



**TheRide**

# **OPERATING & CAPITAL BUDGET FOR FY2023**

**Version 1.0**

*Recommended Budget*

*Fiscal Year 2023*

**2023**

*Supporting  
Community  
Recovery &  
Preparing  
for the  
Future*

ANN ARBOR AREA TRANSPORTATION AUTHORITY

The award, presented to TheRide for its *FY2021 Operating and Capital Budgets*, is a significant achievement which reflects the commitment of the Board of Directors and staff to meeting the highest principles of governmental budgeting. TheRide's budget satisfied nationally recognized guidelines for effective budget presentation, including how the document serves as a policy document, a financial plan, an operations guide, and a communication device.



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**October 01, 2021**

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# 1. About TheRide

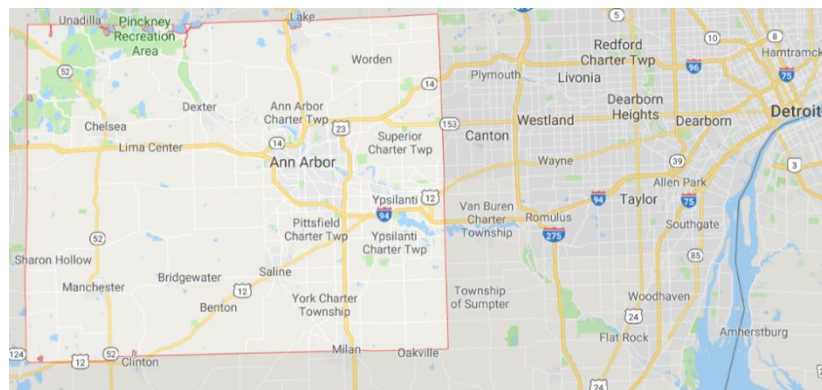


The Ann Arbor Area Transportation Authority (AAATA, or TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

TheRide operates public transportation services for the greater Ann Arbor-Ypsilanti area, enabling the area's residents to reach their destinations at a reasonable cost, and offers the region efficient, environmentally sound transportation alternatives.

The service area is home to the University of Michigan, Eastern Michigan University, Concordia University, and Washtenaw Community College. The region's economy is driven by education, medical, and technology sectors, as well as the area's proximity to Detroit.

Ann Arbor is the county seat for Washtenaw County, which also includes the city of Ypsilanti and the Townships of Ann Arbor, Pittsfield, Scio, Superior, Ypsilanti, which make up TheRide's service area. The service area covers 110 square miles, with a population of 228,574 people. TheRide delivers approximately 400,000 hours of revenue service, driving more than 5.6 million revenue miles, and carries more than 6.9 million passenger trips on transit services annually during a typical year.



*Washtenaw County, Michigan*

TheRide operates fixed-route buses, A-Ride paratransit services, service to Detroit Downtown, FlexRide on-demand service, ridesharing, van pools, and other services.

TheRide operates from three facilities. The Dawn Gabay Operations Center is the headquarters, and houses administration offices, a maintenance facility, and a bus garage. Passenger terminals are located in downtown Ann Arbor (Blake Transit Center) and Ypsilanti (Ypsilanti Transit Center) and include customer service centers.

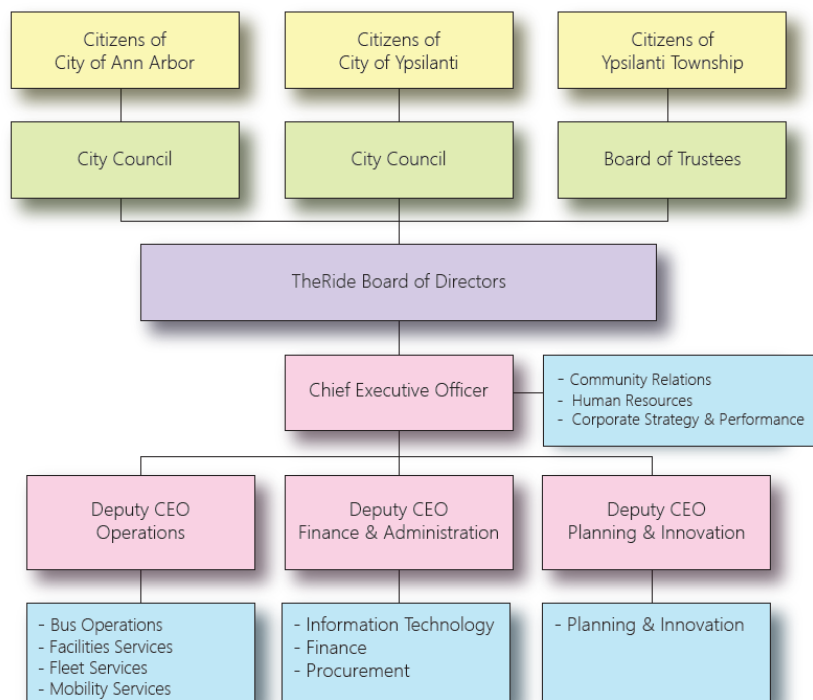
## Board of Directors

Eric Mahler, Chair  
Michael Allemang, Treasurer  
Jesse Miller, Secretary  
Simi Barr, Board Member  
Rich Chang, Board Member  
Ryan Hunter, Board Member  
Kathleen Mozak, Board Member  
Susan Pollay, Board Member  
Kyra Sims, Board Member

## Executive Team

Matt Carpenter, Chief Executive Officer  
Dina Reed, Deputy CEO, Finance & Administration  
Forest Yang, Interim Deputy CEO, Operations  
Gretchen Johnson, Interim Deputy CEO, Planning & Innovation

## Organization Chart



## Senior Management Staff

Mike Blackston, Manager of Information Technology  
Troy Lundquist, Manager of Fleet Services  
Gail Roose, Manager of Facilities Services  
Michelle Whitlow, Manager of Procurement & DBE Liaison  
Mary Boonin, Manager of Community Relations  
Gwyn Newsome, Manager of Human Resources  
LaTasha Thompson, Manager of Finance  
Robert Williams, Manager of Mobility Services

## 2. Letter from the CEO and CFO



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734-973-6338 **Fax**  
TheRide.org **Online**

September 28, 2022

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to provide the Recommended FY2023 Operating and Capital Budget (the budget).

In 2023, TheRide will continue focusing on helping our communities recover by providing a range of transportation services, with significant assistance of federal relief funding. The budget supports the strategic priorities of attracting and retaining ridership, implementing the long-range plan (TheRide 2045) and agency wide continuous improvement.

The budget has been prepared in accordance with the Michigan Uniform Budgeting and Accounting Act of 1968, Generally Accepted Accounting Principles (GAAP), and Board Governance Policies. The Board has delegated to the Chief Executive Officer (CEO) the responsibility to prepare a balanced budget which achieves the Board's objectives ("Ends") and avoids deficit spending and fiscal jeopardy. The budget achieves both requirements while positioning TheRide to continue providing excellent service to our communities and constituents. This recommended budget is presented to the Board of Directors for consideration of adoption.

Handwritten signature of Matt Carpenter in black ink.

Matt Carpenter  
Chief Executive Office

Handwritten signature of Dina Reed in black ink.

Dina Reed  
Deputy CEO, Finance & Administration

## 3. Executive Summary

The FY2023 Operating and Capital Recommended Budget (the budget) is the fiscal year's financial plan that supports activities to accomplish goals and objectives as defined in Board's Ends Policies and is aligned with TheRide's Corporate Business Plan. All policies and plans support the stated policy of providing public transportation options that contribute to the Ann Arbor-Ypsilanti Area's social, environmental, and economic vitality at a cost that demonstrates value and efficient stewardship of resources.

The budget process began by evaluating impacts of economic and industry conditions on financial and operational plans, collecting historical and current trend data, developing information-based assumptions, identifying opportunities, creating strategic themes, and having tactical discussions to develop prioritized initiatives for the next five years.

The coronavirus pandemic significantly impacted the world, our state, and communities directly beginning in March 2020. Financial and operating impacts were unparalleled, with fare revenue and transit ridership losses in the millions. Relief from the impacts of the virus began in 2021 with wide availability of coronavirus vaccinations. We began FY2022 by focusing on recovery, but significant financial and operational volatility and uncertainty is continuing. The labor market has been slow to recover and resulted in reduced service levels for a portion of the year as we endeavored to maintain adequate levels of staff for operations. Financial markets are seeing levels of inflation that haven't been realized in decades. However, the current presidential administration has acknowledged the impacts of these challenges in the transportation industry and has been providing new sources of operational funding in addition to stable and increased levels of funding for capital investment for transportation agencies that rely on public funding.

In the wake of the unpredictable impacts of the coronavirus pandemic, the additional funding provides stability for our agency and a sense of optimism in opportunities to continue restoration of ridership through growth in service opportunities and investing in organizational efficiencies. As a result, the FY2023 Corporate Business Plan (the Business Plan) focuses on initiatives focused on retaining and attracting ridership, implementing the Long-Range Plan, and agency-wide continuous improvements.

The budget is a balanced budget that supports recovery efforts by providing funding to maintain transportation services to the communities we serve. Development of the Budget considers impacts of economic and industry conditions and the impact on financial and operational plans. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and a five-year projection. The Budget will also support the priorities and initiatives represented in the Business Plan.

This presentation of the FY2023 Recommended Budget illustrates initial assumptions of revenues and expenses needed to maintain current service levels and includes funding for initiatives to support the Business Plan. Approved Business Plan initiatives are approved in the context of organizational priorities and available resources as determined by staff evaluation and in consideration of Board discussion of the Business Plan. The budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses. Consequently, a portion of local property tax revenues is anticipated to

provide a surplus in FY2023, which will provide additional funding for capital infrastructure projects approved in the capital plan, as approved by the Board. Without the use of pandemic relief funds, the budget as presented here would show a deficit that would need to be addressed to meet the balanced budget requirement.

While utilization of federal aid provided by pandemic relief funds have provided short-term relief with respect to the operating budget, restoration of services, inflationary growth and other cost pressures are a reality and still result in a structural deficit. This issue has been addressed with approval of the 2022 millage proposal. Impacts of the millage results are not largely impacting FY2023 as the funding will not be received until July 2024. FY2025 will be the first full year of all service expansion initiatives approved in the millage.

In summary, the budget provides reasonably conservative assumptions to maintain current services and fund initiatives important to advance the Boards Ends. Updated assumptions, updated funding for Business Plan initiatives and any additional impacts of advancing elements of the millage proposal may be incorporated into the proposed budget, which will be presented in September. The budget will be updated as staff recommendations are finalized, and information will be provided to the Board in accordance with the budget timeline. The FY2023 Recommended Budget incorporates these elements comprehensively and is shared in the context of future projections. The outlook for the budget is stable, and is supported by the existing millage, in place until 2023, and the use of federal relief funds to see provide critical transportation services as our communities continue to recover.

As with previous budgets and noted above, the budget is guided by a strategic business plan— [Adopting the Long-Range Plan](#), which outlines the strategic priorities. This plan is aligned with the Board of Directors' expectations— attracting and retaining ridership, implementing the long-range plan, and agency-wide continuous improvement (See *Board's Ends Policies*, in the [Board Policy Manual](#)).

The budget presents a balanced financial plan to restore most of our core services and to follow the board approved strategy of dedicating local revenues to capital projects for service enhancement in the future.

Highlights of the adopted FY2023 Recommended Operating and Capital Budget are:

- Overall operating expenses are **\$55,983,138** and **\$17,186,000** in capital investments
- Avoids deficit spending while utilizing federal funding for pandemic recovery
- Addresses the long-term financial picture by presenting 7-year operating plan
- A portion of local funds will be eligible to fund the capital reserve
- Funds the priorities from the Corporate Business Plan, *Adopting the Long-Range Plan, Designing for a vibrant community*
- Presents a 10-year capital plan, and programs federal and state funding for major projects:
  - Replacement and rehabilitation of fixed-route buses
  - Capital maintenance for the bus garage
  - Planning and design work for future renovations of the Ypsilanti Transit Center and the Blake Transit Center



# 4. Introduction

## Budget Document Orientation

This document contains five sections:

- The **Introduction** will orient the reader to the overall direction, strategic goals, and executive limitations established by TheRide's Board, as well as the budgeting schedule and process.
- **The State of TheRide** establishes financial context, discusses the challenges, opportunities, and priorities for developing the budget, and presents ridership performance.
- The **Budget** summarizes the operating and capital budgets for FY2023 and presents financial forecasts for subsequent years.
- **Impacts of the 2023 Budget** discusses how the budget will affect the fund balance and the reserve, as well as the impact of capital investments upon the operating budget.
- The **Appendices** include details on initiatives and capital projects, anticipated contracts, fare schedule, a grant funding primer, adopted Board resolution for adoption, and a glossary.
- This document includes multi-year forecasting. Although financial information is presented for years beyond 2023, it is important to note that forecasted years are provided *only for context*, do not represent a commitment, and are expected to change. Each year, the Board of Directors (the Board) adopts a budget for a single year rather than a multi-year budget. The operating budget must be balanced (revenues must meet or exceed expenses) and the Board approves total budgeted expenditures. As necessary, budget amendments may be brought to the Board for consideration during any fiscal year.

## Corporate Strategic Plans

The FY2023 Budget is the funding plan for achievement of goals established by TheRide's Board of Directors. Corporate strategic planning establishes the programs and initiatives to help the organization achieve these Ends. As of mid-2022, the dominant issues are pandemic recovery impacts on ridership, labor shortages and record levels of economic inflation. Society is experiencing new waves of COVID variants and impacts of the pandemic over the next year are still uncertain. While vaccinations have reduced infections, it may take several more years to reach herd immunity, and virus variants continue to threaten global health. Nevertheless, our communities are reopening; normal economic and social activities have largely been restored and TheRide needs to support these activities. Consequently, the budget includes funding for full schedules of transportation services as well as other initiatives referenced in the FY2023 Corporate Business Plan.

## Financial Executive Limitations Policies

TheRide's Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on the [website](#). Many of the policies have a direct effect on shaping the annual

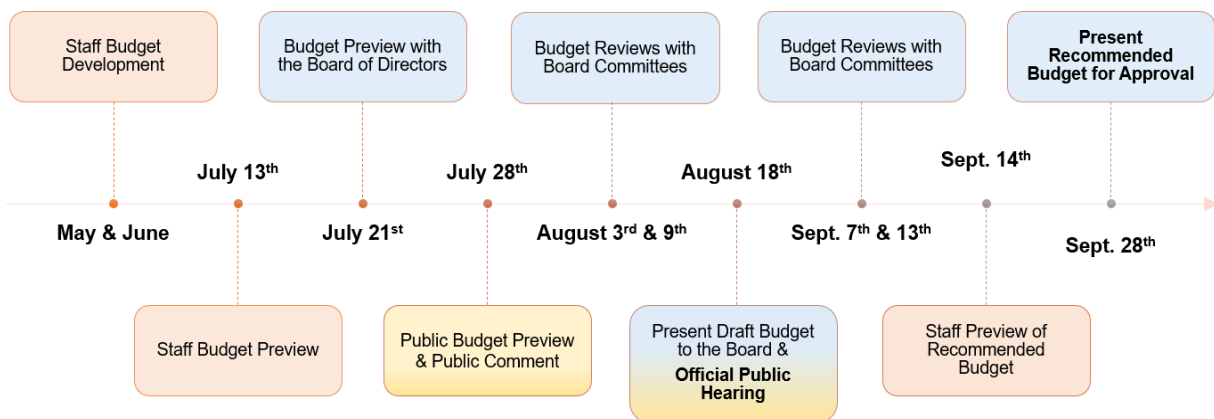
budget. For example, the Board has set clear limitations upon Financial Planning and Budgeting (Policy 2.4), Financial Conditions and Activities (Policy 2.5), Cash and Investments (Policy 2.6), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.7).

These policies require financial planning and budgeting to align with the Board’s Ends, be developed using sound financial practices, and incorporate strategic and multi-year planning. The Board’s policies require practices that meet Generally Accepted Accounting Principles (GAAP), comply with federal, state, and local laws, describe practices for handling cash and investments, and require Board authorization for adjusting passenger fares, property tax rates, or buying or selling real estate. Other Board policies guide treatment of the public and employee relations.

### Budget Process and Timeline

The budget process is a collaborative process that includes interactive communications with staff, stakeholders, the public and the Board. Public review and comment opportunities provide transparency of the process and the budget and are valuable opportunities to listen to our stakeholders. As such, communications to the public exceed minimum federal and state budgeting requirements. The timeline for review and adoption of the budget is shown below.

**Figure 1 Budget Timeline:**



- **May/June:** In partnership with staff, the Finance led development of the baseline budget, which is defined as the base budget required to provide transportation services that aligns with Board policies. The budget is developed in context with current economic conditions and operations and business plans and includes many activities, such as, evaluating budget performance and projections with department managers, reviewing staffing levels, analyzing impacts of current collective bargaining agreements, reviewing asset maintenance plan documents, analyzing historical trends of key drivers, and forecasting revenues and expenses.
- **July/August:** An early draft of the operating and capital budget with a multi-year forecast was provided at Board meetings and committee meetings. Both the capital program and operating budget previews were made available for public review starting July 21st, through budget adoption on September 28th.

- **August:** An updated draft budget will be provided to the Board of Directors at its August 18<sup>th</sup> meeting. The public input period began on July 28<sup>th</sup>, and an official public hearing, as required by state law, will be held in conjunction with the August 18<sup>th</sup> Board meeting.
- **September:** The recommended budget will be presented to the Board of Directors for adoption and The Michigan Uniform Budgeting and Accounting Act of 1968 requires Board adoption prior to any expenditures be incurred on October 1, the first day of the new fiscal year.
- **October:** Fiscal Year 2023 will begin October 1, 2022, with the newly adopted budget.

# 5. The State of TheRide

## Financial Condition

TheRide is financially stable and is expected to remain so through FY2023 and the projection period. TheRide expects FY2022 revenues and expenses to be lower than budgeted because of a lag in projected ridership recovery resulting in a shortfall in fare revenues, lower than expected paratransit ridership, and service reductions resulting from labor shortages. The reserve balance remains strong, as federal pandemic relief funds will support ongoing operations and service recovery. This aid also supports revenue losses, pandemic-related costs, and allow local funds to be dedicated to a capital reserve for future capital projects. While impacts of the pandemic and inflation are uncertain, financial strengths include:

- No known risks of service cuts or lay-offs in 2023
- Continuing to operate within the budget and available resources
- Operating reserve funds at or above target levels
- Established capital, operating, and insurance reserves
- No indebtedness or significant liabilities
- No significant legacy costs, such as unfunded pension liabilities
- Dedicated property tax revenues through 2028, as approved by voters on August 2, 2022

In addition, the agency has a track record of strong audit results, as was the case again with the 2021 financial statement audit. Finance continues to place emphasis on continuous improvement by reviewing processes and controls in the areas of cost accounting, financial management and financial controls. Modernization of timekeeping and payroll processes are being implemented in FY2022, and in FY2023 a comprehensive review of financial controls will be completed, and financial systems will be evaluated to identify and plan for implementation of new financial software. Preserving and building on financial strengths is a critical backbone of ensuring financial stability for TheRide.

