Regional Transit Authority Master Agreement with Public Transportation Providers

PREAMBLE

The Regional Transit Authority of Southeast Michigan is a public corporation created under Act No. 387 of the Public Acts of 2012 and a metropolitan authority authorized by Section 27 of Article VII of the Michigan Constitution of 1963.

Under the Regional Transit Authority (the "RTA Act") Act, Act No. 387 of the Michigan Public Acts of 2012, the authority has specific powers and obligations to coordinate public transit services between the region's transit service providers and to plan for and develop new service. These powers and obligations place the RTA in the position of guiding and coordinating the use of state and federal transit funds that come to the region. Of particular importance to this role are the following provisions from the RTA Act:

PLANNING AND COORDINATION – Section 7 (3)

- The authority shall integrate the existing plans of former designated recipients into a single regional master transit plan, may amend the regional master transit plan from time to time, and must update the plan annually.
- The authority shall coordinate the operating and capital transit plans of transportation agencies and authorities within the public transit region.

PLANNING AND COORDINATION – Section 8 (11) and (12)

- To remain eligible for state funds, a public transportation provider shall annually submit a report to the RTA Board describing and evaluating the provider's effort to coordinate service with other public transportation providers in the region.
- The authority shall coordinate service overlap, rates, routing, scheduling, and any other function that the authority considers necessary to implement or execute the regional transit master plan. The RTA may issue coordination directives regarding public transportation services, including, but not limited to, routes, schedules, and fares and may withhold up to five percent of the allocation of state funding if a provider fails to comply with a coordination directive of the authority.

FEDERAL FUNDS – Section 8 (1)-(4)

- The authority is the designated recipient for the purpose of applying for all federal operating and capital grant funds available from the U.S. Department of Transportation and its administrations. The authority may opt to make application to the federal government on behalf of the region's transit providers or it may execute a supplemental agreement conferring upon a public transit provider the right to directly receive and dispense federal grant funds. Regardless of whether the authority submits the application or a provider submits the application, the board must review and approve all applications by transit providers for federal funds before such applications may be submitted. If a transit provider submits a federal application that has not been approved by the board, the application is not eligible for state matching funds.

STATE FUNDS – Section 8 (5)-(8)

- All public transit providers in the region must submit their annual funding requests for state CTF funds, including local bus operating (LBO) assistance, to the authority. The authority will aggregate the funding requests from the region's transit providers and submit a single consolidated application to the state. The Michigan Department of Transportation (MDOT) shall award funds only to the authority which shall distribute them to transit providers.
- The authority shall monitor and provide oversight for the expenditure of state funds by transit providers.
- If MDOT approves state matching funds for an application for federal grant funds, MDOT, with the approval of the authority, may award the state matching funds directly to the transit provider that is the federal grant recipient.

PURPOSE

The purpose of this Master Agreement with the Public Transportation Providers is to detail how RTA will approach its role and to clarify the working relationship between RTA and the existing transit providers within the region, including the funding relationship. The transportation providers covered by this agreement are the Detroit Department of Transportation (DDOT), the Suburban Mobility Authority for Regional Transportation (SMART), the Ann Arbor Area Transportation Authority (AAATA) and the Detroit Transportation Corporation (DTC).

The relationship between SMART and Lake Erie Transit remains outside of scope of this Agreement because Monroe County is not currently part of the RTA. SMART may continue to conduct business on behalf of Lake Erie Transit, such as submitting state and federal funding applications, with no involvement of the RTA for the duration of this agreement.

The RTA role and its relationship to providers will evolve over time and as such this Agreement is broken into three sections, spelling out the role and relationships for the following three periods of time:

Article I: Present until September 30, 2013;
Article II: October 1, 2013 until September 30, 2014 (FY 2014); and,
Article III: October 1, 2014 until September 30, 2015 (FY 2015).

This Agreement is intended to provide clarity and certainty for transit providers for the foreseeable future regarding planning, coordination of services, state, and federal funding, and operations. References to federal funds throughout this Agreement pertain only to federal funds provided by the U.S. Department of Transportation and its administrations; funds provided by other federal agencies are not subject to this Agreement.

This Agreement is intended to be a "living document" that will be amended from time-to-time to more fully articulate the relationship between the RTA and providers of public transportation in the transit region. For example, it is anticipated that future addenda to this Agreement will include sections on planning and the use of planning funds, performance standards, and asset management plans.

