



CRC Memorandum

SMART MILLAGE RENEWAL

In Brief

At the August 4, 1998, statewide primary election, voters in participating communities of Wayne, Oakland, and Macomb Counties will be asked to approve renewal of one-third of a mill on all taxable property to provide public transportation services. Participating communities constitute the Wayne County Transit Authority, Oakland County Public Transportation Authority, and all of Macomb County. These bodies transfer the tax revenues from their millage to SMART. SMART made three commitments when it asked original voter approval for this millage in 1995. These commitments provide a basis on which to evaluate the services provided by SMART and the changes made in these three years.

Background

In 1995, the Suburban Mobility Authority for Regional Transportation (SMART) asked suburban Wayne, Oakland, and Macomb county voters to approve one-third of a mill dedicated property tax levy for three years. At the August 4, 1998, statewide primary election, voters will be asked to renew this levy for four more years. For decades, SMART had operated without a local source of funding. It had relied on state, federal, and farebox revenues for its funding, resulting in recurring financial crises and an accumulated deficit estimated at \$19.6 million in Fiscal Year

1994-95. In going to the voters, SMART made three commitments, to: redesign the fixed-route bus service in the tri-county area; "put real meaning into the concept of community transit service;" and eliminate SMART's estimated \$19.6 million deficit in approximately five years. In evaluating whether to approve renewal of the current millage proposal, voters should consider the need for public transportation in metropolitan Detroit and how well SMART has fulfilled these commitments.

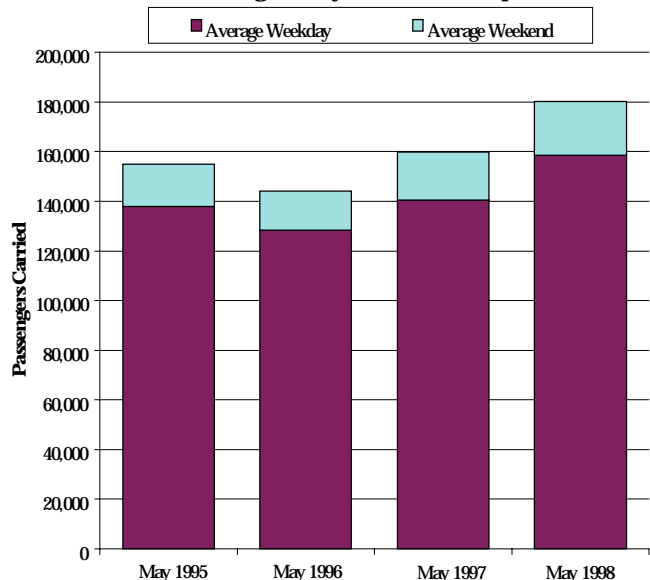
SMART 1995-1998

Redesigned Routes

SMART redesigned its fixed-route service system when it implemented new routes in April and December 1996. The previous route system, designed by SMART's predecessor SEMTA (Southeastern Michigan Transportation Authority) more than 20 years ago, reflected predominately suburb-to-Detroit commuting patterns. Changing commuting patterns, whereby commuters are not only traveling to Detroit, but also, in increasing frequency, commuting suburb-to-suburb, forced SMART to review and reconfigure its routes. New suburb-to-suburb routes were established along 250 miles of roads, including 15 Mile Road, Telegraph Road, and Plymouth Road, as well as the new Groesbeck Neighborhood Service. To better serve the customers utilizing the new suburban

Chart 1

SMART Average Weekly Linehaul Ridership



Source: SMART

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routes, SMART has given a greater focus to afternoon, evening, and weekend service.

Community Transit

The Community Based Service Plan is the result of SMART's millage promise to place greater emphasis on the concept of community transit. The Plan offers local units of government an opportunity to design their own community transit service, in partnership with SMART, to fit the particular needs of their community. Mixed-use buses, provided by SMART, offer customized transportation within a community or between adjacent communities. Additionally, community buses provide transportation to both senior citizens and the handicapped. SMART and the State of Michigan provide 80 percent of the funding for these communities transit services with the remaining 20 percent

funded by the participating communities (Increased Community Service Plan ridership is not reflected in **Chart 1**.)

