available on-line or in the possession of Board members. Specifically requested information is provided via a set of regular reports:

- A. **Operational performance metrics** - Provided via quarterly Service Reports to the Board in August 2018 (FY 2018 Q3), November 2018 (FY 2018 Q4), February 2019 (FY 2019 Q1).
- B. **Quarterly budget to actual financial reports & financial performance metrics** – Provided via Quarterly Financial Reports to the Board in August 2018 (FY 2018 Q3), November 2018 (FY 2018 Q4), February 2019 (FY 2019 Q1).
- C. **Capital Project Updates (>\$500,000)** –The only major capital project ongoing during the monitoring period was a contract for replacement buses. The purchased was approved by the Board in the 2019 budget and should be awarded in summer 2019. However, the CEO has not yet brought an official update. Non-Compliant.
- D. **Notification of award and payment for budgeted items over \$250,000** - The board has been made aware of all budgeted items in FY 2019 through the 2019 Budget Plan. There has been no notice of award and/or payment for a single budgeted item over \$249,999 to be reported.
- E. **Notification of Grant awards over \$100,000** - [The AAATA does not make grants.]
- F. **CEO Compensation** – A report was provided to the Governance Committee by the CEO in August 2018.
- G. **Advance notice of intended changes** –
 - o **Procurement Manual:** The CEO initially noted that the AAATA’s procurement manual was out of date in the February 2018 monitoring report on policy 2.5. At that time his intention to update the manual. Completion of the new manual was noted in the written CEO’s Report to the Board in December 2018.
 - o **Staff Rules, Compensation and Benefits:** The CEO initially noted that staff rules for non-unionized employees were out of date, as were compensation and benefit structures; and that all would need to be updated in the monitoring report on policy 2.3 in January 2018, and again in Mary 2019. He stated his intention to do so in those same reports. This work is ongoing.
- H. **CEO Expenses** – During the monitoring period, three Quarterly CEO expense reports were scheduled for July 2018, October 2018, and January 2019. These were provided to Governance Committee on following dates: October 2018, January 2019. There is no documentations that a report was submitted for the July date. This appears to have been an oversight. As the Expense Reports are cumulative, the October report would have included expenses that would otherwise have been reported in July. Partial compliance.

Executive Limitations Policy 2.11.1.6

...The CEO shall not... Fail to provide Board education on the business of the agency relevant to the public at the request of the Board or in anticipation of the Board's need to be responsive to community concerns.

Compliance: In compliance

Current Interpretation & Rationale

I interpret this Policy to mean that staff are to assist the Board is being knowledgeable about how the agency works (management, operations, and administrative practices) and pursues its goals, either by request of the Board or because staff believe the knowledge will aid the Board in being prepared for public questions. While there may be overlap with education related to the Board's policy-development work, this policy is specific to a perceived need to be prepared for public questions regarding Means issues that have been delegated.

As evidence, I will work to ensure that the Board is aware of significant decisions or changes before they are publicly announced, and work to help the Board understand the operational rationale when appropriate.

Evidence:

Throughout the monitoring period, I have attempted to make the Board and Committees aware of many issues in advance through presentations, verbal updates and written CEO Reports. A list of specific agenda items discussed with the Board or Committees during the monitoring period is below:

1. **Internal Business Processes:** Strategic Business Plan, 2019 Budget, Long-Range Planning Process, FTA Triennial Review process.
2. **Initiative Updates:** Washtenaw Ave BRT planning
3. **Board Education:** Emerging Technology, Transportation and Land Use, Transit Oriented Development
4. **Confidential Matters:** Closed Session meetings have been held to discuss matters specifically permitted under the Open Meetings Act.

These items can be confirmed with review of Board and Committee agendas from the monitoring period.

Executive Limitations Policy 2.11.1.6.1

...The CEO shall not... Fail to periodically update the Board regarding the longer-term strategic context in which delegated decisions are being made.

Compliance: In compliance.

Current Interpretation & Rationale

I interpret this policy to mean that the CEO will help the Board to understand why and how staff decisions are being made by providing a transparent context that helps to illustrate how delegated decisions advance compliance with Board policies.

As evidence, I will present a multi-year corporate planning document annually that describes the situational context of the agency, relevant background and considerations, and provides a broad explanation for how the agency will pursue compliance with the Board's policies. In addition, I will provide updates as circumstances evolve throughout the year and will attempt to frame individual decisions in the larger context as they emerge.

Evidence:

A five year (2019-2023) Strategic Business Plan was created in summer 2018 and is available on the website. It includes situational analysis (pages 26-27), as well as a multi-year work plan of initiatives and actions intended to advance the pursuit of the Board's Ends.

Executive Limitations Policy 2.11.1.7

...The CEO shall not... Let the Board be unaware if, in the CEO's professional opinion, the Board or individual Board members may not be in compliance with the Board's own policies on Governance Process and Board Management Delegation, particularly in the case of Board behavior that could be detrimental to the agency's reputation or the working relationship between the Board and the CEO.

Compliance: In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that, since the CEO cannot hold Board members accountable for compliance with Board policies, the CEO is to consistently report incidents of significant non-compliance with sections 3.0 or 4.0 to the Governance Committee for their decision as per policy 3.7.1. If the CEO has concerns with the Chair or Governance committee themselves, under 3.1.7 they are to share those concerns with the full Board. I further interpret this policy to be referring to incidents of more than passing or inconsequential non-compliance.

As evidence, I would report the number of times that I needed to report on this policy to the Board or Governance Committee.

Evidence:

During the monitoring period the CEO brought no formal concerns of non-compliance to the attention of the Governance Committee or the Board.

Executive Limitations Policy 2.11.2

...The CEO shall not... Withhold from the Board and its processes logistical and clerical assistance.

Compliance: In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that the CEO is to help the Board procure: general counsel and board training and facilitation services. In addition, this includes making staff assistance available for managing paperwork and documentation, and making meeting arrangements for all formal and emergent meetings.

Evidence:

During the monitoring period, two Board members were involved in the selection of the new corporate general counsel (i.e. lawyer).

During the monitoring period, the contract for board training and facilitations services was renewed.

During the monitoring period agency staff took minutes and documented decisions at all Board and committee meetings.

Executive Limitations Policy 2.11.2.1

...The CEO shall not... Allow the Board to be deprived of a legal, workable, user-friendly mechanism for official Board, officer, or committee communications.

Compliance: In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that staff will administratively coordinate monthly board and committee meetings, including creating and disseminating agendas and information packets. Further, staff will ensure that all board meeting information meets the requirements of the Open Meetings Act: that agenda and packets are posted at least 18 hours before a meeting, are publicly available, and that minutes are kept. A similar process will be provided for confidential committee meetings.

I further interpret this policy to mean that staff will assist the Board in arranging their annual Retreat.

As evidence, I will provide information on how staff has administratively supported the Board and committee meetings. Additionally, I will present the average time provided between when the agendas were sent out to when the meeting occurred.