ARTICLE I. Present until September 30, 2013 (FY 2013 State and Federal Funds)

Planning

The RTA Act requires RTA to adopt the plans of the designated recipients that existed on the date the act was signed into law. There were two plans: the Regional Transit Coordinating Council (RTCC) plan from November 2008 and the Transit Master Plan for Washtenaw County. The Board adopted these two plans in May 2013 and as such created the initial regional master transit plan. AAATA, DDOT, SMART and the DTC may also have individual service and financial plans that guide their current operations and capital investments.

During this period of time, all transit providers shall continue to follow the existing regional master transit plan as it was adopted by the Board in May, 2013 and any additional local transit plans. Providers are required to keep RTA informed of the content and changes to their local transit plans.

Service Coordination

The RTA, through its Public Transportation Provider Advisory Committee (PAC) and the Planning and Service Coordination Committee (PSCC), will work to identify service coordination opportunities among providers in the region. While the law allows the RTA to

issue "coordination directives;" the RTA will not issue such directives in FY 2013.

Since RTA does not presently have a "brand," all transit providers will continue to use whatever branding they are using currently for services.

State Funding - All Programs

All transit providers in the region will continue to receive disbursements of state funds, including matching funds and local bus operating (LBO) funds from MDOT for the remainder of FY 2013 with no influence or involvement of the RTA.

Federal Funding

For the Washtenaw County urbanized area (UZA) and AAATA, the RTA confers the right to receive and dispense all federal funds in accord with the Transit Master Plan for Washtenaw County and AAATA's priorities.

For the providers in the Detroit UZA (SMART, DDOT, and DTC), federal formula funds have been sub-allocated by Southeast Michigan Council of Governments (SEMCOG) in accordance with the new formula adopted by SEMCOG at its April, 2013 meeting. Upon sub-allocation, the RTA confers the right to each provider to receive and dispense all federal funds in accordance with RTCC plan, individual provider transit plans and the priorities of each provider.

For state matching funds, providers shall continue to work directly with MDOT; providers do not need to involve the RTA.

For federal discretionary funds, all transit providers may continue to make application for, receive and dispense or expend federal discretionary funds with no further involvement of the RTA.

Operations

All transit providers in the region shall continue to abide by their own internal operating policies and procedures, such as but not limited fare policies, personnel manuals and handbooks, procurement procedures and manuals, service standards, budget manuals, salary policies, etc. Existing local partnerships, such as funds a provider passes through to non-profit entities via agreement or contract, remain under the sole jurisdiction of each individual transit provider and will not be subject to RTA review or discussion.

Local Funds

All local funds, including fare box, millage proceeds, general fund contributions, advertising, and existing local contracts will remain under the sole jurisdiction of each individual transit provider.

Public Involvement and Outreach

Each transit provider shall continue to conduct the public involvement and outreach needed to meet its individual obligations to the public and under federal and state law and its respective policies. The RTA will have regional public involvement and outreach activities, such as the Citizen Advisory Committee required under state law, and each provider will participate in regional public outreach efforts as needed to make those efforts productive and meaningful to the public and the RTA.

ARTICLE II: October 1, 2013 until September 30, 2014 (FY 2014 State and Federal Funds)

Planning and Service Coordination

All transit providers in the region will continue to abide by the existing regional master transit plan and their respective local transit plans. It is anticipated that the RTA, working with transit providers and SEMCOG, will update the regional transit master plan sometime during this period.[1] Once updated, the regional master transit plan will be the primary driver for the investment of state and federal transit funds, and will govern new transit development for the region.

Under the RTA Act, each provider must annually submit a report to the Board describing and evaluating the provider's effort to coordinate service with other public transportation providers in the region. After discussion with the Provider Advisory Committee (PAC), the Executive and Policy Committee will set a date in FY 2014 by which the first annual report is to be submitted to the RTA. These reports will be reviewed and discussed in detail at the PAC and the Executive and Policy Committee. Using these reports and other information gathered by the RTA, the RTA will work to identify service coordination opportunities. The RTA board anticipates issuing "coordination directives" to one or more transit providers during this period, and in response, the affected transit provider(s) shall modify their transit plan and service delivery to comply with the coordination directive(s).