## Fund Description, Structure, and Balances

TheRide operates with one general fund through which operating, capital, and investing cash flows occur during the fiscal year. The term *fund balance* is used to describe the net position of the general fund as calculated by GAAP, presented at a particular point in time. It is the net position on the statement of net position (balance sheet).

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2023 will bolster the organization against the risks of uncertain funding ahead. The effect of the FY2023 budget on the fund balance is discussed in the [Impacts of the 2023 Budget](#).

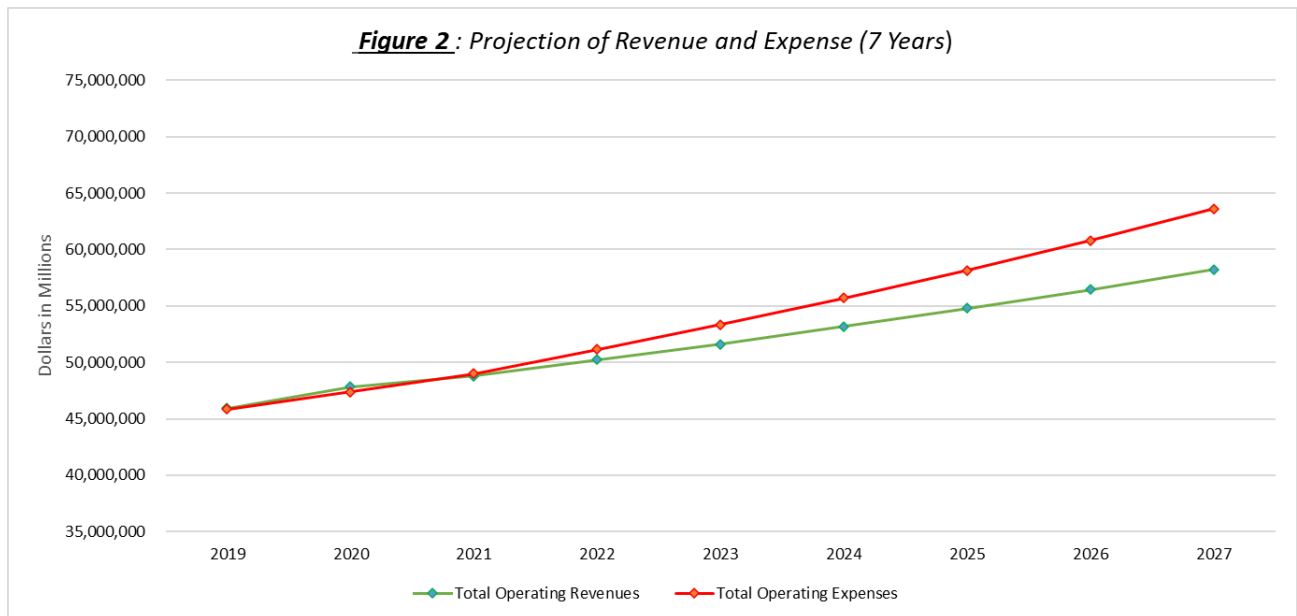
## New Millage Provides Longer-Term Financial Stability

Before the pandemic, TheRide faced financial challenges. In 2019, budget forecasting showed deficits starting in FY2021 because expenses were growing faster than revenue. Audited financials from 2015-2019 revealed that costs grew on average 6.1% annually, while revenue growth averaged 4.8%. This audited data demonstrated that the property tax millage which funded service expansion in 2014 was insufficient to cover expansion costs as indicated in the Five-Year Transportation Improvement Plan (5YTIP), in effect [TheRide was operating beyond its means](#).

Previous budgets were balanced by leveraging federal formula funding, intended primarily for capital investments, to support operations. Federal formula funding is the primary source of available capital funding the agency relies on to maintain assets in a state of good repair (a federally regulated requirement), and to invest in other capital projects. Using this funding for operations reduces the available funding to purchase new buses, maintain and improve existing facilities, and the opportunity to invest in other value-added and expansion projects. Even with using federal formula funds for operations, projections in 2019 showed operating deficits were forecasted to grow from \$190,000 in FY2021, or 0.4% of budgeted expenses, to more than \$5.4 million in FY2027, 8.5% of total costs. It was clear that there needed to be another solution to address the structural deficit and that federal formula funding would not be a sustainable funding source for operations.

The graph below illustrates the gap in revenues and expenses through FY2027, as projected in 2019.

**Figure 2: Historic Projection of Revenues and Expenses (7 years)**



In early FY2020, cost control measures were under way. And, when the pandemic emerged, TheRide's financial situation suddenly appeared much more precarious and immediate cost saving measures were deemed necessary, including significant suspension of service and layoffs affecting 42 employees. Those immediate pandemic-related changes in combination with significant contributions of federal relief funding provided immediate relief for FY2021, and in FY2022 TheRide returned to full services. The remaining federal relief funding renewed financial stability and provided funding for a balanced budget through FY2024. While none of this resolved the pre-existing structural deficit, the onset was delayed

from 2021 to 2024. One-time federal funding provided short-term relief but would not sustain ongoing operating costs for the long-term.

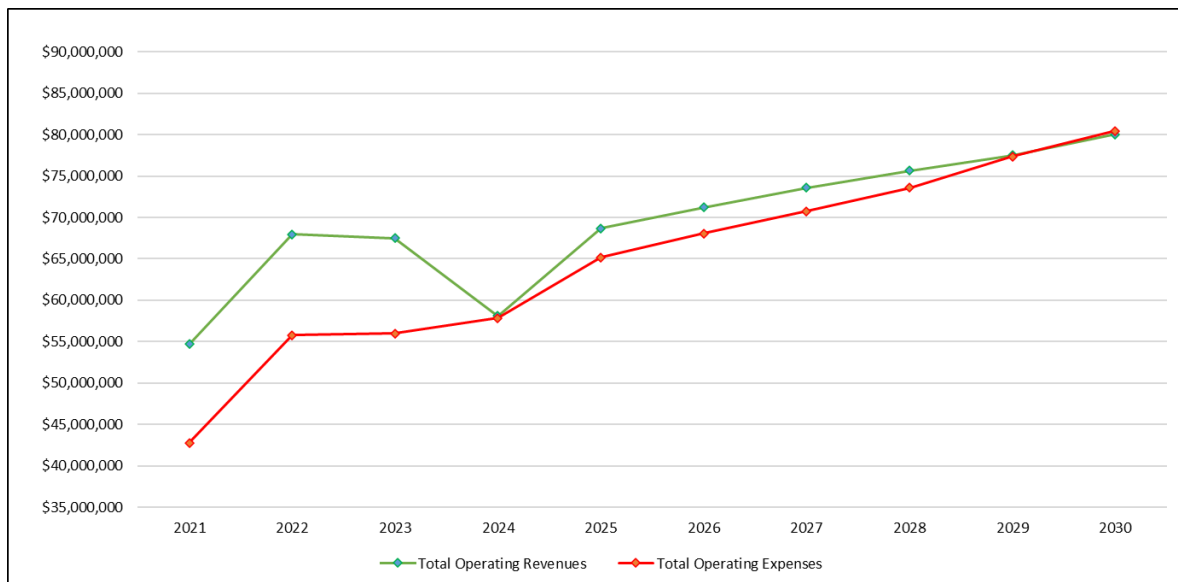
The need to re-focus and address the structural deficit became two-fold as time marched us toward the expiration of the 2018 millage for property tax funding set to expire in 2023. As the emergency of the pandemic began to stabilize, TheRide prioritized attention on recovery and the future. Efforts to complete the long-range plan accelerated in the face of the “new normal” and new projections for key operational drivers and budgetary impacts were developed.

With a vision for the future and continued transparency with operating budget projections, staff developed a millage proposal to address both. The Board and the voters of our communities were very supportive of the proposal, which was approved decisively on August 2, 2022. The elements of the millage proposal addressed funding for the structural deficit, re-establishes federal capital funding that had been supplementing the operating budget and provides funding for the first phase of the long-range plan, which improves service significantly to our communities.

This significant achievement for TheRide cannot be understated. The projection of revenues and expenses, for the first time in years, demonstrates that TheRide has secured funding to improve transportation services and have a sustainable revenue source to support the commitments to our communities. The new millage begins in 2024, (provided to TheRide in the summer of 2024), and will fund fiscal years 2025 through 2029. Expanded services are anticipated to begin in the fall of 2024 (just prior to the beginning of fiscal year 2025, which starts on October 1, 2024).

Figure 3 shows that TheRide has funding for projected expenses well beyond the use of pandemic relief funds, through the projection period.

**Figure 3: Current Projection of Revenues and Expenses (7 years)**



It is important to note that although there is a small surplus in the beginning of the 2024 to 2028 millage cycle, by fiscal year 2029 TheRide is projecting only to break-even. Early surpluses are necessary to fund operating reserves as required by Board policies, as the budget will grow by approximately \$20 million through the projection period due to service expansions funded by the millage. Funding for any

additional services not currently provided or stipulated in the current millage proposal over the next five years, or for these services beyond fiscal year 2029 will need to be addressed with future millage proposals or be supported by other funding sources.

While we have achieved significant results, with it comes the responsibility to provide the services promised and be financially prudent. Financial stability and prudence will be maintained by continuing to administer effective financial controls and disciplined stewardship of financial management, organizational resources and strategic decision making, consistent with Board policies.

## **Financial Opportunities**

TheRide's budget for fiscal year 2023 will ensure the continued delivery of high-quality services, demonstrate careful stewardship, and provide transparency of future challenges with the seven-year budget forecast. Development of the budget was guided by the following principles:

- Compliance with budgeting policies adopted by the Board of Directors to ensure financial stability
- Budget for the priorities outlined in the *Adopting the Long-Range Plan: Designing for a vibrant community* Corporate Business Plan.
- Support safe operation of transportation services
- Maximize value provided to passengers and taxpayers
- Ensure funding for stable operations
- Ensure TheRide's assets are maintained in a state of good repair
- Support future expansion efforts
- Provide for continuous improvements that improve quality of services and efficiencies

Ensuring adequate operating reserves, utilizing federal pandemic relief funding, and the capital investment focus for TheRide's assets are priorities which warrant additional brief discussion, as follows.

## **Ensuring Adequate Operating Reserves**

Reserves are an important part of a healthy agency budget. The purpose of reserves is to buffer the agency from the risk of unexpected costs or disruptions to revenues. Without adequate reserves, the agency risks insolvency due to unanticipated changes beyond our control or in an emergency, such as extreme economic conditions, sudden loss of ridership, and a global pandemic.

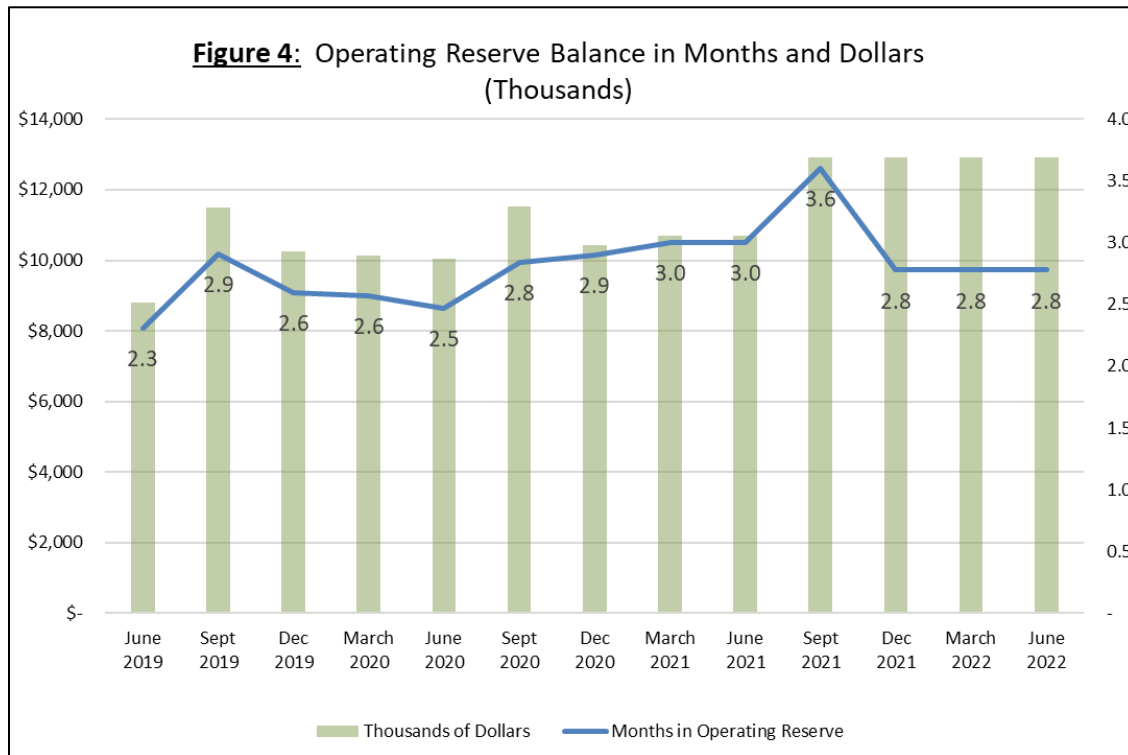
Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Through Board adoption, TheRide established the following reserves and target levels in 2021:

- Operating reserve with the target level of 2.5 months of operating cash
- Worker's compensation insurance reserve of \$500,000

### **Operating Reserve**

Steps taken in recent years have strengthened the operating reserve after it had fallen below this target due to investing in expanded services. TheRide was able to gradually restore the reserve and consistently maintain the target level since the end of FY2019. Due to the pandemic and associated federal relief funds, the operating reserve cash position improved in FY2021 and remains strong as shown in the chart below. The projections for the operating reserve are included in the [Impacts of 2023 Budget](#) section.

**Figure 4: Historical Operating Reserve Balances**



**Worker’s Compensation Insurance Reserve**

The worker’s compensation insurance reserve was created to fund worker’s compensation claims and manage budget risk. The worker’s compensation insurance reserve is fully funded.

**Utilizing Federal Pandemic Relief Funding**

Since April 2021, TheRide has been apportioned and has obligated the following federal pandemic relief funds totaling \$58.7 million for reimbursable eligible costs:

- \$20,704,090 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- \$15,771,805 in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- \$22,269,092 in American Rescue Plan (ARP) funding (Net of 20% retained by RTA)

This federal aid is provided to assist with coronavirus-related operating expenses such as replacement of lost revenue, purchase of Personal Protective Equipment (PPE), cleaning and sanitation supplies, increased janitorial services, paid employee leave, and other costs. New costing accounts have been added to the



accounting system for pandemic-related services, materials, and supplies, as well as for the federal pandemic relief revenue.

The budget demonstrates that pandemic relief funds are being utilized to support reimbursable eligible costs throughout the pandemic and after, and through service recovery.

### **Capital Investment Focus**

Maintaining facilities, vehicles, equipment, and other assets continues in the FY2023 budget. In alignment with federal regulations, the Transit Asset Management (TAM) Plan helps ensure assets are in good condition and ready to support TheRide's services. While TheRide's fleet and equipment are in a good state of repair overall, facilities need attention. Additional resources are included in capital budgeting to address needs at the bus garage, including roof and HVAC replacement, and other needs. The capital plan is aligned with the Long-Range Plan approved by the Board and includes value-added and expansion projects such as bus stop improvements, replacement and expansion of the Ypsilanti Transit Center (YTC), improvements to the Blake Transit Center (BTC), and a new bus rapid transit line.

### **TheRide's Transportation Services and Ridership**

In addition to a strong fixed route bus service, TheRide provides a diverse array of services. Demand response services are undergoing a period of expansion and change in response to technological advances and changes in planning approaches. FlexRide has been used to replace low-demand fixed routes resulting in improved service quality and cost efficiency.

Steps are also being taken to improve the cost efficiency and service quality for A-Ride, GoldRide Demand Response, and FlexRide (now serving late night and holiday service), which are less cost-efficient compared to fixed route services.

Within the strong overall performance, various opportunities for improvement were identified. Some changes are being addressed currently, some will be addressed with service expansions over the next few years and additional improvements will be addressed over the longer term. Service changes are guided by our approved long-range plan, TheRide 2045.

In this section, current services, recent changes to current services and corresponding ridership activity are discussed. Ridership is an indicator of the success of our services. As indicated in the Board's Ends, AAATA exists so that an increasing proportion of residents, workers and visitors in the service area utilize public transportation options (Board Policy 1.0). Ridership is tracked and measured to provide a gauge of how frequently our services are utilized and understand the value of the services to our stakeholders. Ridership projections are developed by analyzing historical trends, evaluating impacts of service changes,, contextualized with local and national trends, and aligned with long-term projections. Ridership are key drivers used for estimating passenger fare revenues, and other revenues and expenses as described in the key budget assumptions of operating revenues and operating expenses in Section 6: 2023 Budget of this document.

The following are descriptions of current services offered at TheRide, explanations of service changes and improvements, and ridership assumptions impacting the budget.

### **Fixed-Route Services and Ridership**

Fixed-route public transportation services are regularly scheduled transportation available to the general public, and is provided according to published schedules along designated published routes with specified stopping points for the taking on and discharging of passengers. [Fixed-route bus service](#) operated by TheRide includes bus routes in Ann Arbor, Ypsilanti, and nearby townships as shown on the [System Map](#) and [GroceryRide](#).