Evidence:

During the monitoring period all scheduled Board meetings occurred, and all agenda packets have been publicly available at least three days before the meeting.

In all committee and board meetings in the monitoring period, staff supported the board by taking meeting minutes, disseminating agendas, and uploading public packets on the website in a timely manner. However, there has been some errors and not all packets included complete information.

Executive Limitations Policy 2.11.2.2

...The CEO shall not...Allow the Board to be deprived of pleasant, productive and efficient settings and arrangements for Board and committee meetings.

Compliance: In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that, subject to further Board requirements, monthly Board meetings will be held in a publicly accessible, centrally located facility that is accessible by public transit. Typically, this is the downtown Ann Arbor Library or the Dawn Gabay Operations Center (DGOC) at 2700 S. Industrial Highway. The Blake Transit Center is occasionally used. At times, other compliant locations are used for off-site retreats.

Meeting spaces will be conducive to a productive meeting and will include whatever furniture and Audio/Visual and presentation equipment is needed. Light refreshments may be provided.

As evidence, I will describe Board meeting locations and note if they meet the set criteria (i.e. held in a publicly accessible and centrally located facility that is accessible by public transit).

Evidence:

All Board meetings during the last year were held at the downtown library and met the above criteria. I am not aware of any concerns with this space. A half-day retreat was held on March 11, 2018, also in the downtown library. Committee meetings were held at the DGOC Board room which meets the set criteria. I am not aware of any concerns with this space. Task Force meetings have typically been held at the DGOC. Occasional, ad-hoc meeting have been held at the Blake Transit Center, which is compliant.

Executive Limitations Policy 2.11.2.3

...The CEO shall not... Hinder access to the Board for any person who alleges unethical or unlawful action or circumstance in the organization or by its representatives.

Compliance: In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that I may not withhold public comment time or discourage a person from participating lawfully in public comment time.

As evidence, I will reference provision of time to the public in board meetings.

Evidence:

All Board meetings during the monitoring period have allowed for public comments at beginning and closing.

At no time during the monitoring period was the CEO aware that anyone wished to allege unethical or unlawful behavior to the Board, nor was any such desire hindered.

Executive Limitations Policy 2.11.2.4

...The CEO shall not... Neglect to transfer policy updates to the official record of the Board’s Policy Manual in a timely manner.

Compliance:

In compliance.

Current Interpretation & Rationale:

I interpret this policy to mean that staff will re-publish an updated Policy Manual on theride.org and send an electronic copy to board members in a timely manner after a Board motion amending the Policy Manual. Amendments will be recorded in Policy Manual Appendix E.

Paper copies will be available upon request. As evidence, I will present board policy amendments made this monitoring period and their policy change dates as published on the website.

Evidence:

During the monitoring period, the Board made eight edits to the policy manual on two separate dates. These changes were documented on Appendix E: History of Policy Changes of the Policy Manual. In both cases the website version was updated within three weeks, electronic copies sent to the Board within two weeks. Hardcopies were distributed within two months. The table below summarizes the policy changes and dates.

Changes made this period by policy #	Policy change date
2.1	10/18/2018
2.4.5	10/18/2018
Appendix A	10/18/2018
1.0	11/29/2018
2.4	11/29/2018
3.8	11/29/2018
2.5	11/29/2018

CEO Notes on Monitoring Report and policies

- **Policy 2.11.1.3** – The CEO is still considering how this policy interpretation would differ from 2.11.1.6.
- **Policy 2.11.1.5 E** – The second part of this sentence deals with grant making. The AAATA does not make grant awards. This matter was previously discussed by the Board in policy 2.7.

(To be filled in based on Board action after submission)

Policy: 2.11 Communication and Support

Date Submitted: April 11, 2019

Date of Board Response: April 18, 2019

The Board has received and reviewed the CEO's Monitoring Report references above. Following the Board's review and discussion with the CEO, the Board makes the following conclusions:

Executive Limitations Report (select one)

The Board finds that the CEO:

- A. Is in compliance
- B. Is in compliance, except for item(s) noted.
- C. Is making reasonable progress toward compliance.
- D. Is **not** in compliance or is **not** making reasonable progress toward compliance
- E. Cannot be determined.

Board notes:

Issue Brief: Monitoring Report 2.6 Cash and Investments

Meeting: Board of Directors

Meeting Date: April 18, 2019

Agenda Item: #3.3.2

Recommended Committee Action(s):

- That the Board receive the monitoring report for information and accept by formal motion.

Issue Summary:

The CEO feels the report is complete, noting that banking and investment account statements are available for Board inspection as external evidence, and will ask the Board to accept.

Background:

This Monitoring Report was presented to the Finance Committee on April 9, and was modified after feedback and advice from the Committee were received.

Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:

1. CEO sends Monitoring Report and survey link to all board members
2. All board members complete survey on acceptability of Monitoring Report, looking particularly for two things in the Monitoring Report:
 - a. A reasonable interpretation of the policy
 - b. Evidence of compliance with the reasonable interpretation
3. Committee reviews survey results and develops recommendation to accept/not accept Monitoring Report
4. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)

Impacts of Recommended Action(s):

- **Governance:** Perform key Policy Governance process

Attachments:

- Monitoring report on 2.6 Financial Condition and Activities

TheRide

2.6 Cash and Investments

Monitoring Report for the Period: January 1, 2018 to December 31, 2018

Date of Report: Tuesday, April 2, 2019

Finance Committee Review: Tuesday, April 9, 2019

Board Review: Thursday, April 18, 2019

TheRide Board;

In accordance with the Policy Manual; I present the April Monitoring report on **Executive Limitation Policy 2.6: Cash and Investments** This report consists of an internal report information from staff.

I certify that the information is true and complete.

Matt Carpenter,
CEO
Ann Arbor Area Transportation Authority

Policy being monitored: 2.6 Cash and Investments

Report p.

The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board’s investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.

3

Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

2.6.1 Hold AAATA operating cash or surplus capital in insecure instruments, including federally-uninsured checking accounts or non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.

5

2.6.2 Deviate from the “Investment Policy to Comply with Michigan PA 20 of 1943” as stated in the Appendices, invest in instruments other than those so authorized, or invest unlawfully with respect to Michigan PA 20 of 1943.

6

Executive Limitations Policy 2.6

The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board’s investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.

Conclusion on Compliance

In compliance.

Current Interpretation & Rationale

For the purposes of this policy I understand “cash” to mean liquid financial resources held by AAATA in bank checking and savings accounts to cover operating costs over the next few months, and “surplus capital” to be cash held in investments for use later this fiscal year and next fiscal year.