Until the first annual reports are prepared and the regional master transit plan is updated, and until and unless the RTA issues a coordination directive, all providers shall continue to provide service in accord with the existing regional master transit plan and their individual transit plans, policies and procedures.

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[1] Funding for the regional transit plan update and the RTA's overall role in the programming of planning funds will be handled in an addendum to this Master Agreement. The planning addendum will address planning funding available to transit providers, funding available to SEMCOG and other state or federal sources of planning funds. The planning addendum will be drafted after additional detailed discussion at the PAC that includes SEMCOG.

State Funding

Transit providers have already engaged in detailed budget planning for FY 2014. The following procedures will apply to FY 2014 state funds:

- Each provider shall continue to work directly with MDOT to finalize and submit their FY 2014 funding applications, including LBO and other state programs. Providers do not need to seek RTA review or approval to submit, resubmit, or revise FY 2014 CTF applications to MDOT. However, transit providers are required to provide copies of their current FY 2014 CTF applications and any subsequent revisions to the Board.

- In the coming months, the RTA will be requesting briefings from providers on their FY 2014 CTF needs as submitted to MDOT so that RTA can increase its understanding on how each provider intends to use FY 2014 CTF funds.

Local Bus Operating Assistance:

MDOT provides LBO assistance to transit providers based on a percentage of eligible operating expenses following PA 51 requirements, including funding floor provisions. The amount provided to the RTA on behalf of the region will be based on the combined eligible operating expenses of the constituent providers and the eligible operating expenses of the RTA. If needed, MDOT will calculate RTA's floor as the sum of the floors of each individual provider, noting that neither the RTA itself (as a direct LBO recipient) nor the DTC have an Act 51 defined floor.

The following procedures will apply to LBO:

- Each provider shall continue to work directly with MDOT to refine and submit their FY 2014 operating budget. Providers do not need to seek RTA approval to submit or revise their respective FY 2014 operating budgets to MDOT. However, transit providers are required to provide copies of their current FY 2014 operating budgets, as submitted to MDOT, and any subsequent revisions to the RTA.

- The RTA will also be submitting a FY 2014 budget to MDOT for the eligible operating expenses it will incur (i.e., its administrative budget). The RTA will cover its FY 2014 administrative expenses first, by expending any unexpended funds carried over from the FY 2013 state grants made available to the RTA and any additional funds secured from federal, state, or private sources.. The RTA may use LBO assistance provided to the region as a contingency, should other revenues not be adequate. The amount of LBO used shall not exceed the difference between the RTA's FY 2014 budget and the amount of funds carried over from the FY 2013 state grants, plus a 10%

cushion. Prior to the use of LBO funds by the RTA, RTA staff shall provide a report to the board, providers, and MDOT on the amount needed, and of the efforts made to secure other funding.

- Once MDOT has determined the LBO amount to be distributed to the region, the RTA will establish a split of funds among providers in the region. The RTA commits that the split of FY 2014 LBO funds will be based on the proportion of each agencies eligible expenses that make up the total eligible expenses for the region, after any LBO funds required by RTA to complete its administrative budget are subtracted from the region's allocation. Individual agency floors (as they existed prior to RTA's formation) will not be used by RTA to allocate FY 2014 LBO funds allocated to the region.

- With the exception of any LBO funds that RTA may hold back for its administrative expenses and to enforce any coordination directives, all CTF funds will flow directly from MDOT to each provider throughout FY 2014. The RTA will instruct MDOT to ensure that project authorizations for CTF program and payments of FY 2014 CTF funds are made directly to each provider in the region.
- The RTA Act requires RTA to coordinate services between the providers in the region, and it may withhold up to five percent state LBO assistance in order to enforce "coordination directives." The RTA anticipates that it will adopt policies and procedures concerning coordination directives, sometime during this time period that will provide the RTA with the right to instruct MDOT to withhold up to five percent of LBO assistance to providers that are subject to a coordination directive, if necessary to affect the directive.

- If the RTA withholds any LBO funds from one or more providers in order to enforce compliance with one or more coordination directives issued by the RTA, the RTA will restore the withheld funds to the provider(s) once compliance with the coordination directive(s) is achieved.

Once the RTA successfully secures a source a regional funding, approved by the voters of the transit region, it will no longer fund its administrative budget from state LBO funds.

Federal Formula Funds and Associated State Match

Each provider shall continue to work directly with MDOT to submit and refine their projected federal capital match needs via the CTF application process without approval by the RTA.