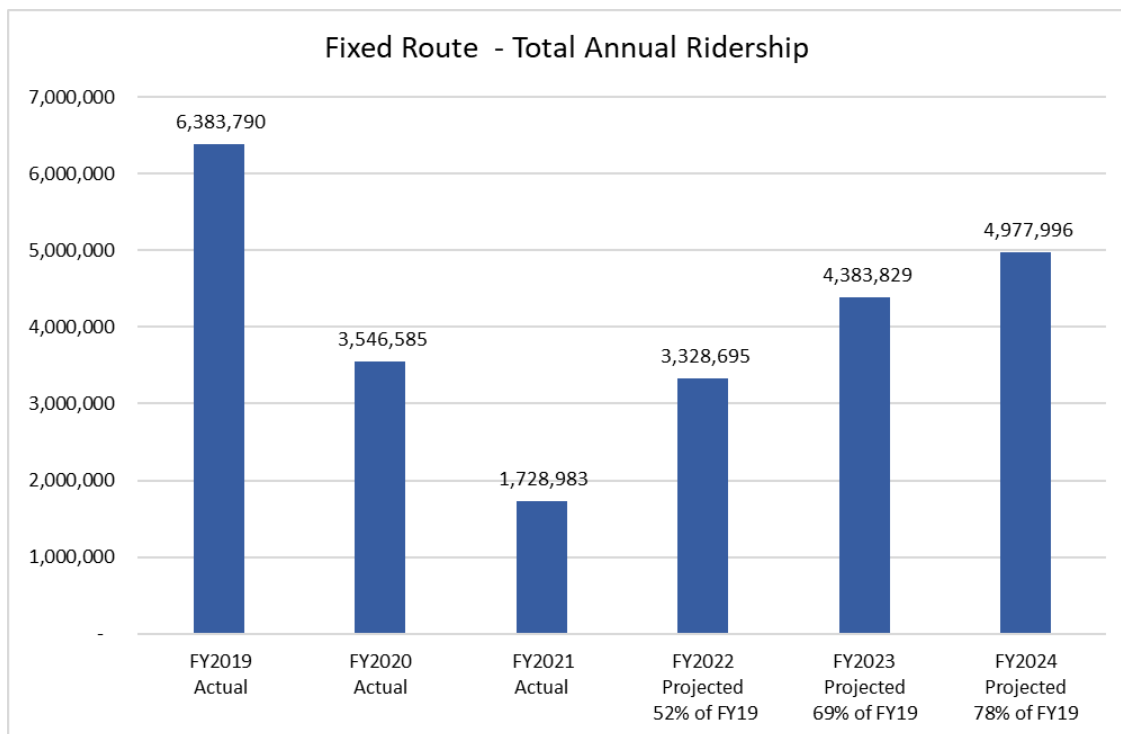
Fixed-route ridership represents approximately 96% all ridership for services offered by TheRide and is the most compared metric for mid and large-sized public transportation agencies. The significance of the ridership as a percentage of total also makes it the primary driver for budget projections of total passenger revenues.

Ridership growth peaked in 2018 then declined slightly in 2019 and early 2020 when coronavirus emerged in mid-March. Ridership losses were then sudden and severe, dropping by nearly 90% and many fixed-route services were suspended due to lower demand and public safety. Services were gradually restored to 60% of the full-service level and full-service levels in August 2021.

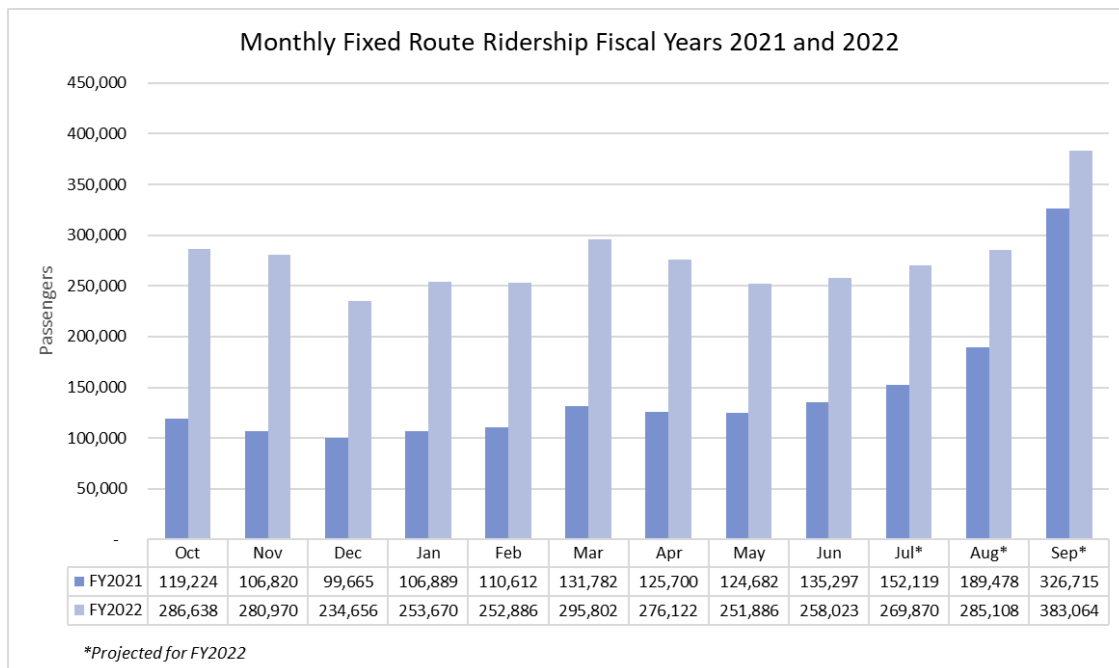
As shown in Figure 5, in fiscal year 2023, total annual fixed route ridership is projected to reach 69% of pre-pandemic ridership levels. Ridership recovery has lagged slightly from initial post-pandemic projections, due in part to having to temporarily reduce service schedules in FY2022 because of short-term labor shortages. TheRide is experiencing gradual ridership growth that is projected to continue.

As shown in Figure 6, ridership has grown in every month compared to the prior year and appears to have stabilized. Projections into the fall of fiscal year 2022 demonstrate conservative assumptions in growth compared to prior months.

**Figure 5: Annual Fixed Route Ridership**



**Figure 6: Monthly Fixed Route Ridership**



## AirRide & D2A2 Services and Ridership

[AirRide](#) bus service from Ann Arbor to the Detroit Metro Airport was continuing its growth trend in 2020 with 5% ridership gains through February, before operations were suspended. TheRide launched [D2A2](#), Detroit-to-Ann Arbor commuter bus service, in partnership with and funded by the Regional Transit Authority (RTA) in March 2020. The much-anticipated service operated for only a few weeks before service was suspended due to the pandemic. In FY2020, the ridership for D2A2 was 119 for the short operation period.

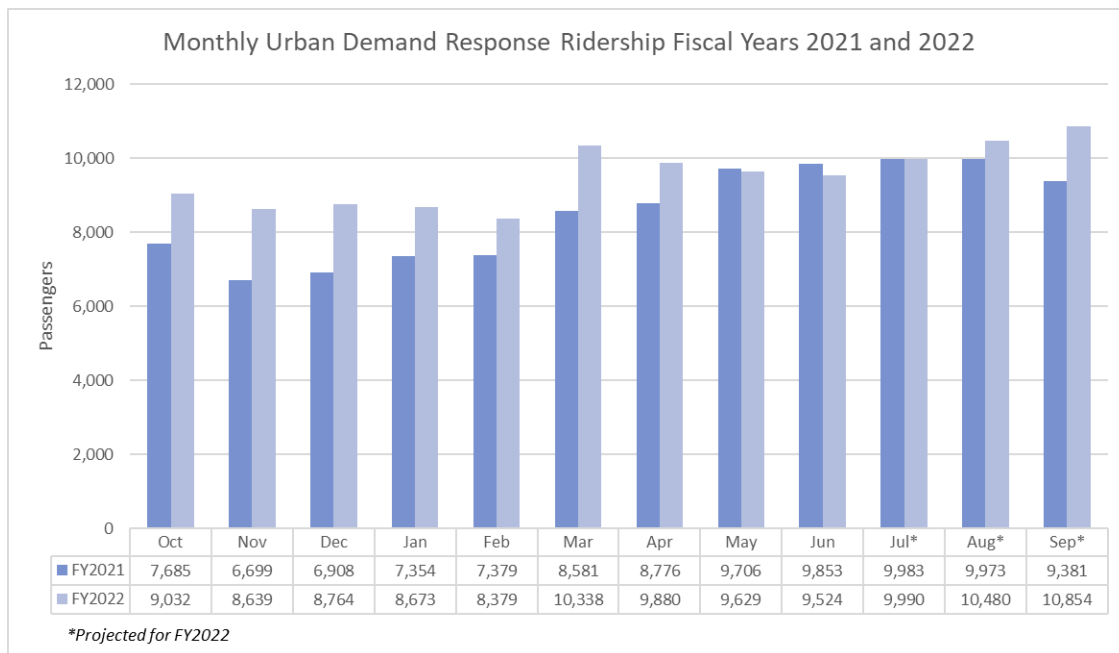
AirRide is now a separate service operated by Michigan Flyer. Ridership and revenues are no longer reported by TheRide. D2A2 resumed operations in October 2021. The D2A2 service is a partnership between TheRide and the RTA. D2A2 is funded through a state grant with the RTA and operated by TheRide. The RTA receives the grant and provides the revenue to TheRide. TheRide provides the services through contracted services and all operating expenses are paid from the grant, except for TheRide’s staff time contributions for contract administration. Connections to metro Detroit supports the Board Ends policy (1.3.4).

## Urban Demand Response Services and Ridership

Demand response services are services where passenger trips are generated by calls from passengers requesting specific transportation trip services from TheRide. TheRide provides a range of accessible, flexible, on-demand services, including A-Ride, GoldRide, [FlexRide](#), and [MyRide](#).

Total ridership for urban demand response services is projected to be 11.6% higher in fiscal year 2022 than the prior year, with 114,183 passengers compared to 102,278 in fiscal year 2021. Urban demand response ridership is projected to reach 54.2% of pre-pandemic ridership levels in fiscal year 2022. A comparison of total ridership for all demand response services combined are shown in Figure 7.

**Figure 7: Urban Demand Response Ridership**



### **A-Ride and GoldRide Services and Ridership**

A-Ride is a shared, reservation-based accessible service. This service provides quality transportation for persons with disabilities. A-Ride provides origin-to-destination, curb-to-curb, and door-to-door service and operates during fixed-route service hours. A-Ride trips are provided in accessible lift-equipped buses. A-Ride is a paratransit service, available for people with disabilities who are unable to use fixed-route services. A-Ride services exceed the minimum requirements for a fixed-route public transportation agency to provide ADA complementary paratransit services to ADA eligible individuals.

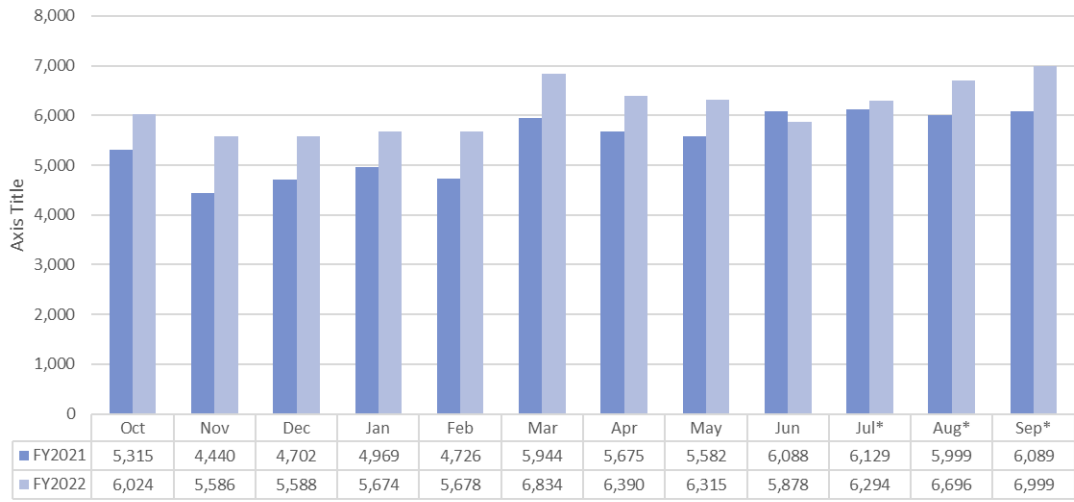
GoldRide is a program for seniors ages 65 or older. Eligible seniors travel free on any of our regular fixed routes with their GoldRide identification card. Additionally, for a fee, the GoldRide program provides shared-ride, on-demand services for persons aged 65 or older in Ann Arbor, the City of Ypsilanti, and portions of Ypsilanti Township.

A-Ride and GoldRide services are operated by separate outside contractors that are managed by TheRide’s Special Services Department. While management of operations and financial reporting were briefly combined during part of fiscal year 2020 and all of fiscal year 2021, due to the pandemic, they have been separated since August 2021 (all of fiscal year 2022).

For historical comparative purposes, A-Ride and GoldRide ridership is combined in this section. As shown in Figure 8, fiscal year 2022 ridership is projected to be 12.6% higher than the prior year, with 73,956 passengers compared to 65,658 in fiscal year 2021. Total ridership is projected to reach 45.2% of pre-pandemic ridership levels in fiscal year 2022.

**Figure 8: A-Ride and GoldRide Ridership**

Monthly A-Ride and GoldRide Ridership Fiscal Years 2021 and 2022



\*Projected for FY2022

## 6. 2023 Budget

### Budget Overview

The following sections outline the FY2023 Operating and Capital Budget (the budget). The initiatives outlined in this budget help advance the priorities identified in the *Adopting the Long-Range Plan – Designing for a vibrant community* (i.e., attracting and retaining ridership, implementing the long-range plan, and agency-wide continuous improvement). This budget also provides multi-year forecasts and context.

Highlights of the FY2023 Budget include:

- Full services for fixed-route and paratransit services
- Balanced operating and capital budgets
- Beginning the first phase of the long-range service plan
- Stability of services and expenses due to multi-year agreement with the A-Ride contractor
- Campaign to rebuild ridership
- Leverages Federal pandemic relief funds for financial stability
- Leverages local revenues for capital investment

In addition, the budget continues to advance many of the capital initiatives that have been started in recent years. Examples of significant 2023 initiatives include:

- Replacement and rehabilitation of fixed-route buses and support fleet
- Ongoing investment in facility rehabilitation
- Ongoing investments in technology modernizations
- Planning and design for future renovation and/or expansion of transit centers

### Operations Overview

Many of the TheRide's services were reduced or suspended upon the pandemic outbreak in 2020 and a *temporary service plan* was developed that expired on August 28, 2021. At that time, the *Service Recovery Plan* was implemented which increases services to pre-pandemic levels with a reorganized and simplified network of routes for essential travel. The plan affected all routes, along with A-Ride, GoldRide, FlexRide, and Night/Holiday service.

In late fall of 2022 TheRide experienced significant difficulties with filling open positions due to labor shortages. As a result, there were temporary reductions in services for a portion of the year. TheRide successfully negotiated a new contract with organized labor in the Spring of 2022. This new contract addresses changes in the wage structure that increases costs but provides a competitive wage structure designed to attract and retain critical operations staff and maintain the quality and levels of service that meet TheRide's service standards. TheRide has recently been more successful in recruiting operations staff and is restoring full services in August 2022. With this success, the budget assumes full services will be operating for the full year in FY2023.

The following tables present vehicle revenue hours (hours in service) and ridership, with comparisons between FY2021 actual performance and projections for 2022 and 2023, which are the basis for assumptions in the budget.

**Figure 9: Projected Vehicle Revenue Service Hours**

Service Hours	Actual FY2021	Projected FY2022	Projected FY2023	% Change (2023 vs. 2022)
Local Fixed Route	199,145	250,000	274,928	10.0%
D2A2	-	11,286	11,286	0.0%
Urban Demand Response	54,274	54,143	83,887	54.9%
<b>Total Service Hours</b>	<b>253,419</b>	<b>315,429</b>	<b>370,101</b>	<b>17.3%</b>

Note: Urban Demand Response includes A-Ride, GoldRide, HolidayRide, NightRide, FlexRide and MyRide. AirRide is currently not operated by TheRide, and no data is included for this service.

**Figure 10: Projected Ridership**

Ridership	Actual FY2021	Projected FY2022	Projected FY2023	% Change (2023 vs. 2022)
Local Fixed Route	1,728,983	3,328,695	4,383,829	31.7%
D2A2	-	23,218	24,379	5.0%
Urban Demand Response	99,837	114,183	132,419	16.0%
<b>Total Passenger Trips</b>	<b>1,828,820</b>	<b>3,466,096</b>	<b>4,540,627</b>	<b>31.0%</b>

Note: Urban Demand Response includes A-Ride, GoldRide, HolidayRide, NightRide, FlexRide and MyRide. AirRide is currently not operated by TheRide, and no data is included for this service.

## Operating Budget

The following tables and charts illustrate the elements of the FY2023 Operating Budget (the operating budget). While 2022 has brought significant challenges related to record levels of inflation, staff has worked diligently to keep costs manageable. Active management and negotiation of contracts and contractual services, as well as right sizing cost assumptions due to more stability with impacts of the pandemic, are driving favorable overall operating expense projections for the fiscal year. As a result, operating expenses are essentially flat, with a slight decrease of 0.6% compared to the FY2022 budget.

Operating revenues are also essentially flat, with a slight decrease of 1.6% compared to the FY2022 budget. The operating budget continues to rely heavily on pandemic relief funds as a major revenue source while we work to restore ridership and improve passenger revenues. There are budget initiatives, as indicated in the budget, to be proactive in addressing the lag of ridership recovery. Additionally, property tax revenues remain stable and a significant portion of operating revenues.

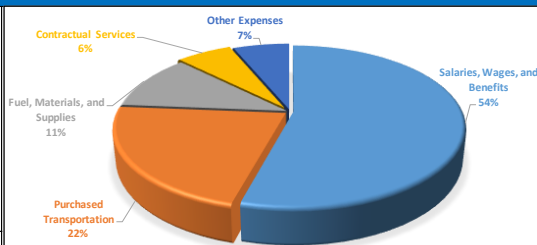
The operating budget is expected to provide a surplus of approximately \$11.8 million in FY2023. The surplus will be dedicated to the capital reserve. Further detail of operating budget expenses and revenues, as well as multi-year projections are highlighted in this section of the budget document.

## Operating Expenses

As illustrated in Figure 10, FY2022 Operating Expenses are budgeted at **\$55,983,138**, 0.4% lower than FY2022.