I must not cause, allow, or fail to correct any holding of cash or capital investment in financial instruments which do not adhere to the priorities set by the Board in Appendix F:

1. The highest priority is to protect the original sum invested (“principal”) from risk of loss.
2. The second priority is to ensure that an amount of capital adequate to meet short-term needs is available (“liquid”) for the Authority’s use.
3. The third priority is to invest in instruments that generate the highest possible financial return (“yield”) keeping in mind the principles of prudent investing as stated in the “*Investment Policy to Comply with Michigan PA 20 of 1943*” from the Board Policy Manual Appendix F.

Evidence

As evidence I present the status of cash and investments as of January 31, 2018. Account statements are available for direct inspection by Board members.

1. AAATA held \$3.7 million in cash, checking, and savings accounts as follows (dollars in thousands):

<u>Account Name</u>	<u>Balance as of 1/31/2019</u>
IMPREST	\$1,287
OPERATING	\$92
PAYROLL	\$65
CHANGERS/PETTY	\$3
PASSES/TOKENS	\$7
CAPITAL	\$10
FLEX SPENDING	\$19
MONEY MARKET SAVINGS	\$1,911
GETDOWNTOWN	\$311
Total Cash	\$3,705

2. AAATA held \$11.26 million in investments as follows (dollars in thousands):

Investment Instrument	Date of Maturity	Interest Rate	Total as of 1/31/2019
Bank of AA - CD	2/20/2019	2.0%	795
Bank of AA - CD	3/20/2019	2.0%	795
Bank of AA - CDARS	3/28/2019	0.7%	2,500
Bank of AA - CDARS	8/1/2019	0.8%	1,500
U.S. Treasury Bill	3/28/2019	2.1%	1,000
U.S. Treasury Bill	9/27/2019	2.3%	1,000
U.S. Treasury Bill	3/25/2020	2.4%	1,000
U.S. Treasury Bill	9/25/2020	2.5%	2,000
RBC Futures Account	Daily	0.1%	555
Key Bank Money Market	Daily	0.1%	5
MERS Retirement Savings			109
Total Investments:			\$ 11,260

Safety of Principal:

Cash was held in drawers and petty cash, and in checking and savings accounts at the Bank of Ann Arbor. Bank accounts are Federal Deposit Insurance Corporation (FDIC) insured. Bank of Ann Arbor has the highest rating for financial stability from BankRate.com, a five-star rating for “safety and soundness,” with equity of \$156.8 million on assets of \$1.54 billion (see <https://www.bankrate.com/banks/bank-of-ann-arbor/2390929/>).

Most of AAATA’s investments were held in U.S. Treasury Bills or FDIC-insured Certificates of Deposit held by Bank of Ann Arbor, or the Certificate of Deposit Account Registry Service (CDARS). CDARS holds investments in multiple banks up to the FDIC-insured limit. The fuel futures commodity account and money market accounts are not FDIC insured, but secure inasmuch as they are held in banks (RBC Bank and Key Bank) with four-star ratings for financial stability from BankRate.com (see <https://www.bankrate.com/banks/rbc-bank-georgia-national-association/3783948/> and <https://www.bankrate.com/banks/keybank-national-association/280110/>).

Adequate Liquidity: Capital held in Certificates of Deposit and U.S. Treasury Bills is available for the Authority’s use within 30 days’ notification to Bank of Ann Arbor. The fuel futures commodity account and money market accounts are immediately available. (MERS retirement savings is not operating capital; it is the funded amount of post-employment benefits for retirees.) Liquidity has been sufficient to meet the operating needs during the monitoring period as evidenced by the fact that AAATA has been able pay its expenses without acquiring any debt.

Highest Yield Compatible with Prudent Investing: Yields on investments (0.01%-2.50%) are the highest rates available considering the priorities for safety and liquidity. In September 2018, the investment strategy was modified to secure higher yields available with U.S. Treasury Bills. AAATA’s portfolio will yield an estimated \$153,421 for FY2019, nearly four times the yield from CDs alone generated in the prior year.

Attestation:

The financial data presented as of January 31, 2019 demonstrates compliance at a single point in time.

Additionally, I attest that cash and investments were held in compliance with this policy throughout the monitoring period.

Executive Limitations Policy 2.6.1

... the CEO shall not ... hold AAATA operating cash or surplus capital in insecure instruments, including federally-uninsured checking accounts or non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.

Conclusion on Compliance

In compliance.

Current Interpretation & Rationale

I understand this policy to mean that capital must be held in bank accounts that are insured by the FDIC to the level of at least \$250,000 for each account, and must be held in accounts which generate interest. This policy allows an exception for capital that needs to be available for immediate use to fund operations, otherwise known as operating cash.

Evidence

I have not caused, allowed, or failed to address any deviation from this policy as supported by the following evidence:

- All funds held in U.S. Treasury Bills are federally-guaranteed.
- Funds managed by Bank of Ann Arbor in CDARS are federally-insured.
- Bank accounts with balances above the FDIC insured limit of \$250,000 are for needed for short term operations, according to the exception in this policy.
- Each is an interest-bearing account, with interest rates listed in the table above.
- Account statements are available to Board Members as source documentation for direct inspection upon request.

Executive Limitations Policy 2.6.2

... the CEO shall not ... deviate from the "Investment Policy to Comply with Michigan PA 20 of 1943" as stated in the Appendices, invest in instruments other than those so authorized, or invest unlawfully with respect to Michigan PA 20 of 1943.

Conclusion on Compliance

In compliance, except as noted.

Current Interpretation & Rationale

I interpret this policy to mean that the AAATA must comply with Public Act 20 of 1943, have the required Board-approved policy, and is limited to investment instruments outlined in that policy.

Public Act 20 requires public agencies to have an adopted policy that states purpose, scope, and objectives, delegates authority to make investments, sets standards for safety, safekeeping and prudent investing, and lists the types of investment instruments that are authorized. AAATA must have a Board-adopted policy for investments that includes the required elements.

The Investment Policy authorizes use of the following investment instruments: Certificates of Deposits, Bonds and other direct obligations of the U.S. (maturity limited to 3 years or less), or Government Mutual Funds. The policy notes that it does not apply to employee pension funds.

Evidence

As evidence of compliance I submit the following:

1. The Board adopted the referenced investment policy including the elements required by Public Act 20 in January 2018. It has now been added to Appendix F of the Board's Policy Manual.
2. Invested funds were/continue to be held in Certificates of Deposit accounts and U.S. Treasury Bills, which are authorized investment instruments.
3. The total investment held in any one financial institution is less than \$4 million, as demonstrated on the account statements, and below 20% of each financial institution's capital/surplus (as demonstrated by descriptions of bank equity from Bankrate.com), as required by the Investment Policy.
4. More than \$4 million is invested in U.S. Treasury Bills, which are federally-guaranteed. Maturities are less than 3 years.
5. Funds invested in the MERS Retirement Savings are pension funds managed by Municipal Employee's Retirement System of Michigan. The investment policy states it does not apply to pension funds.