The following procedures will apply to federal funds and the associated state match:

- Providers are currently working to submit their anticipated FY 2014 state matching fund needs to MDOT as part of their FY 2014 CTF applications. Providers shall

continue to work directly with MDOT. However, transit providers are required to provide copies of their current FY 2014 match plans, and any subsequent revisions, to the RTA. Final FY 2014 state match allocations will be determined by MDOT in the spring of FY2014.

- In the coming months, the RTA will be requesting briefings from each transit provider in the region on their anticipated use of FY 2014 federal funds and associated state match. The RTA wants to understand on how each provider will make use of FY 2014 federal funds before providers submit federal applications to the Federal Transit Administration (FTA). While the RTA may make suggestions or offer comments, the RTA will defer to the individual decisions made by transit providers on the use of FY 2014 federal funds and associated state matching funds.

- The RTA will work with FTA and MDOT to permit each transit provider in the region to make direct application to FTA for FY 2014 (and earlier) federal funds, and to MDOT for the associated state match for FY 2014 (and earlier).

- All FY 2014 federal formula funds apportioned to the Ann Arbor UZA will remain within the Ann Arbor UZA and will be programmed by AAATA. For AAATA, the RTA confers the right to receive and dispense or expend all federal funds in accord with the regional master transit plan and AAATA's priorities

- The federal funds apportioned to the Detroit Urbanized Area (UZA) will remain in the Detroit UZA and will be sub-allocated by the RTA to transit providers in the Detroit UZA in accord with either the sub-allocation formula adopted by SEMCOG in April, 2013, or by a new sub-allocation formula determined by the RTA. Once the sub-allocation is done by the RTA, the RTA confers to each individual transit agency within the Detroit UZA the right to receive and dispense or expend the federal funds allocated to it.

- Federal Discretionary Funds: For FY 2014, all providers in the transit region may continue to directly apply for, receive and dispense or expend federal discretionary funds without approval by the RTA. However, all providers are required to provide copies of their federal discretionary grant applications to the RTA, and to inform and provide copies of any subsequent changes to their applications and plans to expend the funds to the RTA.

Operations

All providers in the region shall continue to operate in accord with their respective operating policies and procedures (such as, but not limited to: personnel manuals and handbooks, procurement procedures and manuals, service standards, budget manuals, salary policies, etc.), subject to any coordination directives issued by the RTA. Existing local partnerships, such as funds a provider passes through to non-profit entities via

agreement or contract, remain under the sole jurisdiction of each individual transit provider and will not be subject to RTA review or discussion.

Local Funds

All local funds, including fare box, millage proceeds, general fund contributions, advertising and existing local contracts will remain under the sole jurisdiction of each individual transit provider.

Public Involvement and Outreach

Each transit provider shall continue to conduct the public involvement and outreach needed to meet its individual obligations to the public and under federal and state law and its respective policies. The RTA will have regional public involvement and outreach activities, such as the Citizen Advisory Committee required under state law, and each provider will be asked to participate in regional public outreach efforts as needed to make those efforts productive and meaningful to the public and the RTA.

ARTICLE III: From October 1, 2014 until September 30, 2015 (FY 2015 State and Federal Funds)

Planning

The regional master transit plan will govern transit development for the region and each provider in the region will abide by the plan starting in FY 2015.

Service Coordination

If necessary, the RTA will issue coordination directives to providers in the region. To enforce coordination directives, the RTA may instruct MDOT to withhold up to five percent of state LBO assistance to affected providers.

State Funding

All providers in the region shall submit their FY 2015 CTF applications to the RTA prior to submitting the applications to MDOT. The RTA will establish a deadline for submitting FY 2015 CTF applications to the RTA. For its own use only, the RTA will consolidate the eligible expenses, including the RTA's own eligible expenses into a single regional operations budget. However, once the regional budget and the individual providers' budgets have been approved by the RTA, each provider will continue to submit its budget directly to MDOT using the existing Public Transportation Management System (PTMS) process. The RTA will also submit its administrative budget via PTMS.