FY2023 Budgeted Expenses (with FY2022 Comparison)

Operating Expenses	FY2022	FY2023	Change	
			\$	%
Salaries, Wages, and Benefits	\$ 28,621,201	\$ 30,371,269	\$ 1,750,068	6.1%
Purchased Transportation	14,704,408	12,326,918	(2,377,490)	-16.2%
Fuel, Materials, and Supplies	5,436,300	6,242,723	806,423	14.8%
Contractual Services	3,596,874	3,504,382	(92,492)	-2.6%
Other Expenses	3,407,068	3,537,846	130,778	3.8%
<b>Total Operating Expenses</b>	<b>\$ 55,765,851</b>	<b>\$ 55,983,138</b>	<b>\$ 217,287</b>	<b>0.4%</b>



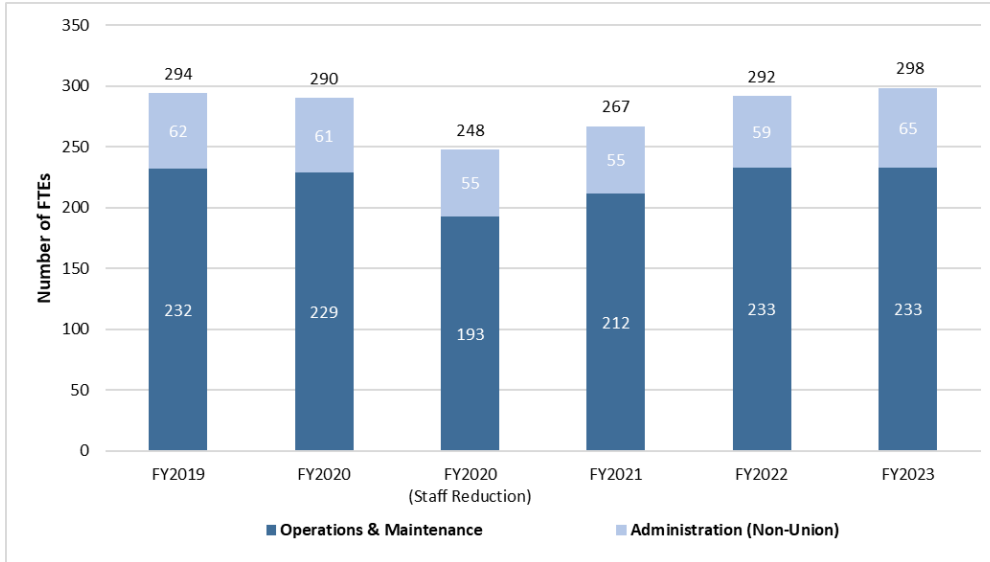
Descriptions of expenses and key budget assumptions are as follows:

- Fixed route services are maintained as planned in the previous year. Although some fixed route services were temporarily suspended for part of FY2022, we anticipate operating full-service levels for the duration of FY2023. A-Ride will continue to be operated as a contracted service. All other services will continue as planned in the previous year.
- Salaries, wages, and benefits costs are increasing by 6.1% due primarily to additional positions added to the budget and increasing healthcare costs. Salaries and wages include contractual pay rate increases for bargaining unit employees and a 4.0% annual increase for non-union employees. The total number of budgeted full-time employees is increasing in 2023 due to acceleration of authorizing to hire for positions approved as part of the millage. While direct funding for these positions will not be received until 2024, the immediate costs for adding these employees have been absorbed into the budget and are partially offset by one-time costs for 2022 that were removed from the 2023 budget. Healthcare costs are also increasing significantly from budget to budget and a detailed description of that is explained below, in the Employee benefits sections. The net increase includes these adjustments, and does not drive an overall increase in the operating budget due to other reductions in expenses, as described in the budget.

Figure 11 illustrates staffing levels from FY2019 to FY2023. The significant reduction in FY2020 was a result of workforce reductions due to the pandemic. Operations staffing levels were partially restored in FY2021 as some services were temporarily provided with in-house staff. In FY2022 budgeted staffing levels are restored to pre-pandemic levels to meet service requirements. For FY2023, there are a net of six new positions incorporated into the budget. Additional positions included in the budget are two customer service agents to be positioned at the Ypsilanti Transit Center, two operations supervisors and a net of 2 additional administration positions.

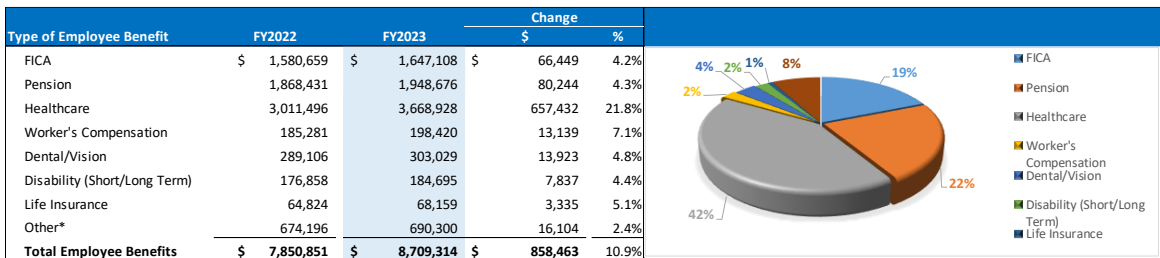
**Figure 11: Full Time Employee (FTE) Staffing Levels FY2019 to FY2023**





*Employee benefits* costs are estimated based on historical actual costs and adjusted for anticipated inflationary rates. Figure 12 provides a comparison of the detailed employee benefits expenses and key assumptions. For most of the employee benefits and payroll taxes, increases are consistent with overall increases of salaries and wages, with the exception of healthcare and worker’s compensation. Assumptions and explanations for significant changes in the budget are described in this section.

**Figure 12: Employee Benefits Summary**

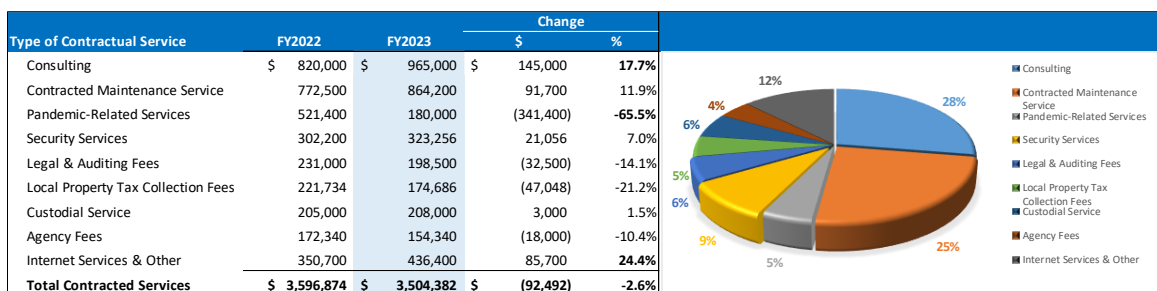


- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based on statutory rates. For 2022, the rates were 7.65% for earnings up to \$142,800 and 1.45% afterward. FY2023 assumptions are budgeted consistent with the prior year.
- Pension expense is based contractual (union) or established rates (non-union) for eligible employees. For eligible employees, the pension expense is 9% of wages and is budgeted accordingly.
- Healthcare expenses are budgeted to increase by 21.8% when compared to the 2022 budget. Premiums for medical insurance are expected to increase 10% from current year’s rates. However, current healthcare expenses are trending over the 2022 budget by approximately 7% because in the 2022 budget the 10% budget assumption for premium

costs was applied to a five-year average of premiums versus escalating from the current year’s premiums. Therefore, the current year premiums are higher than budgeted in 2022. The 2023 budget is a 10% escalation of this year’s premiums. Additionally the increased number of FTEs in the budget is a factor in additional healthcare costs. Combined, these assumptions are resulting in a 21.8% increase budget to budget.

- TheRide is self-insured for worker’s compensation. The budgeted expense is based on historical average cost per employee, which has been increasing in the last couple of years. TheRide also has a worker’s compensation reserve, which is fully intact and has not been used to manage impacts of expenses to the operating budget.
- Purchased transportation expenses are 16.2% lower than FY2022. The main contributor to the reduced budget is a reduction in expenses for A-Ride bus services. The A-Ride contract was re-negotiated and costs were adjusted and based on more accurate assumptions. Expenses are decreased significantly due to reduction in demand and ridership compared to the prior year budget assumptions, and negotiated reductions to overhead costs initially proposed by the contractor. The negotiation resulted in significant annual savings for these services while maintaining the integrity of the commitment to provide for increases in wages of operators working for the contractor. Additionally, demand for GoldRide service has been significantly less than planned in the previous year, driving a significant reduction in expected expenses for that service in FY2023.
- Fuel, materials, and supplies expenses, as shown in Figure 10, are up 14.8%, Fuel is budgeted \$1.1 million higher than FY2022 due to the increased cost of gasoline and diesel fuels. The fuel cost increase is partially offset by reductions in computer software costs and emergency related supplies and materials.
- Contractual services expenses are decreasing by 2.6% primarily due the removal of pandemic related emergency contingencies. Services related to the pandemic are resulting in new normal levels of activity and expenses have been adjusted according to current levels of activity. Variances in contractual services are illustrated in Figure 13 and described in further detail below.

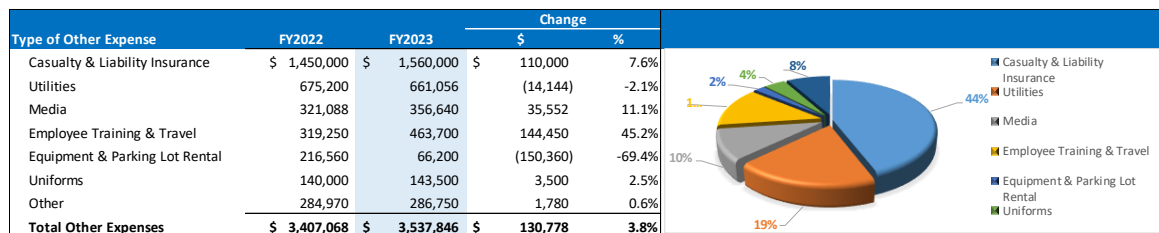
**Figure 13: Contractual Services Summary**



- Consulting expenses are increasing by \$145,000 or 17.7%, due to additional investment in corporate initiatives, security services, and internet data fees (partially offset by decreases in mobile data) for improved operations communications. Contractual services fluctuate each year due to removal of funding prior year initiatives that are completed and additions of new annual initiatives. Project initiatives are aligned with the corporate business plan and Board Ends. Initiatives requiring consulting services for FY2023 include:

- Rebuild ridership promotional campaign, including redesign and printed RideGuides
  - Corporate-wide technology assessments and system upgrades
  - Promotional materials and education for transportation services (hiring, new service, mobile payment, and Text My Bus education campaigns)
  - Staff training for leadership and critical software systems
  - Building security and efficiency upgrades
- Agency Fees are expenses for public education and engagement that are performed by an outside firm. Projected expenses for FY2023 are \$145,340, or 10.4%, lower than budgeted in FY2022 due to removal of costs for projects completed that will not require funding in FY2023.
  - Pandemic-related services included funding for cleaning, media, vehicle maintenance, mobile ticketing, etc. and the FY2022 budget was based on expenses incurred in FY2021. These expenses were reimbursed through federal pandemic relief funding and are not budgeted at the same levels in FY2023.
- Other expenses are projected to increase by 3.8%, primarily due to additional investment in employee training, and modest increases insurance premiums, media expenses. and parking lot rental fees. Variances in other expenses are illustrated in Figure 14 and described in further detail below.

**Figure 14: Other Expenses Summary**



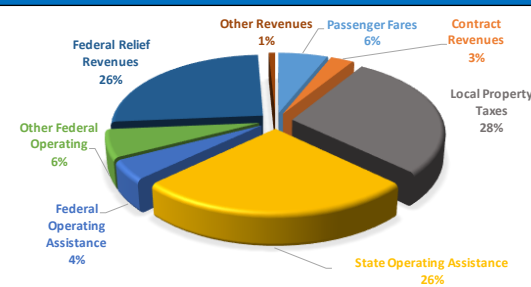
- Higher casualty and liability insurance premiums are mainly due to increases experienced in FY2022 that were underbudgeted last year. Adjustments in the number and type of vehicles were adjusted in FY2022, which impact estimates for FY2023. Market increases seen recent years of 10% to 15% have stabilized. Through discussions with our insurance broker and softening of increases in the market, we were able to achieve rates that are consistent with the FY2022 expenses without taking additional insurance risk or increasing deductibles. The cost assumption is based on insurance rates that went into effect on August 1, 2022.
- Utilities expenses are lower than the prior fiscal year due to a 30% reduction in telephone and cellular due to a change in approach to transportation communications. The reduction is offset by an increase in data fees, which is accounted for as part of contractual services.

- Employee training and travel is increasing primarily to provide more training for on software systems critical to improving organizational efficiency and effectiveness. There has been significant turnover in staff over the past several years and new staff need to be properly trained to fully leverage previous investments in software systems. These are also timely initiatives due to recent or anticipated software upgrades that will provide better functionality and assist in fully utilizing software and systems to implement process improvements.
- Equipment & parking lot rental expenses are reduced to reflect pass-through expenses for D2A2. These costs are incorporated into TheRide’s budget on a line-item basis. Expenses are fully recovered from federal and state funding and changes in the projected expenses decrease revenues directly associated with the reimbursement.
- Per Board Policy 3.8.3, the Board is to develop its cost of governance budget by June 30 each year. The FY2023 cost of governance budget is included in Other Expenses and is based on historical budgets and spending at \$35,000. This amount is equal to the FY2022 Budget and will be reviewed with the Governance Committee for a final budget estimate.

## Revenues

As illustrated in Figure 15, FY2022 Operating Revenues are budgeted at **\$67,508,862**, a 0.7% decrease from the FY2022 budget year.

Operating Revenues	FY2022	FY2023	Change	
			\$	%
Passenger Fares	\$ 4,165,723	\$ 4,085,548	\$ (80,175)	-1.9%
Contract Revenues	1,721,873	1,905,957	184,085	10.7%
Local Property Taxes	19,258,842	19,070,301	(188,541)	-1.0%
State Operating Assistance	16,914,298	17,443,827	529,529	3.1%
Federal Operating Assistance	3,000,000	3,000,000	-	0.0%
Other Federal Operating	3,878,890	4,201,180	322,290	8.3%
Federal Relief Revenues	18,653,477	17,277,770	(1,375,707)	-7.4%
Other Revenues	391,000	524,279	133,279	34.1%
<b>Total Operating Revenues</b>	<b>\$ 67,984,103</b>	<b>\$ 67,508,862</b>	<b>\$ (475,241)</b>	<b>-0.7%</b>



Operating revenues are primarily generated by a combination of user fees, contractual service agreements and several sources of public funding. Descriptions of major revenue sources and key budget assumptions are as follows:

- **Passenger fares:** TheRide collects fares according to a Board-approved fare structure, paid either by passengers or by organizations (TheRide’s purchase-of fare partners) on their behalf. As detailed in the *Appendix 8.4*, fares vary based on service type (fixed route, A-Ride, etc.), rider category (Full Fare, Reduced Fare-Youth/Senior/Disability, etc.), and fare product (Token, 30-Day Pass, etc.). Fares may be paid by purchasing a token, pass, or mobile ticket in advance; by presenting an organization-paid pass; or by paying cash upon boarding. Purchase-of-fare partners are eligible to receive bulk purchase discounts and often provide additional discounts or free fares to their members. The FY2023 budget anticipates purchase-of-fare partnerships with Ann Arbor Downtown Development Authority (DDA), Ann Arbor Public Schools, Eastern Michigan University, University of Michigan, Washtenaw Community College, and several employers participate in the getDowntown go!pass program.

Passenger fare revenue is expected to be 1.9% less than budgeted in FY2022 budget due to a lag in ridership recovery compared to prior year projections. As demonstrated in Figure 5, actual Fixed Route ridership is expected to increase in FY2023, compared to the current year, and is expected to be slightly under what was budgeted in FY2022. Revenues are budgeted consistently with ridership projections.

- **Contract Revenues:** TheRide enters into purchase-of-service agreements with Pittsfield, Scio, and Superior Townships to provide fixed-route and/or demand-response services in their communities. An additional contract with the Ann Arbor Downtown Development Authority supports getDowntown program operations. Pass-through contract revenue for nonurban service provided by People’s Express and Western-Washtenaw Area Value Express (WAVE) is associated with state-led rural programs and offset by both agencies’ operating expenses without a net impact on TheRide’s budget.

Contract revenue has increased 7.8% due to higher local contributions expected for the D2A2 and Nonurban services (People’s Express).

- **Local property taxes:** TheRide receives property tax revenues from the Cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti (“Ypsilanti Township”). There are two types of funding for local property taxes utilized to fund the current budget: property taxes levied by city charters and millage tax rates levied by AAATA, as approved by voters in member municipalities.

For the tax rates approved by voters to support AAATA, the Board of Directors authorizes the levy of ad valorem property taxes, as required, to be adjusted for the Headlee Amendment (Headlee) under Michigan State Law, for the purpose of providing public transportation services.

A summary of all property tax millage rates levied to support the recommended budget is as follows:

Member Municipality	Tax Levy Approved by City Charter				TheRide Tax Levy Approved by Voters			
	Year of Approval	Year of Expiration	Approved Mill Rate	Adjusted Mill Rate*	Year of Approval	Year of Expiration	Approved Mill Rate	Adjusted Mill Rate*
City of Ann Arbor	1978	None	2.5000	1.9321	2018	2023	0.7000	0.6805
City of Ypsilanti	2010	None	0.9789	0.8890	2018	2023	0.7000	0.6805
Ypsilanti Township	n/a	n/a	n/a	n/a	2018	2023	0.7000	0.6805

\* The adjusted mill rate is the mill rate adjusted for the Headlee Amendment, collected in the current tax year, and funds the recommended budget.

Property tax revenues for 2023 are anticipated to be approximately 3.0% higher than projected actual property tax revenues of \$18.5 million in 2022. The budget variance shows a year-over-year decrease because actual revenues for FY2022 were lower than budgeted.

- **State operating assistance:** revenue is projected to increase in FY2023 by 3.1% due to a slight increase in the projected reimbursement rate based on historical performance. The budgeted state operating assistance reimbursement rate is 29.0% of eligible operating expenses. See *Appendix 8.5* for further details on State and Federal funding sources.
- **Other federal operating assistance:** will increase as a result of additional utilization of capital cost of contracting (5307 Operating) funding.

- Federal relief revenues: Federal pandemic relief funds (CARES Act, CRRSAA and ARP funding) will be utilized to reimburse all eligible operating expenses and to replace lost fare revenues related to the coronavirus pandemic. The estimated use of federal pandemic relief funds is \$17.3 million in FY2023. The use of federal pandemic relief funds is anticipated to result in a surplus of \$11.5 million of local property tax funds, which will be placed into capital reserve.