There is one area where compliance is unclear:

- The use of fuel futures has been a traditional practice at AAATA to hedge against market fluctuations in fuel prices. This account is not federally-insured, and may be insecure as it is subject to volatility in the commodities market. Further, the Auditor's opinion is that it remains unclear whether use of fuel futures complies with Public Act 20 (p. 15 FY2018 annual audit).

Notes: CEO Comments on Written Policy

1. The board may wish to monitor this policy more frequently, such as quarterly with the financial statements.
2. I could use the Board's input and advice concerning the amount of evidence presented for this monitoring report.

Record of Board Decision Regarding Monitoring Report
(To be filled in based on Board action after submission)

Policy: EL 2.6 Cash and Investments

Date Submitted: Feb 28, 2018

Date of Board Response: March 5, 2018

The Board has received and reviewed the CEO's Monitoring Report references above. Following the Board's review and discussion with the CEO, the Board makes the following conclusions:

Executive Limitations Report (select one)

The Board finds that the CEO:

- A. Is in compliance
- B. Is in compliance, except for item(s) noted.
- C. Is making reasonable progress toward compliance.
- D. Is **not** in compliance or is **not** making reasonable progress toward compliance
- E. Cannot be determined.

Financial Committee Notes

- The traditional practices of fuel futures raised questions. Further discussion is warranted.
- Necessary level of detail in evidence was discussed.
- Challenges noted with frequency of monitoring or understanding more than a snapshot of information.
- Potential to monitor more frequently or coordinate with Quarterly Report discussed.
- Suggestions for more clarity regarding compliance with Appendix F specifically.
- Suggest that Board accept report as a B.

Board notes:

February 12, 2018 AAATA Local Advisory Council

Meeting Minutes

1.0 CALL TO ORDER:

Chairperson Weber called the meeting to order at 10:00 a.m.

2.0 INTRODUCTIONS:

LAC Committee Members in attendance: Cheryl Weber (Chair), Larry Keeler, Debra Poster, Stephen McNutt, Jody Slowins, Andrea Henry (CIL), Janet Nutt

LAC Committee Members not in attendance:

AAATA Board Liaison: Kathleen Mozak-Betts

AAATA Staff Liaison: Caitlin Conway (AAATA), Robert Williams (AAATA), Tracy Byrd (AAATA), Bill DeGroot (AAATA), Julia Roberts (AAATA)

LAC General Members: Dana Greer

Guests: Darryl Johnson, RideCorp; Doug Anderson (PEX); Michealene Polak (WAVE)

3.0 REVIEW AND APPROVAL OF AGENDA:

The agenda was approved as presented.

4.0 REVIEW AND APPROVAL OF MINUTES:

The December meeting minutes were accepted with spelling amendments to items 8.0 “December” and “on” to “in”; and the last paragraph listing the next meeting changed “December” to “January”.

5.0 COMMUNICATIONS AND ANNOUNCEMENT

None Heard.

6.0 PUBLIC COMMENT TIME

- Ms. Nutt expressed her pleasure with the new sedan RideCorp is testing. She mentioned it was easier to get in and out of since the vehicle is larger.

7.0 BOARD REPORT

Ms. Weber gave the report. It was mentioned that the Board is still working on the relationship with the LAC through policy governance.

8.0 NEW BUSINESS

- Vehicle Accessibility Plans
 - AAATA – Caitlin Conway delivered the report from AAATA. She reported a change in the total number of vehicles. AAATA reduced the fleet by one and all vehicles owned by AAATA are accessible.
 - WAVE – Michealene Polak gave the report for WAVE. WAVE did not have any changes to their plan.
 - Questions focused on access to Dexter and Chelsea
 - PEX – Doug Anderson gave the report for PEX with no changes from the previous application.
 - Questions from the LAC to PEX focused on the opportunity to travel to Whitmore Lake
 - As a general note Janet Nutt should not be listed as a 65 or older representative in any of the application since she has not reached that age.
- Michigan Mobility Grant Updates
 - Ms. Roberts gave a brief update on the projects that AAATA is leading and assisting. The main update was with the site visit to Port Huron to see how Blue Water Transit operates the QUANTUM system and how Ms. Mozak-Betts liked the operations of the system. The local trial of the system will be around the end of March.

9.0 PUBLIC COMMENT TIME

- No comments heard

10.0 FUTURE NEW BUSINESS ITEMS

A. Michigan Mobility Grant Updates

11.0 ADJOURNMENT

Chairperson Weber adjourned the meeting at 12:00 p.m.

Respectfully Submitted by: Bill De Groot (C/O), Brian Clouse, LAC Liaison / AAATA
Paratransit Coordinator

Next LAC Meeting: March 12, 2019 from 10:00am – 12 noon.

LAC meetings are held the second (2nd) Tuesday of every month except July, from 10am to 12 noon at the Dawn Gabay Operations Center located at 2700 S. Industrial Hwy. Ann Arbor MI. For more information on AAATA LAC meetings, or to request this or other documents in an alternative format, call **734-794-1702** or email LAC@theride.org.

March 12, 2019 AAATA Local Advisory Council

Meeting Minutes

1.0 CALL TO ORDER:

Chairperson Weber called the meeting to order at 10:00 a.m.

2.0 INTRODUCTIONS:

LAC Committee Members in attendance: Cheryl Weber (Chair), Larry Keeler (Co-Chair), Debra Poster, Stephen McNutt, Jody Slowins, Rebecca Burke, Mary Wells, Clark Charnetski (Rep. A1B), Andrea Henry (CIL), Janet Nutt

LAC Committee Members not in attendance:

AAATA Board Liaison: Kathleen Mozak-Betts

AAATA Staff Liaison: Caitlin Conway (AAATA), Robert Williams (AAATA), Tracy Byrd (AAATA), Julia Roberts (AAATA)

LAC General Members: Dana Greer, Elizabeth Aldridge

Guests: Darryl Johnson, RideCorp; Brittany Morton and David Minnix, Menlo Innovations.

3.0 REVIEW AND APPROVAL OF AGENDA:

The agenda was approved as presented.

4.0 REVIEW AND APPROVAL OF MINUTES:

The February meeting minutes were accepted with spelling amendments to item 8.0 "opportunity". Tracy Byrd's name was removed from the list of attendees of the February Meeting. Rebecca Burke, Clark Charnetski, and Mary Wells names were added to the list of LAC members not in attendance at the February Meeting

5.0 COMMUNICATIONS AND ANNOUNCEMENT

Clark Charnetski mentioned the Transportation Committee Meeting will be at the Ann Arbor City Council Chambers on March 20th at 7:00pm.

6.0 PUBLIC COMMENT TIME

- Mr. Keeler asked about the upcoming route changes in Pittsfield township, and wanted more information about The FlexRide service for Pittsfield township. Ms. Poster asked about a timeline for the installation of the Quantum Q-strait wheelchair Securements.
- Chairperson Weber asked the LAC to approve a motion to allow Ms. Roberts time to further explain the Mobility Grant Updates. This amendment to the Agenda was approved by voice vote. Ms. Roberts gave a concise update for the Mobility Grants.
 - March 26th will be the day for customers to test the new Quantum System at MCity.
 - Brittany Morton and David Minnix from Menlo Innovations discussed vehicle/ pedestrian avoidance advancements with the LAC.

