

ANN ARBOR TRANSPORTATION AUTHORITY
FUNDING PERSPECTIVE
September 22, 2005

AATA Funding and Increased Costs

In 1998, AATA was receiving 50 percent of its operating costs in state funding. Since that time, the percentage has been steadily declining, with the available funding level for Fy 2005 at 34.6 percent. For FY 2006, AATA has budgeted at the level of state funding anticipated – 33.3 percent of AATA operating costs. This level is equal to the 1997 level and is the statutory floor.

In December, 1998, AATA paid 39 cents per gallon for diesel fuel. The current cost is \$2.26 per gallon as of September 22, 2005. For every 10 cents that the cost of fuel increases, the annual expense to fuel AATA vehicles goes up by \$70,000.

Health care costs have increased by an average of 12-15 percent each year since 1999.

Over the next two fiscal years, 27 AATA buses will be due for replacement. In the past, federal capital funds paid for 80 percent of the cost of new buses, with the state paying for 20 percent. The state is proposing to reduce the share of capital funding from 20 percent to 13 percent. This 7 percent reduction represents \$567,000 in lost revenue for the purchase of buses over the next two years.

Measures taken by AATA since 1998

In the face of these fiscal constraints, AATA has implemented the following measures to reduce costs and find alternate revenue sources:

- Increased the full bus fare in 2002 from 75 cents to \$1.00.
- Consolidated A-Ride services under one service provider to realize expected savings of \$500,000.
- Reduced fixed-route service by 5 percent in 2002.
- Reduced the size of the work force from 216 in 2002 to 191 for FY 2006 through attrition and the elimination of 9.5 positions.
- Reduced the cost to produce the Ride Guide and other customer information by bringing most of the design work in-house. Plans call for making additional changes to the Ride Guide to realize a reduction in printing costs.
- Contracted for the placement of advertisements on AATA buses to realize expected new revenue of \$200,000.