## Contingencies

There is still some uncertainty regarding revenues and expenses, particularly the impact of expense assumptions due to inflationary factors and workforce challenges as well as impacts of state and local funding on revenues. Budget assumptions have been updated throughout the budget process. The following are revenues and expenses that are viewed to be at higher risk, due either to the magnitude of impact they will have on the budget if assumptions are not realized, or if they are based on indicators that are volatile or less predictable in nature, or both.

- Fare revenue and contract revenue may vary based upon ridership projections
- Property tax collections could be higher or lower than anticipated
- State operating and capital contributions will depend upon the state's budget adoption, which
- Fuel, materials, and supplies costs may vary due to inflation and market volatility
- Impacts of workforce challenges appear to be stable for TheRide, but general labor shortages are still a risk

The assumptions in the Recommended FY2023 Budget represent the staff's best attempts to make financial projections using the economic inputs available to us from industry, local, state, and federal leaders. State law allows adopted budgets to be amended, offering adequate flexibility to accommodate changing budgetary needs as the year progresses.

The following table illustrates the details of the adopted FY2023 budget, along with comparisons to previous years.

**Figure 16: FY2023 Recommended Operating Budget Detail (with Prior Year Comparisons)**

**TheRide  
FY2023 Operating Budget  
Recommended Budget**

	FY2021	FY2022	FY2023	2023 vs. 2022 Change	
	Actual	Budget	Budget	\$	%
<b>OPERATING REVENUES</b>					
Passenger Revenue	\$ 1,624,502	\$ 4,165,723	\$ 4,085,548	\$ (80,175)	-1.9%
Local Property Tax Revenue	17,991,318	19,258,842	19,070,301	(188,541)	-1.0%
POSA & Other Governmental Partners	1,288,708	1,721,873	1,905,957	184,085	10.7%
State Operating Assistance	13,338,529	16,914,298	17,443,827	529,529	3.1%
Federal Operating Assistance	1,350,000	3,000,000	3,000,000	-	0.0%
Other Federal Conditional Assistance	1,329,208	3,878,890	4,201,180	322,290	8.3%
CARES/CRRSAA/ARP	17,100,201	18,653,477	17,277,770	(1,375,707)	-7.4%
Advertising, Interest, and Other	1,014,866	391,000	524,279	133,279	34.1%
<b>TOTAL REVENUES</b>	<b>\$ 55,037,332</b>	<b>\$ 67,984,103</b>	<b>\$ 67,508,862</b>	<b>\$ (475,241)</b>	<b>-0.7%</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages and Benefits	\$ 24,928,712	\$ 28,621,201	\$ 30,371,269	\$ 1,750,068	6.1%
Purchased Transportation	5,943,543	14,704,408	12,326,918	(2,377,490)	-16.2%
Diesel Fuel and Gasoline	1,100,612	2,400,000	3,480,000	1,080,000	45.0%
Materials and Supplies	2,229,069	3,036,300	2,762,723	(273,577)	-9.0%
Contracted Services	3,084,422	3,596,874	3,504,382	(92,492)	-2.6%
Utilities	676,261	675,200	661,056	(14,144)	-2.1%
Casualty & Liability Insurance	1,314,924	1,450,000	1,560,000	110,000	7.6%
Other Expenses	768,978	1,281,868	1,316,790	34,922	2.7%
<b>TOTAL EXPENSES</b>	<b>\$ 40,046,521</b>	<b>\$ 55,765,851</b>	<b>\$ 55,983,138</b>	<b>\$ 217,287</b>	<b>0.4%</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ 14,990,811</b>	<b>\$ 12,218,252</b>	<b>\$ 11,525,724</b>	<b>\$ (692,528)</b>	<b>-5.7%</b>
Operating Reserve Transfer	(3,052,211)	-	-	-	
Capital Reserve Transfer	(11,938,600)	(12,218,252)	(11,525,724)	692,528	-5.7%
<b>OPERATING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

**Basis of Budgeting**

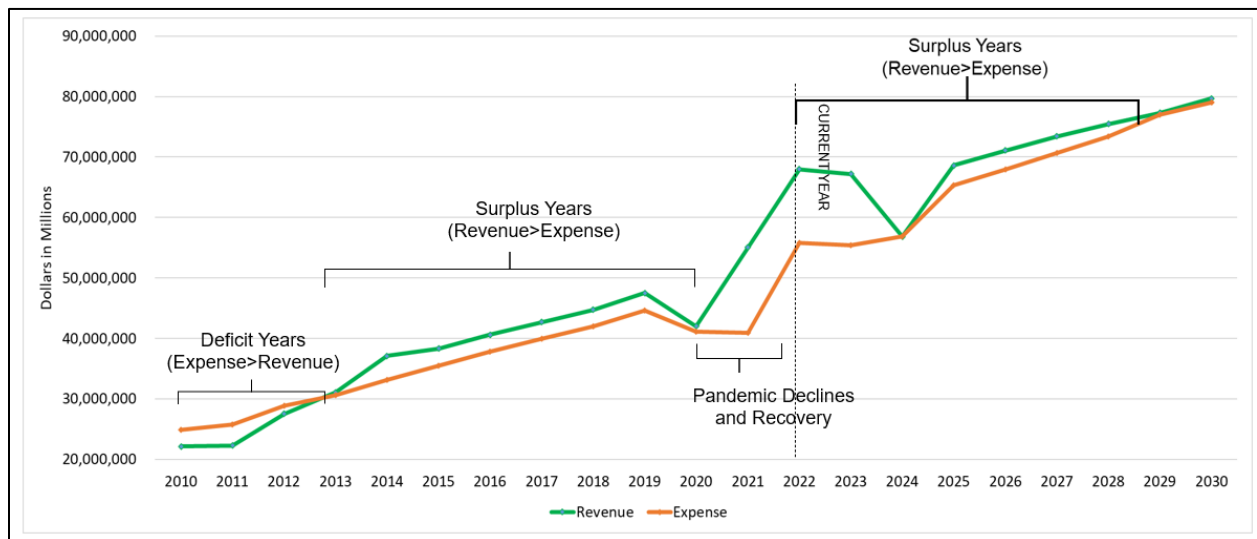
The 2023 operating and capital budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and to produce the financial statements. The only difference between the financial statements and the budget is that depreciation expense is not included in the operating budget since it is a booked expense which does not affect the general fund balance, operating reserve, or capital budget. Depreciation expense is included in the annual audited financial statements. An annually selected Audit Committee (selected from members of the Board) have oversight of the financial statements independent audit at the end of each fiscal year. The fully audited Comprehensive Annual Financial Report (CAFR) is presented to the full Board for review and approval on an annual basis.

## Long-Term Financial Context: 2010-2030

The Board’s policies require the annual budget to be contextualized within a multi-year forecast of costs and revenues (Policy 2.4). The FY2023 budget and 7-year forecast for subsequent years is detailed on the next page.

The graph below compares historic (11-year actuals), FY2022 projected actuals, and forecasted financials to provide context for the FY2023 budget. After historical operating deficits consumed much of TheRide’s financial capacity prior to 2013 as the organization expanded, new funding helped restore fiscal strength until just before the pandemic outbreak. TheRide’s reserve coffers were finally at the policy target in late FY2019 after experiencing low balances for several years.

**Figure 17: Financial Performance (Historic, Current, Forecast)**



At the onset of the pandemic in 2020, revenues declined and cost-cutting measures including staff reductions and suspended transit service were enacted in response. Federal pandemic relief funds helped to gradually restore service in late FY2020 continuing through FY2021 and helped assure mid-term financial sustainability. By 2022, service recovery was restored to pre-pandemic levels and due to pandemic relief funding, operating surpluses are projected from FY2021 to FY2023, with the surplus local funds being rededicated to the established capital reserve. However, operating deficits were predicted from FY2024 to 2029 until TheRide addressed the issue with the 2022 millage proposal.

The following table details projected operating revenue and expense projections for the next seven years.



**Figure 18: FY2023 Operating Budget (with 7 Year Forecast)**

<b>Operating Revenues</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Passenger Fares	2,088,234	\$ 4,165,723	\$ 4,085,548	\$ 4,894,249	\$ 5,991,405	\$ 6,398,574	\$ 6,703,213	\$ 6,970,694	\$ 7,209,408	\$ 7,429,222
Contract Revenues	1,806,389	1,721,873	1,905,957	1,957,216	2,009,617	2,063,311	2,118,429	2,175,015	2,233,107	2,300,101
Local Property Taxes**	16,265,739	19,258,842	19,070,301	22,466,285	36,585,660	37,602,958	38,648,368	39,337,002	39,645,195	40,834,551
State Operating Assistance	12,062,516	16,914,298	17,443,827	18,015,259	20,000,772	20,862,927	21,672,197	22,518,337	23,578,551	24,499,689
Federal Operating Assistance	3,000,000	3,000,000	3,000,000	1,872,360	-	-	-	-	-	-
Other Federal Operating	2,075,700	3,878,890	4,201,180	4,127,984	3,632,720	3,794,468	3,965,857	4,147,559	4,340,301	4,464,572
CARES/CRRSAA/ARP	17,100,314	18,653,477	17,277,770	4,308,448	-	-	-	-	-	-
Other Revenues	303,000	391,000	524,279	440,258	451,541	463,137	475,054	487,302	499,890	514,887
<b>Total Operating Revenues</b>	<b>54,701,892</b>	<b>\$ 67,984,103</b>	<b>\$ 67,508,862</b>	<b>\$ 58,082,059</b>	<b>\$ 68,671,714</b>	<b>\$ 71,185,376</b>	<b>\$ 73,583,118</b>	<b>\$ 75,635,908</b>	<b>\$ 77,506,452</b>	<b>\$ 80,043,022</b>
<b>Operating Expenses</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Salaries, Wages, Benefits	26,758,252	\$ 28,621,201	\$ 30,371,269	\$ 31,464,009	\$ 32,722,009	\$ 34,161,354	\$ 35,345,896	\$ 36,575,916	\$ 37,864,179	\$ 39,053,305
Purchased Transportation	5,722,139	14,704,408	12,326,918	12,803,861	13,481,763	14,172,942	14,859,376	15,583,412	16,511,579	17,488,953
Fuel, Material, Supplies	4,481,434	5,436,300	6,242,723	6,399,649	6,650,736	6,911,746	7,219,574	7,541,197	8,077,181	8,350,787
Contracted Services	3,116,121	3,596,874	3,504,382	2,690,602	2,874,651	2,958,197	3,044,195	3,129,412	3,466,522	3,524,270
Other Expenses	2,685,346	3,407,068	3,537,846	3,552,421	3,775,927	4,018,678	4,282,062	4,568,031	4,883,198	5,246,600
Millage Initiatives	-	-	-	912,333	5,647,070	5,824,702	6,008,033	6,198,204	6,570,096	6,767,199
<b>Total Operating Expenses</b>	<b>\$ 42,763,292</b>	<b>\$ 55,765,851</b>	<b>\$ 55,983,138</b>	<b>\$ 57,822,876</b>	<b>\$ 65,152,156</b>	<b>\$ 68,047,619</b>	<b>\$ 70,759,136</b>	<b>\$ 73,596,172</b>	<b>\$ 77,372,755</b>	<b>\$ 80,431,114</b>
<b>Surplus (Deficit)</b>	<b>11,938,600</b>	<b>\$ 12,218,252</b>	<b>\$ 11,525,724</b>	<b>\$ 259,184</b>	<b>\$ 3,519,558</b>	<b>\$ 3,137,757</b>	<b>\$ 2,823,982</b>	<b>\$ 2,039,736</b>	<b>\$ 133,698</b>	<b>\$ (388,093)</b>
Reserve Transfers (Capital/Operating)	(11,938,600)	(12,218,252)	(11,525,724)	(259,184)	(3,519,558)	(3,137,757)	(2,823,982)	(2,039,736)	(133,698)	388,093
<b>Operating Balance</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### 10-Year Capital Plan

“Capital” expenditures are defined as assets purchased with an initial cost of more than \$5,000 and an estimated useful life greater than one year. Such assets include land, buildings, vehicles, and equipment, which are recorded at historical cost. Improvements expected to extend the useful lives of existing assets are capitalized. The costs of normal maintenance and repairs are not capitalized.

Every year TheRide produces a rolling 10-year plan to help organized anticipated major capital expenses. While a 10-year perspective is helpful context, the Board only authorizes one year of expenditures at a time, in this case for FY2023. The remaining nine years are considered placeholders and are subject to change. During the coming year, the 10-year capital plan may need to be adjusted to better reflect the final priorities of the ongoing Long-Range Plan.

The table below summarizes the adopted capital program for FY2023 and beyond until FY2031. While projects include the *Advancing the Long-Range Plan* priorities, their purpose is further organized by priorities of State of Good Repair, Value Added, Expansion, or Research and Development. The priority for capital investments is to maintain State of Good Repair as the highest priority, and Value Added and Expansion as the second highest priorities, funds permitting.

**Figure 19: Capital Plan Projects and Funding Sources**

CAPITAL PROJECTS	FY2023 Budget	FY2024-FY2032 Program
State of Good Repair	\$14,946,000	\$88,636,109
Value Added	\$830,000	\$23,737,639
Research & Development	\$25,000	\$225,750
Expansion	\$1,385,000	\$206,590,740
<b>TOTAL EXPENSES</b>	<b>\$17,186,000</b>	<b>\$319,190,238</b>
FUNDING SOURCES	FY2023 Budget	FY2024-FY2032 Program
State & Federal Grants	\$16,861,000	\$163,186,730
Federal Earmark	\$300,000	\$0
Local Capital Reserve/Share	\$25,000	\$43,039,491
Unidentified Funding	\$0	\$112,964,017
<b>TOTAL REVENUE</b>	<b>\$17,186,000</b>	<b>\$319,190,238</b>
UNIDENTIFIED FUNDING PORTION	FY2023 Budget	FY2024-FY2032 Program
Unidentified Funding %	0%	35%

The detailed 10-year Capital Plan incorporates projects identified in the Board-approved Long-Range Plan. Detailed projects and funding are provided in Figure 20.

**Figure 20: 10-Year Capital Plan**

(\$ in thousands)		FY23 Budget		FY24-32 Program										
Category	Project Description	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total		
<b>STATE OF GOOD REPAIR</b>	Vehicles	5,520,000	5,609,600	5,777,888	5,951,225	6,129,761	6,313,654	6,503,064	6,698,156	6,899,100	7,106,073	60,682,448		
	Equipment	419,000	434,570	447,427	460,580	474,037	487,808	502,443	517,516	533,041	545,164	4,681,423		
	Existing Facilities	8,772,000	3,490,000	2,890,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	31,932,000		
	Information Technology	235,000	435,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,620,000		
	<b>Category Total</b>	<b>14,946,000</b>	<b>9,969,170</b>	<b>9,315,315</b>	<b>9,301,805</b>	<b>9,493,799</b>	<b>9,691,463</b>	<b>9,895,507</b>	<b>10,105,672</b>	<b>10,322,142</b>	<b>10,541,238</b>	<b>99,915,871</b>		
<b>VALUE ADDED</b>	Technology Upgrades <i>[ITS, Smart Card]</i>	250,000	150,000	2,150,000	2,150,000	2,150,000	2,150,000	150,000	150,000	150,000	150,000	9,700,000		
	Zero-Emission Vehicles <i>[Costs Pending Study]</i>	-	-	-	-	-	-	-	-	-	-	-		
	Bus Stop Improvements	280,000	350,000	327,639	250,000	250,000	250,000	300,000	300,000	300,000	300,000	2,652,639		
	Transit Priority	300,000	500,000	1,200,000	1,000,000	1,000,000	1,030,000	2,000,000	2,000,000	2,000,000	1,030,000	11,030,000		
	<b>Category Total</b>	<b>830,000</b>	<b>1,000,000</b>	<b>3,677,639</b>	<b>3,400,000</b>	<b>3,400,000</b>	<b>3,430,000</b>	<b>2,450,000</b>	<b>2,450,000</b>	<b>2,450,000</b>	<b>1,480,000</b>	<b>23,382,639</b>		
<b>RESEARCH &amp; DEVELOPMENT</b>	Emergent R&D	25,000	25,000	25,000	25,000	25,000	25,000	25,750	25,000	25,000	25,000	250,750		
	<b>Category Total</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,750</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>250,750</b>		
<b>EXPANSION</b>	<b>Ypsilanti Transit Center</b>	Land Acquisition	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000	
		Planning, NEPA, & Design	585,000	965,000	824,000	-	-	-	-	-	-	-	2,374,000	
		Construction	-	-	5,150,000	10,454,500	-	-	-	-	-	-	-	15,604,500
		<b>YTC Subtotal</b>	<b>585,000</b>	<b>1,965,000</b>	<b>5,974,000</b>	<b>10,454,500</b>	-	-	-	-	-	-	-	<b>18,978,500</b>
	<b>Blake Transit Center</b>	Planning, NEPA, & Design	250,000	80,000	-	-	-	-	-	-	-	-	330,000	
		Construction Contribution	-	-	1,545,000	1,854,000	309,000	587,100	-	-	-	-	4,295,100	
		<b>BTC Subtotal</b>	<b>250,000</b>	<b>80,000</b>	<b>1,545,000</b>	<b>1,854,000</b>	<b>309,000</b>	<b>587,100</b>	-	-	-	-	<b>4,625,100</b>	
	<b>Bus Rapid Transit</b>	Planning, NEPA, & Design	150,000	350,000	412,000	360,500	4,120,000	3,090,000	154,500	360,500	500,000	515,000	9,497,500	
		Construction & Vehicles	-	-	-	-	-	1,802,500	26,728,500	25,750,000	25,550,000	-	79,831,000	
		<b>BRT Subtotal</b>	<b>150,000</b>	<b>350,000</b>	<b>412,000</b>	<b>360,500</b>	<b>4,120,000</b>	<b>4,892,500</b>	<b>26,883,000</b>	<b>26,110,500</b>	<b>26,050,000</b>	<b>515,000</b>	<b>89,328,500</b>	
	<b>Bus Garage</b>	Land Acquisition	-	-	-	1,545,000	-	-	-	-	-	-	1,545,000	
		Planning, NEPA, & Design	100,000	350,000	772,500	824,000	3,090,000	3,605,000	-	-	-	-	8,741,500	
		Construction	-	-	-	-	-	-	25,750,000	30,900,000	10,000,000	-	66,650,000	
		<b>Garage Subtotal</b>	<b>100,000</b>	<b>350,000</b>	<b>772,500</b>	<b>2,369,000</b>	<b>3,090,000</b>	<b>3,605,000</b>	<b>25,750,000</b>	<b>30,900,000</b>	<b>10,000,000</b>	-	<b>76,936,500</b>	
	<b>Information Technology</b>	New Fare Technology	-	-	-	-	206,000	721,000	2,163,000	1,030,000	-	-	4,120,000	
		Customer Experience Technology	100,000	100,000	103,000	103,000	103,000	154,500	123,600	123,600	120,000	123,600	1,154,300	
First and Last Mile Solutions		-	80,000	82,400	82,400	82,400	82,400	82,400	82,400	80,000	82,400	736,800		
Operational Innovations		200,000	350,000	360,500	360,500	360,500	360,500	360,500	360,500	350,000	360,500	3,423,500		
<b>Information Technology Subtotal</b>		<b>300,000</b>	<b>530,000</b>	<b>545,900</b>	<b>545,900</b>	<b>751,900</b>	<b>1,318,400</b>	<b>2,729,500</b>	<b>1,596,500</b>	<b>550,000</b>	<b>566,500</b>	<b>9,434,600</b>		
<b>Transit Hubs</b>	Transit Hubs	-	-	-	-	103,000	206,000	1,030,000	1,030,000	-	309,000	2,678,000		
	Additional Vehicles for Service Expansion	-	62,000	-	63,860	-	-	2,021,890	1,291,620	146,000	1,894,170	5,479,540		
	<b>Category Total</b>	<b>1,385,000</b>	<b>3,337,000</b>	<b>9,249,400</b>	<b>15,647,760</b>	<b>8,373,900</b>	<b>10,609,000</b>	<b>58,414,390</b>	<b>60,928,620</b>	<b>36,746,000</b>	<b>3,284,670</b>	<b>207,460,740</b>		
<b>EXPENSE TOTAL</b>	<b>17,186,000</b>	<b>14,331,170</b>	<b>22,267,354</b>	<b>28,374,565</b>	<b>21,292,699</b>	<b>23,755,463</b>	<b>70,785,647</b>	<b>73,509,292</b>	<b>49,543,142</b>	<b>15,330,908</b>	<b>336,376,238</b>			