7.0 BOARD REPORT

Chairperson Weber gave the report. It was mentioned that the Board is still working on the relationship with the LAC through policy governance. Liaison Mozak-Betts mentioned that the Board discussed the Agenda for the Upcoming Board Retreat and recited a concern about the YTC closing before the last bus arrived at the YTC.

8.0 NEW BUSINESS

Reviewed during public comment

9.0 PUBLIC COMMENT TIME

- Mr. Charnetski discussed a Transit Riders United (TRU) meeting which he, and representatives from SMART and DDOT were present. The conversation focused on the DDOT service changes.
- Chairperson Weber mentioned concerns she had heard about the trunk size of the new sedans acquired by Ridecorp. She also asked if the Authority will be reviewing vehicles for ARide delivery soon.

10.0 FUTURE NEW BUSINESS ITEMS

- A. Paratransit Report Card
- B. Quantum Q-Straint Feedback
- C. YTC Remodel
- D. Paratransit Study Update

11.0 ADJOURNMENT

Chairperson Weber adjourned the meeting at 11:15 a.m.

Respectfully Submitted by: Robert Williams (C/O), Brian Clouse, LAC Liaison /
AAATA Paratransit Coordinator

Next LAC Meeting: April 9th, 2019 from 10:00am – 12 noon.

LAC meetings are held the second (2nd) Tuesday of every month except July, from 10am to 12 noon at the Dawn Gabay Operations Center located at 2700 S. Industrial Hwy. Ann Arbor MI. For more information on AAATA LAC meetings, or to request this or other documents in an alternative format, call **734-794-1702** or email LAC@theride.org.

April 9, 2019 AAATA Local Advisory Council

Meeting Draft Minutes

1.0 CALL TO ORDER:

Chairperson Weber called the meeting to order at 10:00 a.m.

2.0 INTRODUCTIONS:

LAC Committee Members in attendance: Cheryl Weber (Chair), Larry Keeler (Co-Chair), Debra Poster, Stephen McNutt, Jody Slowins, Rebecca Burke, Mary Wells, Clark Charnetski (Rep. A1B), Andrea Henry (CIL), Janet Nutt

LAC Committee Members not in attendance:

AAATA Board Liaison: Kathleen Mozak-Betts (Absent)

AAATA Staff Liaison: William De Groot (AAATA), Robert Williams (AAATA), LaTonya Hargrave (AAATA), Julia Roberts (AAATA)

LAC General Members: Dana Greer

Guests: Darryl Johnson, RideCorp;

3.0 REVIEW AND APPROVAL OF AGENDA:

The agenda was approved with additions of City of Ann Arbor Pedestrian Ordinance and LAC Meeting date change discussion.

4.0 REVIEW AND APPROVAL OF MINUTES:

The March meeting minutes were accepted as presented.

5.0 COMMUNICATIONS AND ANNOUNCEMENT

Clark Charnetski mentioned the Transportation Committee Meeting will be at the Ann Arbor City Council Chambers on April 17th at 7:00pm.

Mr. Charnetski discussed a meeting of the Michigan Association of Railroad Passengers which MDOT and SMART employees talked about rail service in southeast Michigan.

6.0 PUBLIC COMMENT TIME

- Ms. Nutt stated that the trunk size of the new sedans being used by RideCorp seem not to hold mobility aids, or the drivers need additional training to load mobility aids properly into the trunk.
- Mr. Keeler reported that he had discuss challenges to reserving paratransit service from our NightRide and HolidayRide service. The challenge expressed was the lack of availability and the attitude of the call staff. This will be reviewed by AAATA Staff.

7.0 BOARD REPORT

Chairperson Weber gave the report. The last few meetings the Board was given land use and transportation network education presentations from professors of the University. It was mentioned that the Board is still working on the relationship with the LAC through policy governance.

8.0 NEW BUSINESS

- Paratransit Report Card – Mr. Williams presented the month of March data in a simple report card illustrating: On-time performance, Average Trip Length, Reservation Adherence (Turn Down Rate), and general trip information. This information will be submitted every two months.
- LAC Regular Meeting Date Change – The LAC has been asked by the Board to move their regular meeting to the first week of every month. This was discussed by the LAC and they passed a motion to move the Meeting to the First Tuesday of each month starting at 1:30 pm
- Mobility Project Updates – Ms. Roberts gave an update on the Q-Strait test and thanked everyone who participated in the testing. She also discussed the launch of the New Mobility Tool Kit project that will include more information through the summer.
- YTC Project update – Mr. De Groot told the LAC that the project is moving forward and the Agency will be writing for a grant this year.
- City of Ann Arbor Draft Amendment to the Zoning Ordinance about pedestrian crossings within the City of Ann Arbor. The draft language would not require motorists to stop until a pedestrian entered the street. Currently, a motorist would have to stop when a pedestrian enters the sidewalk area leading to the crosswalk. The City is looking for comment. I

was agreed that Mr. De Groot would research how the LAC could give comment as a body without political bias.

9.0 PUBLIC COMMENT TIME

- Mr. Charnetski mentioned that AAATA will be hosting open house discussions about the Washtenaw BRT project in the months to come..

10.0 FUTURE NEW BUSINESS ITEMS

- A. Advocacy Policy Discussion
- B. AAATA Project Updates

11.0 ADJOURNMENT

Chairperson Weber adjourned the meeting at 11:55 a.m.

Respectfully Submitted by: William De Groot (C/O), Brian Clouse, LAC Liaison / AAATA Paratransit Coordinator

Next LAC Meeting: May 7, 2019.

LAC meetings are held the first (1nd) Tuesday of every month except July, at the Dawn Gabay Operations Center located at 2700 S. Industrial Hwy. Ann Arbor MI. For more information on AAATA LAC meetings, or to request this or other documents in an alternative format, call **734-794-1702** or email LAC@theride.org.

Issue Brief: Fare Study

Meeting: Board of Directors

Meeting Date: April 18, 2019

Agenda Item: #4.1

Recommended Committee Action(s):

Receive as information the Fare Study completed last year. In April and May, the Deputy CEO/Finance and Administration will introduce study information to support Board discussions about fares later this year and next year.

Prior Relevant Board Actions and Policies:

- Summary of Board Policies on Fares (see Attachment 1).

Issue Summary:

The consulting firm *Four Nines Technologies* completed a Fare Study in 2018. AAATA received lengthy technical reports which will be summarized for the Board at the next two Board meetings, before the final report is provided for review.