The method for allocating FY 2015 LBO funds will be the same as in FY 2014. Specifically, after a FY 2015 LBO allocation is made to the region by MDOT, the may use up to 1% of the region's LBO allocation as a contingency funding source for its administrative budget and dispense, or direct MDOT to dispense, the remaining funds to providers in proportion to the eligible expenses each submitted to the RTA. Prior to the use of LBO funds by the RTA, RTA staff shall provide by May 1, 2014, a report to the RTA board, providers, and MDOT on the amount needed, and of the efforts made to secure other funding.

During FY 2015, the RTA anticipates playing a substantial role in guiding transit services within the region, in particular in the three county area where DDOT, SMART, and the DTC operate. Therefore, while each provider's FY 2014 operating budget will be solely driven by individual agency priorities, the RTA will ensure that proposed FY 2015 operating budgets meet both local provider priorities as well as begin to achieve regional goals.

If the RTA withholds any LBO funds from one or more providers in order to enforce compliance with one or more compliance directives issued by the RTA, the RTA will restore the withheld funds to the provider(s) once compliance with the coordination directive(s) is achieved.

Once the RTA successfully secures a regional source of funding, approved by the voters in the transit region, it will no longer fund its administrative budget from state LBO funds.

Federal Formula Funds and Associated State Match

By FY 2015, RTA will have adopted procedures which will require that each transit provider's FY 2015 capital plans be reviewed in detail by the RTA from a regional perspective and in the context of the regional master transit plan prior to each provider making decisions regarding how they will make use of FY 2015 federal funds and state match.

The RTA anticipates playing a substantial role in the programming of federal capital funding and associated state match starting with FY 2015 funds. However, all FY 2015 federal formula funds apportioned to the Ann Arbor UZA will continue to be received and disbursed or expended within the Ann Arbor UZA, and the federal funds apportioned to the Detroit UZA will continue to be received and disbursed or expended within in the Detroit UZA.

Beginning in FY 2015, the RTA, through its Planning and Service Coordination Committee (PSCC), will work in collaboration with providers via the Provider Advisory Council (PAC) to identify specific uses of federal discretionary funds to achieve regional transit objectives consistent with the regional master transit plan. On behalf of the transit providers in the region, the RTA will apply for, receive and dispense or expend federal discretionary funds. However, the RTA may approve federal discretionary grant applications by individual

providers in the region so long as such applications are consistent with the regional master transit plan and the achievement of regional transit objectives. In the event that an application for federal discretionary funds is approved by the RTA for an individual provider, the RTA may confer upon that provider the right to apply for, receive and dispense or expend federal discretionary grant funds subject to oversight by the RTA.

Operations

Subject to RTA coordination directives and the regional master transit plan, each transit provider will continue to operate service in accord with their respective operating policies and procedures (such as but not limited to personnel manuals and handbooks, procurement procedures and manuals, service standards, budget manuals, salary policies, etc.)

The RTA may opt to review existing local partnerships, such as funds a provider passes through to non-profit entities via agreement or contract, and provide feedback or guidance regarding these partnerships, specifically to achieve regional goals or objectives and/or regional efficiencies. However, each provider will retain a significant amount of independence in determining their local partnerships.

Local Funds

All local funds, including fare box, millage proceeds, general fund contributions, advertising and existing local contracts will remain under the sole jurisdiction of each individual transit provider. A provider may be required to adjust their use of local funds to achieve RTA coordination directives, but how to achieve RTA coordination objectives will be up to the discretion of each provider.

Public Involvement and Outreach

Each transit provider will continue to conduct the public involvement and outreach needed to meet its individual obligations to the public and under federal and state law and each provider's respective policies. The RTA will have regional public involvement and outreach activities, such as the Citizen Advisory Committee required under state law, and each provider will be asked to participate in regional public outreach efforts as needed to make those efforts productive and meaningful to the public and the RTA.

AUTHORIZATION AND TERM OF AGREEMENT

This Agreement shall expire on September 30, 2015 unless renewed or otherwise extended. This Agreement may be amended by the RTA from time to time after consultation with providers.

As needed and/or upon request of the Provider Advisory Council (PAC), the RTA shall issue guidance documents under this Agreement, including but not limited to a Master Calendar for items requiring RTA approval which shall be provided no later than October 1, 2013.

On behalf of the Regional Transit Authority for Southeast Michigan

Paul Hillegonds, Chair, RTA Board of Directors

9/5/13
Date

On behalf of the Public Transportation Providers Advisory Council

Jim Fetzer, Chair, Public Transportation Providers Advisory Council

8/21/13
Date