Funding Sources	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total
<b>FORECASTED:</b>											
5307 Federal + State Match	11,185,760	9,625,321	17,226,908	21,965,817	13,709,547	13,983,738	14,263,413	14,548,681	14,839,655	11,592,442	142,941,281
5339 Federal + State Match	3,372,220	1,163,860	1,187,137	1,210,879	1,235,097	1,259,799	1,284,995	1,310,695	1,336,909	1,363,647	14,725,238
CMAQ Federal + State Match	1,667,790	1,716,990	1,785,670	1,857,096	1,931,380	2,008,635	2,088,981	2,172,540	2,259,441	2,349,819	19,838,342
5310 Federal + State Match	100,000	-	-	-	-	-	-	-	-	-	100,000
STBG Flex Federal + State Match	235,230	300,000	277,639	250,000	250,000	110,000	-	-	-	-	1,422,869
State Initiatives (TSP)	300,000	500,000	220,000	-	-	-	-	-	-	-	1,020,000
Federal Earmark	300,000	-	-	-	-	-	-	-	-	-	300,000
Local Capital Reserve/Share	25,000	1,025,000	1,570,000	3,090,772	4,166,675	6,393,290	27,500,754	25,000	25,000	25,000	43,846,491
<b>UNIDENTIFIED:</b>											
Other	-	-	-	-	-	-	25,647,504	55,452,376	31,082,137	-	112,182,017
<b>REVENUE TOTAL</b>	<b>17,186,000</b>	<b>14,331,170</b>	<b>22,267,354</b>	<b>28,374,565</b>	<b>21,292,699</b>	<b>23,755,463</b>	<b>70,785,647</b>	<b>73,509,292</b>	<b>49,543,142</b>	<b>15,330,908</b>	<b>336,376,238</b>

## FY2023 Adopted Capital Budget

The table below lists the approved capital investments for FY2023 only. Details for each project can be found in the *Appendix 8.2*.

**Figure 21: FY2023 Capital Plan**

Category	Project Description	FY2023
State of Good Repair	Vehicles	\$5,520,000
	Equipment	\$419,000
	Existing Facilities	\$8,772,000
	IT Hardware and Software Replacement	\$235,000
	<b>Sub-total</b>	<b>\$14,946,000</b>
Value Added	Technology Upgrades	\$250,000
	Bus Stop Improvements	\$280,000
	Bus Lane Improvements & Other	\$300,000
	<b>Sub-total</b>	<b>\$830,000</b>
Research and Development	Emergent R&D Projects	\$25,000
	<b>Sub-total</b>	<b>\$25,000</b>
Expansion	Ypsilanti Transit Center	\$585,000
	Blake Transit Center	\$250,000
	Bus Rapid Transit	\$150,000
	Bus Garage	\$100,000
	Information Technology	\$300,000
	<b>Sub-total</b>	<b>\$1,385,000</b>
<b>Capital Costs Total</b>		<b>\$17,186,000</b>

Approved capital projects and funding sources for FY2023 and the 10-year plan are explained in more detail in Appendices two and five.

## Sources of Capital Funding

The capital program is funded through a combination of local, state, and federal sources as listed at the bottom of the table on the previous page and summarized below for FY2023. Additional information is available in the *State and Federal Grants Primer*, see the *Appendix (page 52)*.

**Figure 22: Capital Funding Sources**

Sources of Capital Funds	FY2023
<p><b>Local Capital Reserve/Share</b> TheRide’s own cash and investments budgeted for research and development projects in FY2023. A capital reserve was established in FY2021 with local funds as a result of additional pandemic relief that has been and will be received.</p>	\$25,000
<p><b>Federal STBG Flex</b> Federal Surface Transportation Block Grant (STBG) funding provided to states and localities for road projects. Washtenaw Area Transportation Study (WATS) has transferred a portion to FTA Section 5307 for pedestrian/bus stop improvements.</p>	\$188,000
<p><b>State Initiatives (TSP)</b> State funding MDOT awarded for the Transit Signal Priority project, continuing work started last year. Project listed in the Technology Upgrades line.</p>	\$300,000
<p><b>State Capital Match</b> State Comprehensive Transportation Fund (CTF) capital funding for 20% local share required by federally funded capital projects (STBG, 5307, 5310, 5339, CMAQ, Discretionary).</p>	\$3,312,000
<p><b>Federal 5307 Formula</b> Federal urbanized formula support for transit capital projects. Supports state of good repair projects, bus stop improvements, technology upgrades, and expansion efforts.</p>	\$8,949,000
<p><b>Federal 5310 Formula</b> Federal formula for mobility of seniors and people with disabilities. Supports capital purchases and operating activities designed to serve these populations.</p>	\$80,000
<p><b>Federal 5339 Formula</b> Federal formula for buses and bus facilities, will support state of good repair vehicle replacements and facility rehabilitations.</p>	\$2,698,000
<p><b>Federal CMAQ</b> Federal highway funding for Congestion Mitigation/Air Quality (CMAQ) improvement, transferred by the Southeast Michigan Council of Governments (SEMCOG) for transit projects in Washtenaw County. Supports large bus replacements.</p>	\$1,334,000
<p><b>Federal Earmark</b></p>	\$300,000
<p><b>Unidentified/Discretionary</b> A placeholder in the capital budget for federal discretionary awards, also known as competitive FTA grants, that will support capital projects.</p>	\$0
<b>Total</b>	<b>\$17,186,000</b>

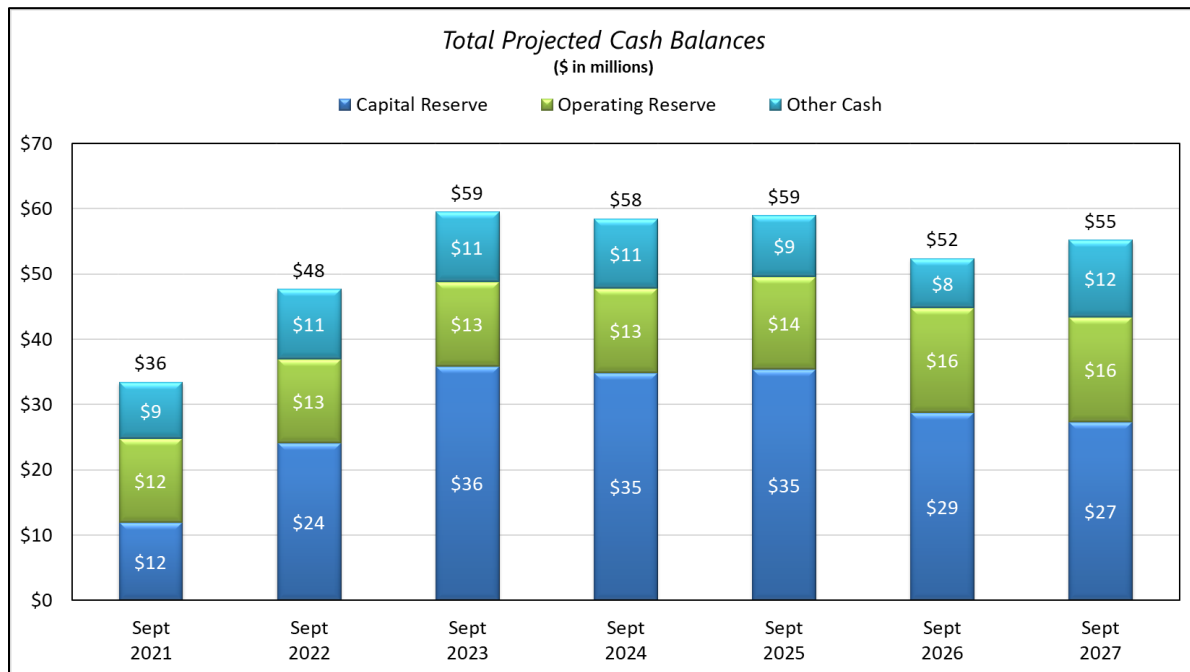
# 7. Impacts of 2023 Budget

## Projected General Fund and Cash Balances

The fund balance will start the new fiscal year (October 1, 2022) near the net position of \$98 million with most assets in capital, cash, and investments. The FY2023 closing fund balance is expected to grow about \$12 million based on the projected FY2023 operating surplus amount and continuation of low liability balances. The growth in the fund balance is a direct result of the Board-approved strategy to establish a capital reserve with local funds as federal pandemic relief funds are utilized for operating purposes.

TheRide’s cash balance will fluctuate through the year with the highest level in August and/or September and gradual spending over the fiscal year. See projected cash balances at the end of FY2022 to FY2027 (September) with the historical cash balance as of the end of FY2021. In addition to total projected cash, the stacked bar chart shows the projected capital reserve, operating reserve, and other cash balances. Other cash represents the insurance reserve of \$500,000, cash needed for daily operations, and any restricted cash. See further details on the operating reserve and capital reserves below.

**Figure 23: Total Projected Cash Balances**

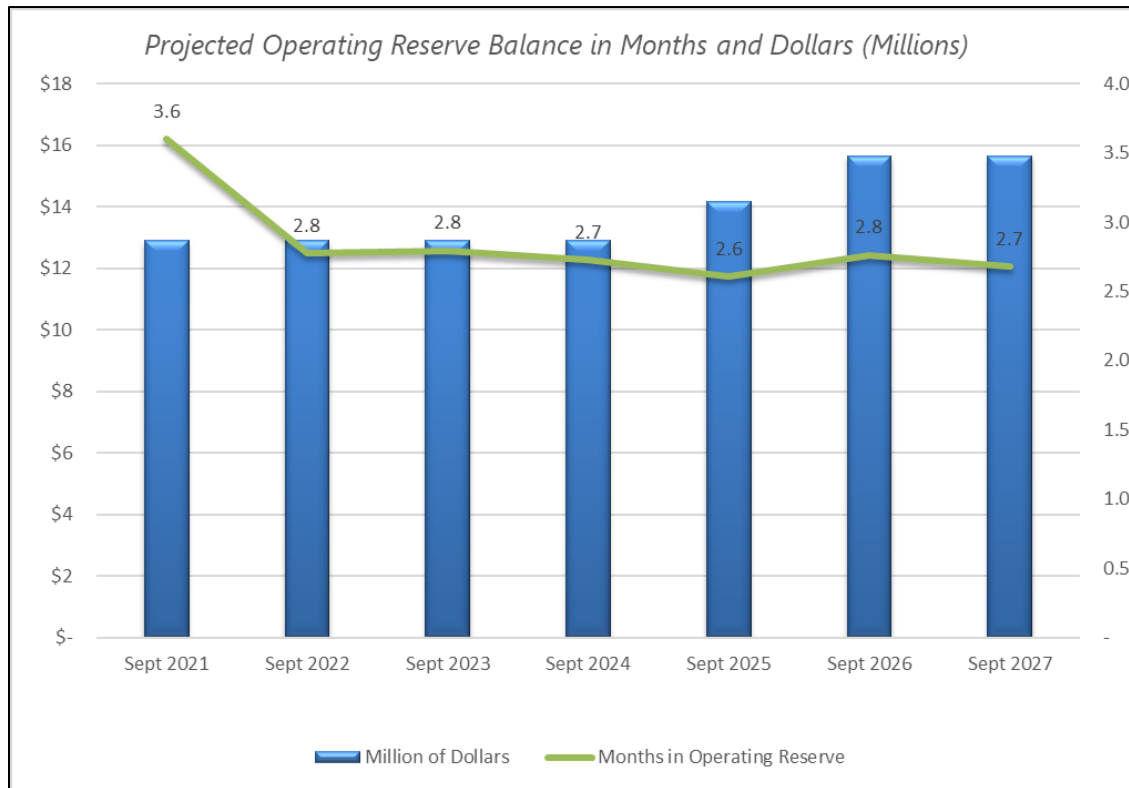


## Projected Operating Reserve Balance

The projected operating reserve is the cash and investment balance of the unrestricted net position on the statement of net position (balance sheet) that has been committed to operational use. TheRide expresses the reserve in terms of a dollar amount (balance) and the number of months of operations it

can support. The Government Finance Officers Association (GFOA) recommends that reserve balances in the public sector should be able to support 2 to 3 months of operations. TheRide’s target reserve balance is 2.5 months, which is about \$11.6 million to support a \$55.4 million budget as adopted for FY2023. This target level is expected to be maintained through FY2027 and beyond.

**Figure 24: Projected Operating Reserves**



**Projected Capital Reserve Balance**

The projected capital reserve is the cash and investment balance of the unrestricted net position that has been committed to capital use. The capital reserve will be funded from local operating surplus dollars from FY2021 to FY2023 as federal pandemic relief funds are used for operating purposes. From FY2024 to FY2029, the capital reserve will also be funded from local operating surplus dollars because of the new millage rate that passed for FY2024 to FY2029. The below table represents the expected capital reserve funding timing, use of funds, and the remaining capital reserve balance from FY2021 to FY2030. See the 10-year Capital Plan for more details on the capital projects that will utilize these funds.

**Figure 25: Projected Capital Reserve Activity**

(\$ in thousands)	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Capital Reserve Funding (from Operating Surplus)	\$ 11,939	\$ 12,218	\$ 11,526	\$ 259	\$ 2,220	\$ 1,638	\$ 2,824	\$ 1,040	\$ 134	\$ -	\$ 43,796
Use of Capital Reserve for Capital Projects	-	-	25	1,025	1,570	3,091	4,167	6,393	27,501	25	43,796
<b>Remaining Capital Reserve</b>	<b>\$ 11,939</b>	<b>\$ 24,157</b>	<b>\$ 35,658</b>	<b>\$ 34,892</b>	<b>\$ 35,541</b>	<b>\$ 34,088</b>	<b>\$ 32,746</b>	<b>\$ 27,392</b>	<b>\$ 25</b>	<b>\$ -</b>	<b>\$ -</b>

## 8. Appendices



## 8.1 FY2023 Initiatives

This section provides descriptions of operating and capital initiatives that will help to advance the priorities of the Corporate Business Plan, *Advancing the Long-Range Plan*, and achieve the Board's *Ends Policies*. Initiatives below are listed under the priorities of retaining and attracting ridership, implementing the long-range plan and agency-wide continuous improvements.

**Retain and Attract Ridership:** With the pandemic, ridership dramatically dropped. Although it is slowly increasing, TheRide is encouraging ridership by offering contactless payment options, conducting 'rebuild ridership' campaigns, staffing bus routes etc. The Long-Range Plan intends to continue this effort by providing faster services across networks, increase off-peak services, increases frequencies with the intent of increasing ridership by 150%-165%. Key initiatives to support this priority include:

- Campaign to rebuild ridership
- Advances in contactless payment
- Replacing aging buses

**Implementing the Long-Range Plan:** Long-Range Plan lays out a shared vision and strategy for transit over the next 25 years. It focuses on improving social equity by increasing access to jobs and housing, while also contributing to a cleaner environment and a vibrant economy. The result will be a more competitive transit system that will grow ridership, resulting in a more sustainable and vibrant community. Key initiatives to support this priority include:

- Upgrades to the Ypsilanti Transit and Blake Transit Centers
- Starting new services
- Bus Rapid Transit and garage expansion
- Transit Signal Priority
- Develop legislative agenda

**Agency-wide continuous improvements:** One of TheRide's business principles is 'Excellence' which is defined as continuously renewing our commitment to perform well beyond set standards. TheRide prides itself in being compliant with federal, state, and local regulations but it desires and works on continuously doing and being better. Key initiatives to support this priority include:

- Technology upgrades and improvements
- Equity considerations
- Zero emissions fleet improvements, including support vehicles
- Zero emissions support vehicles

## 8.2 FY2023 Capital Descriptions

This section provides further details on the projects included in the **10-Year Capital Plan**. The 10-Year Capital Plan aligns with the Board approved Long-Range Plan and includes projects identified in the Long-Range plan that fall within the 10-year planning period. The capital plan is organized by priorities of State of Good Repair, Value Added, Expansion, and Research and Development. This year, it is important to highlight the Expansion projects for both terminals, so that information is presented first.

**Expansion:** Projects in this category add capacity to implement new services or add other capacities to the organization.