- The April presentation will introduce the current state of fares, how fares compare with those of industry peers, broader industry and technology trends, and an analysis on Strengths, Weaknesses, Opportunities, and Threats (SWOT analysis).
- The May presentation will summarize customer survey results and consultant recommendations, introduce additional staff perspectives, and bring forward a roadmap for further discussion about fares.

Background:

Fares were last adjusted in 2010. Over the years, fares have developed in an ad hoc manner unguided by any particular strategic approach. The Fare Study was completed to align AAATA's fare structure, policies, and technologies with Ends Policies outlined by the Board.

Impacts of Recommended Action(s):

Budgetary/Fiscal: Board policy requires AAATA to be economically viable and sustainable for the long term (Ends Policy 1.3.7).

Social: Many passengers are sensitive/vulnerable to the price of fares, particularly people with low incomes, disabilities or mobility impairments, the elderly, and youth. Board policy establishes the principle of equitable access to destinations (Ends Policy 1.1.2).

Environmental: The price of fares can attract commuters to transit to enhance the environmental vitality of the area (Ends Policy 1.2).

Governance: Adoption of fares is the Board's responsibility (Governance Policy 3.2.9).

Attachments:

1. Board Policies on Fares
2. Presentation

Attachment 1: Board Policies on Fares

Ends Policies:

Ends policies emphasize *affordability, equity, and financial sustainability* as ends for AAATA's fare structure to achieve:

- Policy 1.1.1: "People with low incomes can afford to travel in the Area."
- Policy 1.1.2: "People including those with disabilities or mobility impairments, seniors, minors ... have equitable access to opportunities in the Area."
- Policy 1.3.7: "The Authority will remain economically viable in the long term."

Executive Limitations Policies:

Executive limitations emphasize *respectful treatment of riders, compliance with federal regulations, Board authorization for fare changes, guidance for major decisions, and the necessity of public engagement* in considering changes to fares:

- Policy 2.1: "The CEO shall not ... allow ... procedures which are ... undignified, disrespectful, unclear, or overly intrusive."
- Policy 2.5.2: "The CEO shall not ... operate in a manner that would jeopardize federal ... funding."
- Policy 2.5.8: "The CEO shall not ... adjust transit passenger fares ... assessed by the Authority."
- Policy 2.8.4.2: "The CEO shall not ... ignore the social, environmental, and economic implications of major decisions."
- Policy 2.10.4: "The CEO shall not ... fail to reasonably engage riders, residents, and stakeholders when considering material changes to ... fares."

Governance Process Policies:

Governance policies assign responsibility to the Board of Directors to *approve changes to fares*:

- Policy 3.2.9: "...approval of rider fare increases ... assessed by the Authority."

Fare Study Introduction

Part I

Presented by:
John Metzinger
Deputy CEO, Finance and Administration



AM ARBOR AREA TRANSPORTATION AUTHORITY

1

Agenda

- Fare Study Overview
- Current State of TheRide's Fares
- Peer Comparison Summary
- Needs, Opportunities, and Challenges
- Next Steps
- Board Feedback



AM ARBOR AREA TRANSPORTATION AUTHORITY

2

Fare Study Objectives

- Frame and inform future discussions and decisions.
- Develop potential goals for fares to balance ridership, revenue, and social, environmental, and economic development benefits.
- Suggestions to make fares easier to understand for customers and explainable.
- Provide ideas for current and future technologies to improve processes for the sale and collection of fares.
- Deliver a forecasting tool for further analysis of fare options.



AM ARBOR AREA TRANSPORTATION AUTHORITY

3

Fare Study Overview
Deliverables



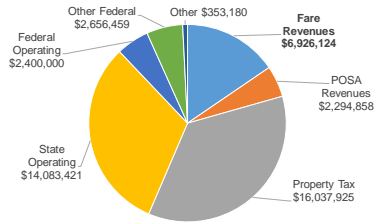
Document	Description	No. of Pages
Memo 1 & 2	Existing Fare Structure, Best Practices, Industry Review	61
Memo 3	Community Engagement Summary	17
Memo 4	Strengths, Needs, Opportunities, Challenges	12
Memo 5	Improvement Options & Recommendations	52
Memo 6	Fare Model Calibration & Assumptions	12
Final Report	Executive Summary and Final Report	171

Reports Online at <http://www.theride.org/AboutUs/Initiatives/Fare-Study>



Current State of TheRide's Fares

Operating Revenue Sources



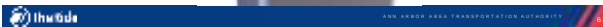
Total Revenue:
\$44.8 million
(FY2018)



Current State of TheRide's Fares

Fare Collection Technology

Genfare
Odyssey
Farebox



Peer Comparison

Average Fare per Boarding • Peer Average: \$0.83

Peoria, IL	\$0.56
Champaign-Urbana, IL	\$0.58
Ann Arbor, MI	\$0.69
South Bend, IN	\$0.73
Shreveport, LA	\$0.80
Grand Rapids, MI	\$0.85
Roanoke, VA	\$0.85
Hartford, CT	\$0.91
Erie, PA	\$0.96
Syracuse, NY	\$1.37



Peer Comparison

Subsidy per Boarding • Peer Average: \$3.61

Champaign-Urbana, IL	\$1.95
Grand Rapids, MI	\$2.28
Roanoke, VA	\$2.32
Shreveport, LA	\$3.46
Ann Arbor, MI	\$3.75
Erie, PA	\$3.87
Syracuse, NY	\$4.03
South Bend, IN	\$4.44
Hartford, CT	\$4.75
Peoria, IL	\$5.22



Peer Comparison

Fare vs. Subsidy per Trip

City	Fare % Per Trip Cost	Subsidy % Per Trip Cost	Cost per Boarding
Grand Rapids, MI	27%	73%	\$3.14
Roanoke, VA	27%	73%	\$3.17
Syracuse, NY	25%	74%	\$5.41
Champaign-Urbana, IL	23%	77%	\$2.53
Erie, PA	20%	80%	\$4.84
Shreveport, LA	19%	81%	\$4.26
Hartford, CT	16%	84%	\$5.66
Ann Arbor, MI	16%	84%	\$4.45
South Bend, IN	14%	86%	\$5.17
Peoria, IL	10%	90%	\$5.78
Peer Average	20%	80%	\$4.44



SWOT Analysis

Needs, Opportunities, Challenges



Emergent Themes

- Simplicity
- Equity
- Safety
- Cash vs. Cashless
- Technology
- Customer Service
- Ridership & Revenue Growth
- Data Collection & Use
- Integration Between Services



ITHACA AREA TRANSPORTATION AUTHORITY

SWOT Analysis

Need to guide decision-making about fares

- Use of operational data in decision-making
- Establish equitable discounting methods
- Pricing of new services, integration with existing services
- Setting the price for new third-party pass programs





ITHACA AREA TRANSPORTATION AUTHORITY

SWOT Analysis

Opportunity to simplify payment choices

- 50+ ways to pay
- Need to simplify for clarity
- Focus upon retaining and improving highly used fares