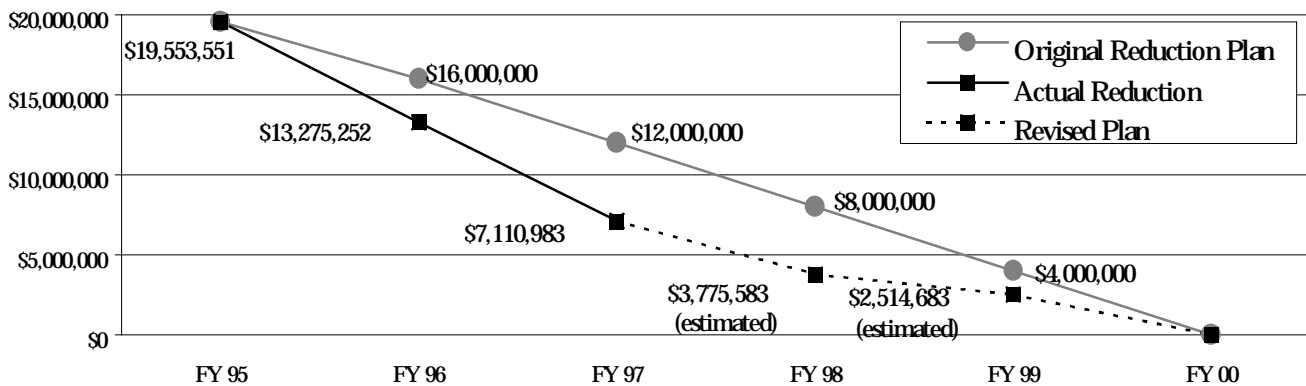
Deficit Reduction

Finally, SMART promised to eliminate its estimated \$19.6 million accumulated deficit over a five-year period. In 1995 SMART projected that its Fiscal Year 1996-97 accumulated deficit level would be reduced to \$12.0 million. At the end of FY97, SMART's deficit level has been reduced to \$7.1 million, 41 percent ahead of the projected deficit-retirement schedule (**Chart 2**). Due to increased ridership, and the ability to secure increased federal and state funding as well as favorable interest rates, SMART has increased the allocation of operating revenues to deficit reduction. As a result, SMART has been able to reduce its accumu-

Increased Federal/ State Dollars

SMART has received increased federal assistance through Congestion Mitigation Air Quality (CMAQ) grants. CMAQ funding has been tied to transit capital investment, but relaxed spending restrictions have allowed SMART to apply CMAQ grants to operating new services. SMART will realize an increase in federal dollars from the Transportation Equity Act of the 21st Century, which increases Michigan's mass transit funding from \$47.0 million in FY97 to about \$70.0 million in FY98. Additionally, over the next two years state transit systems will receive \$23.5 million for bus replacement and refurbishment. (SMART's share has not yet been determined.) SMART has also benefited from increased State of Michigan urban transit funding. State matching funds increased in 1997, from 40 to 50 percent of operating expenditures.

Chart 2
SMART Deficit Reduction Plan 1995-2000
(End of Fiscal Year Deficit)



Source: SMART FY99 Budget Projections.

lated deficit more quickly than anticipated.

Despite the retirement of \$12.5 million in accumulated deficit since the May 1995 election, SMART does not project the retirement of the remaining \$7.1 million deficit until FY2000.

Transit Authorities

The Wayne County Transit Authority and the Oakland County Public Transportation Authority were created by actions of the respective Boards of County Commissioners, pursuant to Public Act 196 of 1986. The purpose of these authorities is to levy a property tax and transfer revenues to provide transportation services, either directly or through contract. The authorities may issue bonds and levy property taxes of up to five mills for five years. All political subdivisions of Wayne and Oakland County were originally members of the authority. Although some Wayne and Oakland County communities withdrew when the

authorities were established, no communities have done so since prior to the 1995 millage vote.

The communities that opted out in 1995 did so under provisions of Public Act 196 of 1986, which allows withdrawal within 30 days of incorporation of the authority or within 30 days after an election has been called to levy a tax. In Macomb County, the Board of Commissioners chose not to form a transit authority; therefore, individual communities cannot opt out of the election. Instead, a countywide vote will determine whether to renew the one-third of a mill property tax. If the proposal fails, the entire county loses SMART services.

Property Tax Levy

As of June 1998, 28 communities constitute the Wayne County Transit Authority, comprising 61.1 percent of the total 1997 taxable value of Wayne County. Of the 16 nonparticipating communities, all but Detroit are on the geographic periphery of the

authority, and seven of the 16 currently receive SMART fixed-route services.

As of June 1998, 25 communities constitute the Oakland County Public Transportation Authority, comprising 62.1 percent of the total 1997 taxable value in Oakland County. Most of the nonparticipating communities are located on the fringe of the authority.

The Wayne County Transit Authority, Oakland County Public Transportation Authority, and Macomb County are asking voter approval for renewal of the one-third of a mill tax on all taxable property for four years, 1998-2002, to provide transit services to residents. The tax revenues would be collected by the three bodies and transferred to SMART by contracting with it to provide transit services. As of June 1998, 73.6 percent of the tax base in Wayne, Oakland, and Macomb Counties would remain subject to the tax, taking into account the communities that have with-

SMART/ DDOT Merger

Currently, transit service in metropolitan Detroit is provided by two independent systems: the Suburban Mobility Authority for Regional Transportation (SMART) and the Detroit Department of Transportation (DDOT). Central oversight is provided by the Regional Transit Coordinating Council (RTCC), a legislatively created body comprised of the Mayor of Detroit, the County Executives of Wayne and Oakland Counties, and the Chairperson of the Macomb County Board of Commissioners. In recent years, much consideration has been given to merging SMART and DDOT, in an effort to better serve the residents of the tri-county area.

Several major issues, however, continue to impede such a merger. These include:

- ◆ Reconciliation of existing collective bargaining agreements
- ◆ Governance/ Self-Determination
- ◆ Delivery of services; long-haul routes (SMART) versus short haul routes (DDOT)

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drawn from their respective transit authorities. Based on SMART estimates, a one-third mill levy on this tax base would yield \$19.3 million in FY98.

Between FY93 and FY97, SMART's total operating revenue increased \$19.5 million or 29.2 percent. In FY97 the property tax levy generated \$18.8 million, comprising 28.1 percent of

SMART's total operating revenues. The significant increase in total operating revenue is predominantly a function of the dedicated property tax.

Chart 3
SMART Operating Revenues: Fiscal Year 1993 through 1997