- **Ypsilanti Transit Center and Blake Transit Center Planning:** Longstanding aspirations, the expansions of the two bus terminals have been highlighted in budget documents since FY2018. Staff are seeking Board authorization to move forward with more specific implementation planning for separate work on each facility. Both projects may require formal Board approval during FY2023 and significant capital costs in the future, although the planning work in the FY2023 budget does not obligate the Board to continue with either project (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10, 2.11).
  - **Ypsilanti Transit Center (YTC):** \$585,000 to support formal NEPA studies (environmental impact studies) necessary to refine the facility design and prepare the project to compete for federal funds and land acquisition. This will include discussions with the City, adjacent landowners, and the public.
  - **Blake Transit Center (BTC):** TheRide has been working with the Ann Arbor Housing Commission and City of Ann Arbor to jointly develop a vision for redeveloping the Y Lot adjacent to the BTC. This vision has advanced rapidly and TheRide staff is requesting \$330,000 to engage our own consultants beginning in FY2024 and continue to conduct work in support of this effort. The City Council has a vision and TheRide Board may need to make a final decision about future expenses beyond FY2024 to pay for TheRide's portion of the project. Present estimates in the 10-Year Capital Plan assume an additional \$4.47 million to support construction. Budget: \$250,000.

**State of Good Repair:** Board Policy 2.7 requires the CEO to ensure that the physical assets of TheRide are not risked or under-maintained. To meet this requirement and to comply with federal regulation, TheRide follows a comprehensive Transit Asset Management (TAM) Plan. Updated annually, this plan establishes performance targets to ensure state of good repair for the fleet, equipment, and facilities operated by TheRide and its grant subrecipients. FY2022 projects:

- **Vehicle Replacement:**
  - **Large Bus Replacement:** Eight large transit buses that have reached the end of their useful life will be replaced to maintain service levels and avoid additional maintenance costs. TheRide has resumed its fleet replacement schedule following a deferral in FY2021 due to the pandemic. The 8 clean-diesel replacement buses will be purchased under the current Nova Bus contract. Budget: \$4,880,000 (Policies, 2.1, 2.4, 2.7).

- **Small/Medium Bus Replacement:** The purchase of four small cutaway buses for the A-Ride paratransit service and one small bus for the GroceryRide shopping access service are planned to maintain TheRide’s accessible mobility services fleet. The replacement vehicles will be procured in FY2023 in accordance with fleet replacement plans. Budget: \$440,000 (Policies 2.1, 2.4, 2.7).
- **Support Vehicles:** The purchase of three support vehicles are planned to maintain TheRide’s non-revenue related transportation services. The replacement vehicles will be procured in FY2023 in accordance with the fleet replacement plans. Budget: \$200,000 (Policies 2.1, 2.4, 2.7).
- **Equipment:**
  - **Bus Components:** Vehicle refresh schedules call for replacement of bus components such as engines, transmissions, hybrid drives and batteries, seats, and other major parts needed to maintain the fleet in a state of good repair. Budget: \$319,000 (Policies 2.1, 2.4, 2.7).
  - **Shop Equipment:** A budget for replacement of maintenance equipment and tooling used by mechanics and service crew. Budget: \$100,000 (Policies 2.2, 2.4, 2.7).
- **Existing Facilities:**
  - **Facility Rehabilitation:** Funding is budgeted to address priority maintenance issues at The Dawn Gabay Operations Center (DGOC), the Blake Transit Center (BTC), the Ypsilanti Transit Center (YTC), and TheRide’s park-and-ride lots. A backlog of maintenance needs at the DGOC will continue to be addressed, including administrative facility interior renovations and replacement of the HVAC systems and roof over the maintenance facility using funds set aside in 2020 and 2021. Budget: \$7,657,000 (Policies 2.1, 2.2, 2.4, 2.7).
  - **Architecture & Engineering:** Facility rehabilitation projects will be guided by architecture and engineering design consultants who will provide design, engineering, bidding support, and project management. Budget: \$250,000 (Policies 2.1, 2.2, 2.4, 2.7).
  - **Furniture Replacement:** In the last several years, it has been a priority to replace outdated and poor condition furnishings at the DGOC. Significant progress has been made, and furniture replacements will continue to modernize workspaces, improve ergonomic function, and enhance TheRide’s objective to be a workplace of choice. Budget: \$40,000 (Policies 2.2, 2.4, 2.7).
- **Information Technology:**
  - **IT Hardware and Software Replacements:** Capital funds are budgeted for the replacement of obsolete or at-risk computers, servers, software, fare collection equipment, and other technology infrastructure aboard buses and in facilities. Budget: \$235,000 (Policies 2.1, 2.2, 2.4, 2.7).

**Value Added:** Projects in this category are focused on finding innovative ways to enhance services, or an existing part of TheRide’s operations. Projects include:

- **Technology Upgrades:** State funds are programmed for the Transit Signal Priority project, and additional IT infrastructure investments in switches, firewalls, storage systems, and network monitoring software are planned. Budget: \$250,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7).
- **Bus Stop Improvements:** Each year investment is needed for replacement and improvement of bus stop infrastructure such as concrete landing pads, safe pedestrian paths, shelters, and other amenities, all with an eye toward ensuring accessibility for riders with disabilities. Staff are coordinating with WATS and Washtenaw County staff to prioritize and plan enhancements along Washtenaw Avenue and throughout TheRide's service area. Budget: \$445,000 (Policies 2.1, 2.4, 2.7, 2.10).
- **Bus Lane Improvements:** Creating bus lanes and other features to make transit more attractive (relative to other modes) will help increase demand and make transit more efficient. Budget: \$300,000 (Policies 2.1, 2.4, 2.7, 2.10).
- **Zero Emission Vehicles:** This element of the capital plan is a placeholder and no budget has been assigned to date. Further consideration of the Propulsion Study, upon completion, and Board discussions will result in a more defined project and be incorporated into the capital plan based on priority of the project and available funding. (Policies 2.1, 2.4, 2.7, 2.10).

**Research and Development:** Capital funds are reserved for new projects that may develop in 2023. This is a budget placeholder for exploratory projects that could advance the organization's Ends by leading to new services, infrastructure, or business relationships. Budget: \$25,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10).

## 8.3 Contracts

The Board's Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to \$250,000 and disallows the splitting of purchases or contracts into smaller amounts to avoid this limitation. Listed below are the contracts that are anticipated to be awarded in FY2023. When adopting the budget, the Board may opt to accept all contracts with a value greater than \$250,000 as listed by including them in the budget adoption or may call out specific contracts that the Board wishes to consider for deliberation before acceptance. The largest contract to be awarded in FY2023 is for the replacement of the roof over the bus maintenance section of 2700 S. Industrial Hwy.

**Table 8.3: Budgeted Contracts Summary**

CONTRACT DESCRIPTION	CURRENT PROVIDER	RENEWAL DATE (ESTIMATED)	VALUE OF AWARD (ESTIMATED)	FY2023 BUDGETED EXPENSE
General Corporate Legal Services	Dykema Gossett	9/1/2023	\$ 400,000	\$ 110,000
Labor and Employment Legal Services	Miller Johnson, Bodman	8/16/2023	\$ 250,000	\$ 50,000
Gasoline and Diesel Fuel	Multiple Providers	10/1/2022	\$ 3,100,000	\$ 3,100,000
Bus Advertising Services	Outfront Media Group LLC	4/10/2023	\$ 1,300,000	Revenue Contract
Public Transit Buses	Nova Bus	12/31/2024	\$ 25,000,000	\$ 4,880,000
Natural Gas Supply	Constellation	5/31/2023	\$ 450,000	\$ 148,300
Non-Revenue Vehicle Replacements	New	10/1/2022	\$ 200,000	\$ 200,000
Small/Medium Bus Replacements	New	10/1/2022	\$ 440,000	\$ 440,000
Fleetwide Seating Transition	New	10/1/2022	\$ 350,000	\$ 350,000
Asphalt Repairs, Park and Ride Lots	New	10/1/2022	\$ 300,000	\$ 300,000
Ypsilanti Transit Center Planning and Design	New	10/1/2022	\$ 2,300,000	\$ 600,000
Planning and Engineering for Capital Projects	New	10/1/2022	\$ 600,000	\$ 200,000
Washtenaw BRT Planning	New	10/1/2022	\$ 500,000	\$ 150,000
Bus Garage Planning	New	10/1/2022	\$ 500,000	\$ 100,000
Ride Guide Printing	American Litho, Inc.	10/31/2022	\$ 450,000	\$ 90,000

## 8.4 Fares

Table 8.4 presents current fares as approved by the Board in September 2022. New fares approved at that time were implemented in August 2022. There are currently no new fares or changes to existing fares proposed for FY2023. The FY2023 fares are the basis for budget assumptions.

<b>Table 8.4 - FARES</b>			
<b>FIXED ROUTE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b><i>Cash Fares</i></b>			
Full Fare Cash	\$1.50	\$1.50	\$1.50
Transfer	Free	Free	Free
<b><i>Reduced Cash Fares</i></b>			
Youth (Grades K-12)	\$0.75	\$0.75	\$0.75
Children (5yrs & Younger)	Free	Free	Free
Fare Deal Card	\$0.75	\$0.75	\$0.75
A-Ride Card	Free	Free	Free
GoldRide Card	Free	Free	Free
<b><i>Passes and Tokens</i></b>			
Day Pass	\$4.50	\$3.00	\$3.00
Reduced Day Pass	N/A	\$1.50	\$1.50
30 Day Pass	\$58.00	\$45.00	\$45.00
30 Day Value Pass (Senior)	\$29.00	\$22.50	\$22.50
30 Day Value Pass (Income Elig.)	\$29.00	\$22.50	\$22.50
30 Day Value Pass (Disability)	\$29.00	\$22.50	\$22.50
30 Day Value Pass (Student)	\$29.00	\$22.50	\$22.50
Full Fare Token	\$1.50	\$1.50	\$1.50
Reduced Fare Token	\$0.75	\$0.75	\$0.75
<b>SPECIAL SERVICES FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b><i>GroceryRide</i></b>			
GroceryRide	\$0.75	\$0.75	\$0.75
<b><i>NightRide</i></b>			
NightRide (Full Fare)	\$5.00	\$5.00	\$5.00
NightRide (go!Pass)	\$3.00	\$3.00	\$3.00
NightRide (Reduced Fare)	\$2.50	\$2.50	\$2.50
NightRide (Surcharge/outside A2)	\$2.00	\$0.00	\$0.00
NightRide (Child age 5 & under)	Free	Free	Free
<b><i>HolidayRide</i></b>			
HolidayRide (Full Fare)	\$5.00	\$5.00	\$5.00
HolidayRide (go!Pass)	\$3.00	\$3.00	\$3.00
HolidayRide (Reduced Fare)	\$2.50	\$2.50	\$2.50

HolidayRide (Surcharge/outside A2)	\$2.00	\$0.00	\$0.00
HolidayRide (Child age 5 & under)	Free	Free	Free
<b>FootballRide</b>			
One-Way	\$1.50	\$1.50	\$1.50
Round Trip	\$3.00	\$3.00	\$3.00
<b>EXPRESSRIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Cash Fares</b>			
One-Way Cash	\$6.25	\$6.25	\$6.25
Transfer from Fixed Route	\$4.75	\$4.75	\$4.75
<b>Passes and Tickets</b>			
30 Day Commuter Pass	\$125.00	\$125.00	\$125.00
10-Ride Ticket	\$62.50	\$62.50	\$62.50
<b>Reduced Passes</b>			
MRide	\$62.50	\$62.50	\$62.50
go!Pass	\$62.50	\$62.50	\$62.50
*ExpressRide service has been suspended due to the pandemic.			
<b>A-RIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Cash Fares</b>			
Advance Reservation	\$3.00	\$3.00	\$3.00
Same Day Reservation	\$4.00	*\$4.00	*\$4.00
Will Call return Trip	\$3.00	\$3.00	\$3.00
Companion Fare	\$3.00	\$3.00	\$3.00
Companion Fare (Youth K-12)	\$1.50	\$1.50	\$1.50
Companion Fare (Age 5 & Under)	Free	Free	Free
Personal Care Assistant	Free	Free	Free
<b>Scrip Coupons</b>			
Booklet of 10	\$30.00	\$30.00	\$30.00
*Same day reservation has been suspended due to the pandemic.			
<b>AIRRIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Advance Reservation</b>			
Standard One-Way Fare	\$12.00	\$12.00	\$12.00
Standard Round Trip	\$22.00	\$22.00	\$22.00
Seniors One-Way	\$6.00	\$6.00	\$6.00
Seniors Round Trip	\$11.00	\$11.00	\$11.00
Disabled One-Way	\$6.00	\$6.00	\$6.00
Disabled Round Trip	\$11.00	\$11.00	\$11.00
Youth (Ages 2-17) One Way	\$6.00	\$6.00	\$6.00
Youth (Ages 2-17) Round Trip	\$11.00	\$11.00	\$11.00
<b>Walk-On Fares</b>			
Standard One-Way Fare	\$15.00	\$15.00	\$15.00
Seniors	\$7.50	\$7.50	\$7.50

Disabled	\$7.50	\$7.50	\$7.50
Youth (Ages 2-17)	\$7.50	\$7.50	\$7.50
<b>D2A2 FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b><i>Advance Reservation</i></b>			
Standard One-Way Fare	\$6.00	\$6.00	\$6.00
Senior/Disability One-Way Fare	\$4.00	\$4.00	\$4.00
Book of 10 Rides (\$5 Each Trip)	\$50.00	\$50.00	\$50.00
<b><i>Walk-On Fares</i></b>			
Standard One-Way Fare	\$8.00	\$8.00	\$8.00
Senior/Disability One-Way Fare	\$4.00	\$4.00	\$4.00
<b>FLEXRIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
Standard Adult One-Way	\$1.00	\$1.00	\$1.00
Students (K-12, ages 6-18)	\$0.50	\$0.50	\$0.50
Children (Age 5 & Under)	Free	Free	Free
Fare Deal Card	\$0.50	\$0.50	\$0.50
A-Ride Card	Free	Free	Free
GoldRide Card	Free	Free	Free
30-Day Value Pass (Fare Deal)	Free	Free	Free



## 8.5 State and Federal Grants Primer

The following provides a brief description of federal and state funding sources.

### Federal Funding

**Requirements:** To be eligible for federal funding, projects must be included in a long-range plan (20-years) and four-year Transportation Improvement Program (TIP) approved by the Federal Transit Administration (FTA). Each is first approved by the Washtenaw Area Transportation Study (WATS), the Southeast Michigan Council of Governments (SEMCOG), and the Michigan Department of Transportation (MDOT). There are many other federal requirements, particularly dealing with award management and procurement. FTA conducts a compliance audit every three years (Triennial Review) and the AAATA submits annual applications for grant awards for approval by the FTA.

### Funding for Urban Service

**Section 5307 and 5339 Formula Funds:** Urbanized area formula funds are appropriated annually by Congress to the FTA, which apportions Sec. 5307/5339 funding to the Ann Arbor urbanized area. The Regional Transit Authority (RTA) is the Designated Recipient of formula funds and has the authority to approve AAATA applications for these funds (as the Direct Recipient). By law, the funds can only be spent in the Ann Arbor urbanized area.

- **Capital Funding:** Sec. 5307 and 5339 funds are primarily available for capital asset procurement. The federal share is 80% for most capital projects. Funds apportioned in one year are available for three (Sec. 5339) or five (Sec. 5307) additional years, which provides the AAATA with some flexibility to manage its capital program (e.g., funds may be held and combined with other annual appropriations for a larger capital purchase).
- **Operating Assistance:** The amount of Sec. 5307 funding eligible for operating assistance is limited by law. AAATA is currently able to use up to about \$4.3 million in federal formula 5307 funds for urban operating assistance per year at a 50% federal share. If the full amount of eligible funding is not utilized for operating budget, the remaining amount is able to be used for capital purposes. In addition, there are other limited categories of operating expenses which are eligible for grant funding—preventive maintenance, capital cost of contracting, and planning—at 80% federal funding.

**Discretionary Funding:** There are other discretionary federal grant programs from which the AAATA has the opportunity to receive funding. Discretionary spending is subject to the appropriations process, whereby Congress sets a new funding level for each fiscal year. Typically, these funds are awarded on a competitive basis, in which recipients submit projects for consideration and award. These include:

- **Capital Investment Grants (Section 5309):** Discretionary funds awarded in a competitive application process to fund major transit investments for rail projects and bus rapid transit.

- Buses and Bus Facilities and Low or No Emission Grants (Section 5339 Discretionary): The Sec. 5339 program includes two competitive grant opportunities. 5339(b) funds are awarded for the purchase of buses and related equipment, and to rehabilitate or build bus-related facilities. 5339(c) grants support low and zero-emission vehicle projects.
- RAISE (Rebuilding American Infrastructure with Sustainability and Equity): This USDOT program, formerly known as BUILD and TIGER, awards funds on a competitive basis for investment in transportation infrastructure. Funding can support roads, bridges, transit, rail, ports, and intermodal transportation for projects that have significant local or regional impact.
- CMAQ (Congestion Mitigation and Air Quality Improvement): Southeast Michigan receives an annual allocation of CMAQ funds authorized by the Clean Air Act, for which SEMCOG conducts a competitive application process. AAATA is an eligible applicant. If successful, funds are transferred to FTA from the Federal Highway Administration (FHWA) for administration. For FY2023, a CMAQ grant for \$1.6 million for replacement buses has been programmed.
- JARC (Job Access/Reverse Commute) and New Freedom: These two programs provided formula funds for work transportation and transportation for people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) from 2006-2012. The programs have since expired; however, New Freedom has been incorporated into the Section 5310 formula program. AAATA has one active grant, which is being used for mobility management services until the grant is ready for closeout in 2022.

Planning: Planning activities in the AAATA planning work program are eligible for grant funding. SEMCOG and WATS each pass through to AAATA about \$50,000 per year. As access to regional planning funds increased, the use of formula grant funds (Section 5307) for planning was phased out in FY2020 to focus investment of these funds into capital assets

Section 5310: Formula funds for “Enhanced Mobility for Seniors and People with Disabilities” are apportioned annually to the Ann Arbor urbanized area, which the RTA allocates through a competitive call for projects and AAATA is responsible for administering. Funds are eligible to be used for traditional purposes such as replacement of vans and buses, and for non-traditional purposes such as operating assistance and mobility management. AAATA works with the RTA, WATS, and local non-profit agencies through the Washtenaw Transportation Coordinating Council (TCC) to coordinate the use of funds.

### **Funding for Nonurban Service**

Operating Assistance (Section 5311): AAATA passes through federal operating assistance funds for service outside of the urbanized area that is allocated by the Michigan Department of Transportation (MDOT). MDOT receives a single statewide federal grant and distributes it to eligible agencies. For the last several years, the Sec. 5311 rate has been about 18% of nonurban operating expenses, with an additional 18% provided from pandemic relief funding for FY2020-2022. AAATA passes these funds to Western Washtenaw Area Value Express (WAVE) and People’s Express to fund their service in the nonurban area.