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SWOT Analysis

Equitable discounts

- Build equity into discounting methodologies
- Align discounts with industry/regulatory standards
- Shift enforcement of discount fares off-board
- Opportunity to increase revenue



SWOT Analysis

Clarify transfers

- Clarity will reduce customer confusion
- Consistency needed in transfer protocol
- Address time validity of transfer tickets



SWOT Analysis

Pricing promotes ridership

- Passes can incentivize ridership growth
- Faster boarding time
- Minimizes transfer problems
- Opportunity to price correctly



SWOT Analysis

Reduce use of change cards

- Customer inconvenience, risk of loss
- Increased use of TRIM unit
- Incentivize cashless fare payment



SWOT Analysis

Fare integrations and data-driven decisions

- Integrated fares between services can improve convenience
- Improve use of data and new technology
- Implement new technology such as smart cards or mobile app payments



SWOT Analysis

Other opportunities and challenges

- Rising costs (price of fares not changed since 2010)
- Misclassification / Unclassification
- Underreporting of ridership
- Concerns about fare evasion
- Uncertainty from RTA



SWOT Analysis

Suggested approach to future fare decisions

- Finding balance between needs and benefits
- Ensuring convenience and usability of fares
- Use technology to improve customer experience with fares



Board Policy

- Ends
 - Policy 1.1.1: Affordability
 - Policy 1.1.2: Equitable access
 - Policy 1.3.7: Financial sustainability
- Executive Limitations
 - Policy 2.1: Dignified, respectful, clear, non-intrusive procedures
 - Policy 2.5.2: Federal compliance
 - Policy 2.5.8: Adjusting fares is Board's responsibility
 - Policy 2.8.4.2: Importance of social, environmental, economic implications
 - Policy 2.10.4: Community engagement for fare changes

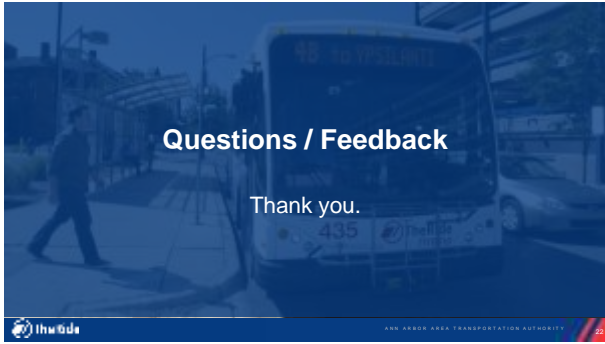


What's Next?

Presentation to Board in May:

- Customer survey results
- Consultant's ideas
- Staff perspectives
- Roadmap for further discussion





Issue Brief: [Presentation of Innovative Activities](#)

Meeting: Board

Meeting Date: 4/18/2019

Information Type: Other

Recommended Action(s):

Receive for Information

Alternative Option(s):

None

Prior Relevant Board Actions and Policies:

Board's Ends

Issue Summary:

Tim Sanderson (Deputy CEO P&I) will provide a presentation on current innovative pilot projects as well as an overview of the general approach that is being taken toward leveraging technology and new service paradigms to better serve our customers and the public at large.

Background:

With the advent of new technologies, service paradigms and connectivity; the transit industry is presented with a number of opportunities to leverage these advances and improve the mobility of the public. In order to further the ends of the board, Planning and Innovation staff have embarked on a number of innovative pilot projects in order to identify where the greatest positive impact can be made.

Attachments: Presentation

The Bus and Beyond

TheRide's Pursuit of Innovative Transit

Presented by:

Tim Sanderson, Deputy CEO, P&I



Overview



WHAT ARE WE TRYING TO DO?



WHAT IS GUIDING IT?



WHAT ARE THE CURRENT PROJECTS?



WHAT IS THE FINAL PRODUCT?

What are we trying to do?



LEVERAGE
TECHNOLOGY
TO BETTER
MEET THE
MOBILITY
NEEDS OF THE
COMMUNITY



IDENTIFY AND
REACT QUICKLY
TO EMERGING
OPPORTUNITIES



PARTNER WHEN
POSSIBLE

What is guiding it?

Using innovation to further the Ends of the Board

Ends

Relationship

- | | |
|--|--------|
| 1.1. All residents of the Area can participate fully in society without a personal vehicle | Strong |
| 1.2. The Area's natural environment is enhanced | Strong |
| 1.3. The Area prospers economically | Medium |

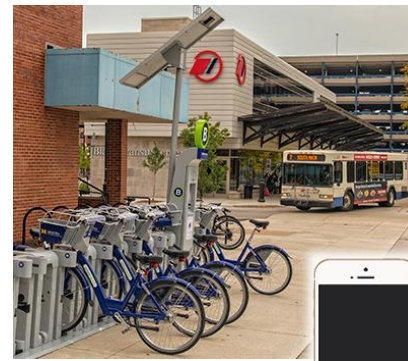
What are the current projects?

- New Mobility Toolkit
- Vehicle Automation
- FlexRide
- Signal Priority
- Enhanced Transit Corridor
- Mobile Ticketing
- Pilots



New Mobility Toolkit

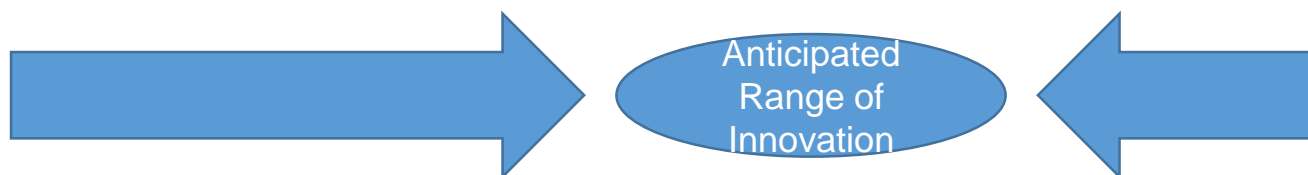
- A collaborative effort to identify and prioritize innovative projects
- Final product will be integrated with the Long Range Plan
- A living document that encourages a focused approach to future innovation
- Completed Fall 2019



Vehicle Automation

- Automation vs. Autonomous
- Public transit very different from personal automobiles

SAE Levels of Automation					
Level 0	Level 1	Level 2	Level 3	Level 4	Level 5
No autonomous features	A single automated function	Multiple automated functions	Can handle dynamic driving tasks, but may require intervention	Can operate without a drivers attention in certain environments	Can operate without a drivers presence



Vehicle Automation

Current projects:

- Concept request to MDOT/FTA for Vehicle Automation pilot on Washtenaw.
- Working with multiple partners on possible small scale local application.



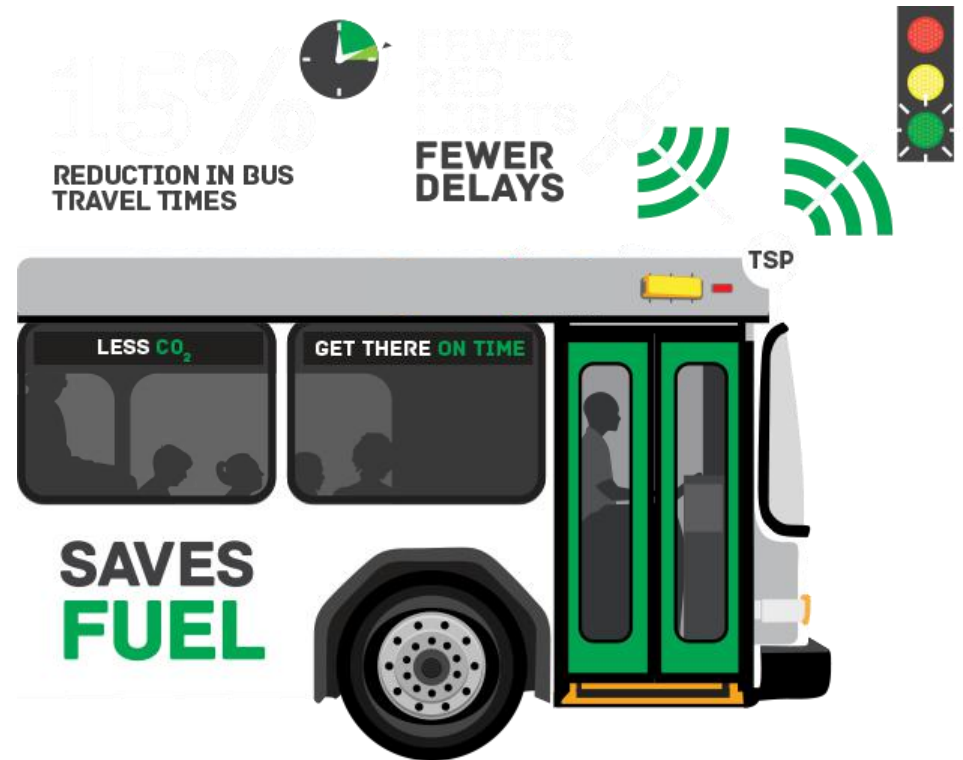
FlexRide

- On demand service to provide connection to fixed route service.
- Pilot currently underway in lower density areas.
- Proposed pilot expansion of service in August.
- RFP currently issued.



Transit Signal Priority

- Grant application currently being reviewed to provide software to AAATA and WCRC.
- Centralized software based system that requires no hardware.
- Can be deployed in a number of ways – not corridor dependent.



Enhanced Transit Corridor

- Currently wrapping up Washtenaw BRT study.
- Improvements can be implemented on an incremental basis as opportunities become available.



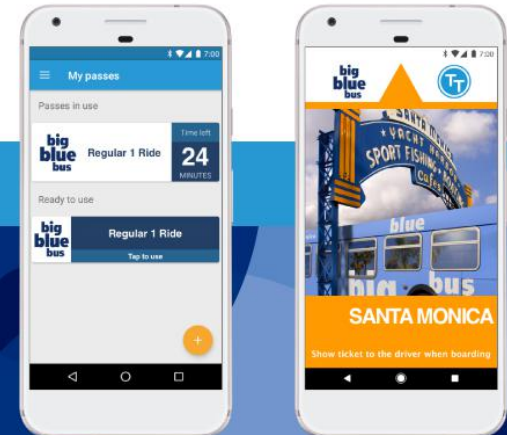
Mobile Ticketing

- Allows for fare purchase and payment via smart-phone
- Pilot project planned to coincide with A2Tech360 in June 2019
- To be considered as part of overall future fare strategy

Your Phone is Now Your Pass

Buy Your BBB Pass from Anywhere

 Get the **Token Transit** App, click here for a download link



Pilots

- Quantum Project
- Feonix Connect App
- Humanising Autonomy
- Paratransit Booking App



Things to Remember

- It is ok to fail
 - Fail quick and adapt
 - Learn from our mistakes
 - Lots of little seeds – some will bloom, some won't
- Start small
 - Limit risk
 - Hippocratic oath
"Primum non nocere"
- This may be a little messy
 - We need to react quick and seize opportunities when they arise
 - If we aren't disruptive, we will never adapt
- This isn't just a shiny object
 - We are doing this to better serve our customers
 - Driven by TheRide's Board Ends



What is the final product?



People as a
Priority



First/Last Mile
Solutions



~~New~~ Mobility
Innovation



The Bus Plus!



Thank you.

Questions?



CEO's Report

Meeting Date: April 18, 2019

Agenda Item # 4.3

OPERATIONAL AND PROJECT UPDATES:

- **QUANTUM WHEELCHAIR SECUREMENTS**

A pre-launch event was held on March 26 at MCity to test the QUANTUM wheelchair stations. State Representative Yousef Rabhi kicked off the event by describing the importance this innovation contributes to the freedom for all citizens to travel independently. Board Member Kathleen Mozak-Betts, Alex Gossage from the Center for Independent Living and Jean Ruestman from the Michigan Department of Transportation also spoke at the event. Eight customers were onsite to test the equipment.

The buses with Quantum wheelchair securement stations will initially be tested on a select number of routes until all motor coach operators are trained to use the system.

- **WASHTENAW BUS RAPID TRANSIT**

Following the November/December 2018 public input period and open house, two additional pop-up events are scheduled to collect additional feedback for the Washtenaw Bus Rapid Transit study. The pop-up events are scheduled for April 23 from 4 p.m. – 7 p.m. at the Ypsilanti Transit Center and on April 24 from 7 a.m. – 10 a.m. at the Blake Transit Center. A presentation is scheduled for the WATS Technical committee this month. More details about the project are at www.TheRide.org/AboutUs/Initiatives/ReImagine-Washtenaw.

- **BUS PROCUREMENT**

We have issued a request for proposal for our next bus procurement. An award is scheduled for August.

- **MAIN OFFICE – STATE OF GOOD REPAIR**

We have issued a request for proposal for a new roof and heating and cooling (HVAC) systems for the Dawn Gabay Operations Center located on S. Industrial Highway. Work will begin in June. Board committee meetings are being moved to the Blake Transit Center until further notice.

- **BIKESHARE/ARBORBIKE**

The relaunch of the BikeShare/ArborBike service is still underway with an anticipated startup in mid-late May.

- **PUBLIC INPUT – AUGUST SERVICE CHANGE PROPOSALS**

The public comment period for August service changes was held during March. Public input sessions were held at the Blake Transit Center, Ypsilanti Transit Center and at the Pittsfield Twp. Senior Center. Online comments were also accepted at TheRide.org. Final changes will be implemented at the end of August.

- **50TH ANNIVERSARY CELEBRATIONS**

We will be celebrating our 50th anniversary with employees on April 26th and plans are underway to celebrate this significant milestone with our customers on May 7th.