Capital Assistance: Federal, nonurban capital assistance comes through MDOT which submits a single statewide application to the FTA. WAVE and People’s Express are eligible to apply directly and have

received and managed their own grants for buses and equipment. AAATA has not received federal non-urban capital assistance.

### **Federal Pandemic Relief Funds**

A total of \$62.8 million in reimbursable federal relief funding is available to the AAATA from the CARES Act, CRRSAA, and ARP as follows:

- \$20,704,090 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- \$15,771,805 in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- \$26,338,769 in American Rescue Plan (ARP) funding (anticipated after RTA split – 5%)

This federal aid was provided to help agencies respond to the pandemic and maintain transit services while facing lost revenue and increased expenses for Personal Protective Equipment (PPE), cleaning and sanitation supplies, increased janitorial services, paid employee leave, and other costs. The funding was apportioned to TheRide through the Sec. 5307 program and is available for 100% share of eligible operating expenses.

### **State Funding**

Requirements: AAATA is required to submit an annual application for operating and capital assistance by February each year for the next fiscal year (beginning in October). At some point the RTA may submit a combined application including AAATA, but so far, the AAATA application is submitted separately to RTA and MDOT at the same time.

Statutory Operating Assistance – Urban: Each year, MDOT provides urban operating assistance equal to a fixed percent of eligible expenses. The maximum authorized level is 50% of eligible expenses. The actual amount is much lower, about 32%. The percentage depends first on the amount of funding appropriated by the legislature. It also depends on the eligible expenses of all the transit systems in the state because the funds are distributed among them at the same percent of eligible operating expenses. These funds for all southeast Michigan, including Ann Arbor, may go to the RTA for distribution in the future, and they could change the distribution formula.

Statutory Operating Assistance – Nonurban: For service outside of the urban area, state operating assistance works the same way, but the percentage is different. The maximum authorized level is 60% of eligible expenses; the actual amount has been about 38%. The AAATA applies for and receive funds to pass through to WAVE and People's Express for their service in the nonurban area.

Matching Funds for Capital Grants: MDOT provides all or part of the match for federal capital grants (e.g., Sec. 5307, 5339, 5310, CMAQ, discretionary). Historically, MDOT has always provided the entire 20% local (non-federal) share for capital grants, so no local funds were required. By law, MDOT is only required to provide 2/3 of the non-federal share.

Specialized Service: MDOT provides limited funds for service for seniors and people with disabilities. The Washtenaw County allocation has remained at about \$200,000 per year since 2020. About \$110,000 per year pays a portion of the cost for eligible demand response trips in the AAATA service area. The AAATA also administers or passes these funds through to private, non-profit service providers in the County.

## 8.6 Adopting Resolution

Resolution xx/2022

APPROVAL OF FY2023 OPERATING AND CAPITAL BUDGET

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

**WHEREAS**, the Ann Arbor Area Transportation Authority (AAATA) Board of Directors (Board) is required by the Michigan Uniform Budgeting and Accounting Act of 1968 to adopt a balanced operating budget on or before September 30 for its next fiscal year, which begins on October 1, and

**WHEREAS**, AAATA staff have developed a FY2023 Operating and Capital Budget that furthers Board Ends Policies within Executive Limitations and provides multi-year context, and

**WHEREAS**, the AAATA is required to develop a fiscally constrained four-year program of projects for inclusion in the Transportation Improvement Program (TIP) to be submitted to the Washtenaw Area Transportation Study (WATS) in order to be eligible for federal funds, and

**WHEREAS**, the AAATA is required to submit the capital program for FY2023 to the Federal Transit Administration (FTA) as part of the annual application for FY2023 federal funding, and

**WHEREAS**, the AAATA is required to submit the capital program and operating budget for FY2023 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY2023 state funding, which is amended by this resolution.

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby approves the FY2023 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **\$55,983,138** for operations, and
- **\$17,186,000** for capital investment.

**BE IT ALSO RESOLVED** that the Ann Arbor Area Transportation Authority Board of Directors hereby adopts the capital projects listed herein as updates to the FY2020-FY2023 TIP, of which FY2023 and beyond are subject to amendment in future years.

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Eric A. Mahler, Chair

September 28, 2022

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Jesse Miller, Secretary

September 28, 2022

## 8.7 Glossary

**A-Ride** – A shared ride ADA paratransit service that supplements the fixed route bus service operated by TheRide.

**Accounting System** – The total structure of records and procedures which identify, record, classify, summarize, and report information on the financial positions and results of operations of a government.

**Accrual Basis of Accounting** – The method of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

**ADA** – See Americans with Disabilities Act.

**AirRide** – A commuter bus service operated as a public-private partnership with Michigan Flyer between Ann Arbor and the Detroit Metro Airport.

**Americans with Disabilities Act (ADA)** – This federal act gives civil rights protections to individuals with disabilities that ensure equal opportunity and access and prohibit discrimination.

**Appropriation** – An authorization made by the Board of Directors to make expenditures of resources for specific purposes within a specific time frame.

**Assessed Value** – The current market value of real estate as determined by city and township treasurers' offices.

**BTC** – An acronym for the Blake Transit Center, TheRide's passenger terminal in downtown Ann Arbor.

**Balanced Budget** – A budget in which revenues are equal to or greater than expenditures.

**BikeShare** – Public bike sharing service in which bicycles are made available for shared use to individuals on a short-term basis for a fee.

**Budget** – A plan of financial operation comprised of an estimate of proposed expenditures for a fiscal year and the proposed means of financing those expenditures to fund services in accordance with adopted policy.

**Budget Year** – The fiscal year for which the budget is being considered, that is, the fiscal year following the current year. TheRide's fiscal year is October 1 through September 30.

**CAFR** – See Comprehensive Annual Financial Report.

**Capital** – Wealth in the form of money or other assets owned by TheRide, or available or contributed for a particular purpose.

**Capital Budget** – The annual plan of appropriations for the amount necessary to carry out capital project expenditures during the year budgeted.

**Capital Outlay** – Expenditures which result in the acquisition of, or addition to, fixed assets. Any item with an expected useful life of more than five years and a value of more than \$5,000 (such as a vehicle, equipment, or facility) is considered a capital outlay.

**Capital Program** – The annual updated plan or schedule of project expenditures with estimated project costs, source of funding, and timing of work over a ten-year period. For financial planning and general management, the capital program is a plan of work and expenditures and is the basis for annual appropriations.

**Capital Project** – A governmental effort involving expenditures and funding for the creation of usually permanent facilities and other public assets having a relatively long life. Certain planning studies, consultant fees, vehicles, major equipment, furniture, and fixtures necessary to operate facilities may also be considered part of capital projects.

**CARES Act** – Federal law enacted by Congress in April 2020 to provide economic relief in response to the COVID-19 pandemic. CARES is an acronym for the Coronavirus Aid, Relief, and Economic Security Act.

**CEO** – See Chief Executive Officer

**Chart of Accounts** – A uniform list of accounts that standardizes accounting and supports the preparation of standard external reports. It assists in providing control over all financial transactions and resource balance.

**Chief Executive Officer** – The highest-ranking staff member at TheRide, ultimately responsible for managerial decisions to carry out the Board’s expectations for TheRide.

**Constituents** – This word means a “part of a whole.” In the context of local governments like TheRide, constituents are the people who are legal or moral owners of the TheRide.

**Comprehensive Annual Financial Report (CAFR)** – A set of U.S. government audited financial statements comprising the financial report of a governmental entity that complies with the accounting requirements endorsed by the Governmental Accounting Standards Board (GASB).

**Costing Center** – The smallest unit for which costs are collected and reported upon.

**COVID-19** – A disease caused by a new strain of coronavirus which emerged in humans in 2019 and caused a global pandemic in 2020. ‘CO’ stands for corona, ‘VI’ for virus, and ‘D’ for disease.

**COVID-19 Recovery Plan** – A multi-year plan that establishes the strategic priorities for the budget in response to the coronavirus pandemic which emerged in 2020.

**CRRSA** – A secondary stimulus federal law enacted by Congress on December 27, 2020, to provide economic relief in response to the COVID-19 pandemic. CRRSA is an acronym for the Coronavirus Response and Relief Supplemental Appropriations Act.

**Current Year** – The fiscal year immediately preceding the fiscal year for which the budget is being prepared.

**D2A2** – Shorthand for “Detroit to Ann Arbor,” name for commuter bus service between the two cities jointly operated by TheRide and RTA.

**Debt** – Money that is owed or due to another party typically from borrowing or bonding activities; does not include short term payables.

**Deficit** – The amount by which budget outlays exceed receipts for a given period, usually a fiscal year.

**Demand Response** – Public transit service in which passenger trips are generated by calls from passengers to schedule trips with a transit operator, who then dispatches a vehicle to perform the trip.

**Department** – A categorization of organizational unit, indicating management responsibility for an operation or a group of related operations within a functional area, subordinate to the division level of organizational unit.

**Depreciation** – An allocation made for the decrease in value of physical assets through wear, deterioration, or obsolescence.

**Disbursement** – The expenditure of monies from an account.

**Distinguished Budget Presentation Award Program** – A voluntary program administered by the Government Finance Officers Association (GFOA) to encourage governments to publish efficiently organized and easily readable budget documents and to provide peer recognition and technical assistance to the fiscal officers preparing them.

**Division** – A major administrative unit which indicates overall management responsibility for an operation or a group of related operations within a functional area.

**Ends** – Board policies that define the results, outcomes, or benefits that the organization should achieve for specific beneficiaries at a certain cost or relative priority; from Policy Governance.

**Executive Limitations** – Board policies that put out-of-bounds operational means that are illegal, imprudent, unethical, or outside of the will of the Board of Directors; from Policy Governance.

**Expenditure** – The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate an obligation. Where accounts are kept on an accrual or modified accrual basis, expenditures are recognized whether or not cash payment has been made. Where accounts are kept on a cash basis, they are recognized only when cash payments have been made.

**Expense** – The outflow of assets or the incurring of liabilities (or both) during a period as a result of rendering services, delivering or producing goods, or carrying out other normal operating activities.

**Fare** – the money a passenger pays to use transit services.

**Fare Media** – The transit industry’s term for the cards, passes, tickets, tokens, and mobile device applications used to pay for rides on transit services.

**Fiscal Year** – Any yearly accounting period, regardless of its relationship to a calendar year. The fiscal year for the AAATA begins on October 1 of each year and ends on September 30 of the following year; it is designated by the calendar year in which it ends. For example, the fiscal year 2022 begins on October 1, 2021 and ends on September 30, 2022.

**Fixed Assets** – Assets of a long-term character which are intended to continue to be held and used. Examples of fixed assets include items such as land, buildings, vehicles, computer hardware, furnishings, and equipment.

**Fixed-Route Bus** – A form of public transit bus service that does not regularly deviate from a defined course or schedule.

**FlexRide** – A shared-ride service operating on-demand in limited-service areas to connect passengers to their destinations or by transfer to the fixed-route bus system.

**Fringe Benefits** – For budgeting purposes, fringe benefits are employer payments for social security, retirement, group health, dental, disability, and life insurance.

**FTE** – See Full-Time Equivalent.

**Full-Time Equivalent (FTE)** – A measure of authorized personnel calculated by dividing hours of work per year by the number of hours worked per year by a full-time employee.

**Fund** – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out specific activities or attaining certain objectives. TheRide has one general fund.

**Fund Balance** – Used to describe the net position of governmental funds calculated with GAAP; net position is calculated as assets minus liabilities.

**FY** – See Fiscal Year.

**GAAP** – See Generally Accepted Accounting Principles.

**GASB** – See Governmental Accounting Standards Board.

**General Fund** – The general operating fund that is used to account for all financial resources except for these required to be accounted for in another fund.

**Generally Accepted Accounting Principles (GAAP)** – Uniform minimum standards for financial accounting and recording encompassing the conventions, rules, and procedures that define accepted accounting principles as determined through common practice or as promulgated by the Governmental Accounting Standards Board, Financial Accounting Standards Board, or various other accounting standard-setting bodies.

**GFOA** – An abbreviation for Government Finance Officers Association.

**GoldRide** – A service provided to non-disabled people age 65 and older which allows free travel on fixed-route buses and shared-ride trips in sedans and small buses.

**Governmental Accounting Standards Board (GASB)** – An organization established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.

**Grant** – A county, state or federal financial assistance award making payment in cash or in kind for a specified program.

**HVAC** – An abbreviation for heating, ventilation, and air conditioning equipment.

**Infrastructure** – The physical assets of AAATA (facilities, bus stops, shelters, bike racks, etc.) upon which the continuance and growth of service depend.

**Intergovernmental Revenues** – Revenues from other governments in the form of grants, entitlement, shared revenues, or payments in lieu of taxes.

**Investments** – Capital held for the production of revenues in the form of interest, dividends, rentals, or lease payments.

**Levy** – (Verb) To impose taxes or special assessments for the support of governmental activities. (Noun) The total amount of taxes or special assessments imposed by a government.

**Liabilities** – Debts or other legal obligations arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date.

**Long-Term Debt** – Debt with a maturity of more than one year after the date of issuance.

**MCO**– See Motor Coach Operator.

**Michigan Uniform Budgeting and Accounting Act** – State law passed in 1968 known as Act 2, to establish uniform charts of accounts and reports in local units of government.

**Millage** – A millage rate is the tax rate used to calculate local property taxes and represents the amount per every \$1,000 of a property's assessed value.

**Mobility** – The ability to move or be moved freely and easily. The ability to change one's social or socioeconomic position in a community and to improve it.

**Modernizing** or **Modernization** – A strategic initiative to bring systems, policies, procedures, and practices to an improved state of excellence.

**Motor Coach Operator** – A bus driver.

**MyRide** – A mobility management service that provides coordination of transportation services for individual riders within a network of services in Washtenaw County and select areas of Jackson, Lenawee, Livingston, Monroe, Oakland, and Wayne counties.

**Obligations** – Amounts which a government may be required legally to meet out of its resources. They include not only actual liabilities, but also un-liquidated encumbrances.

**Operating Budget** – See Budget.

**Operating Expenditures** – Costs other than capital outlays and depreciation. Examples of operating expenditures include salaries and fringes, office supplies, telephone expense, consulting or professional services, and travel expenses.

**Other Expenses** – In a summary analysis of expense types, this refers to all expenses not included within specifically defined categories. Within TheRide's operating budget this category consists of utilities, phone service, insurance premiums, postage, dues and subscriptions, conference travel and meetings expenses, media costs, employee development, employee appreciation, recruiting, Guaranteed Ride Home Program reimbursements, and equipment and parking lot lease payments.

**PPE** – Acronym for Personal Protective Equipment. Refers to protective clothing, helmets, gloves, face shields, goggles, masks, respirators, and other equipment designed to protect the wearer from injury or exposure to infection or illness.

**Pandemic** – A disease outbreak that spreads across countries or continents, as compared to an epidemic, which is a disease outbreak affecting a large number of people within a contained area.

**Paratransit** – A type of scheduled or on-demand transit service that supplements the fixed-route system by providing access for people with disabilities who are unable to use the fixed-route system.

**Passenger** – An individual on board, boarding, or alighting from a vehicle used in public transportation, not including the transit operator, employees, or contractors who are onboard to provide service.

**Pension** – A regular payment made during a person's retirement from an investment fund to which the individual or their employer has contributed during their work life.

**Per Capita** – Per unit of population; by or for each person.

**Performance Measurements** – See Management Indicators.

**Permanent Employee** – An employee who is hired to fill a position anticipated to have a continuous service duration of longer than one year, whose compensation is derived from administrative personnel position classifications.



**Personnel (Costs)** – Expenditures which include salary costs for full-time, part-time, hourly, and contract employees; overtime expenses; and all associated fringe benefits.

**POFA** – Acronym for “Purchase of Fare Agreement;” a third-party contract with a party that purchases fares from TheRide, either through the sale of fare media or the use of third-party issued photo identification cards.

**Policy Governance** – An integrated board leadership paradigm created by Dr. John Carver designed to empower boards of directors to fulfill their obligation of accountability for governance.

**POSA** – Acronym for “Purchase of Service Agreement;” a third-party contract with a township to provide public transportation services in the township funded by the general revenues of the township.

**Prior Year(s)** – The fiscal year(s) immediately preceding the current year.

**Program Area** – A group of activities and/or work programs based primarily upon measurable performance.

**Projections** – Estimates of budget authority, outlays, receipts, or other budget amounts extending several years into the future. Projections are generally intended to dictate the budgetary implications of existing or proposed programs.

**Property Tax** – A tax levied on all real and certain personal property, tangible and intangible, according to the property’s assessed valuation.

**Public Transportation** – Regular and continuing general or special transportation provided to the public, not including school buses or charter, intercity bus, or rail service provided by the private sector.

**Purchase Order** – A document which authorizes the delivery of specified merchandise or the rendering of certain services and the making of charge for them.

**Purchased Transportation** – Transportation service provided to TheRide from a public or private transportation provider based upon a written contract.

**Reimbursement** – A sum (1) that is received by the government as a repayment for commodities sold or services furnished either to the public or to another government account and (2) that is authorized by law to be credited directly to specific appropriation and fund accounts.

**Reserve** – The unrestricted net assets from TheRide’s financial statements.

**Resolution** – A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute.

**Revenue** – Monies received or collected by TheRide as income, including such items as tax payments, passenger fares, fees from specific services, receipts from other governments, and interest income.

**Revenue Hours/Miles** – The time (hours) or distance traveled (miles) when a vehicle is available to the general public for the carrying of passengers; a key measure of service provided by a transit agency.

**Revision** – Shifting of all or part of the budget authority in one appropriation or account to another, as specifically authorized by law.

**Self-Insurance** – Refers to participation in a self-insurance fund. Self-insurance allows an organization to closely realize its actual claim experience, as well as pool its insurance buying power with other participating agencies.

**Surplus** – The amount by which TheRide’s budget receipts exceed its budget outlays for a given period, usually a fiscal year.

**TIP** – Acronym for Transportation Improvement Program, a federally-required 4-year program of projects for federal funding.

**Tax Base** – All forms of wealth under TheRide’s jurisdiction that are taxable.

**Tax Rate** – The amount levied per \$1,000 of assessed property value on property.

**Temporary Employee** – An employee who is hired to fill a position anticipated to have a continuous service duration of less than one year.

**Transfer** – See Revision.

**User Fees** – Payments for direct receipt of a public service by the party benefitting from the service. Also known as user charges. Fares are an example.

**YTC** – An acronym for the Ypsilanti Transit Center, TheRide’s passenger terminal in Ypsilanti.