



## Board of Director's Meeting Agenda

**Meeting Date/Time:** September 28, 2022, 6:30-9:00pm

**Members:** Eric Mahler (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Simi Barr, Rich Chang, Ryan Hunter, Kathleen Mozak, Susan Pollay, Kyra Sims

**Location:** Ann Arbor District Library  
 Virtual attendance available [via Zoom](#)  
 Passcode: 983308

Agenda Item	Info Type	Details	Page #
<b>1. OPENING ITEMS</b>			
1.1 Approve Agenda	D	Mahler	
1.2 Public Comment	O	Mahler	
1.3 General Announcements	O	Mahler	
1.3.1 Welcome New Board Member Simi Barr	O	Mahler	
1.4 Board Officer Elections	O	Mahler	
<b>2. CONSENT AGENDA</b>			
2.1 Board Meeting Minutes August 18, 2022	D	Mahler	2
2.2 Committee Meeting Summaries	D	Mahler	8
<b>3. POLICY MONITORING &amp; DEVELOPMENT</b>			
3.1 Budget Approval (Verbal)	O	Carpenter	
3.1.1 (2.4) Financial Planning and Budgeting	M	Reed	14
3.1.2 (2.5.12) Fare Policy	M	Reed	31
<span style="color: red;">Pg 77 2023 Budget Book</span> 3.1.3 FY2023 Operating and Capital Budget	D	Reed	41
3.2 Monitoring Task Force Report	O	Allemang	46
3.3 (2.9) External Relationships	M	Carpenter	50
<b>4. STRATEGY &amp; OPERATIONAL UPDATES</b>			
<span style="color: red;">Pg 135 Presentation</span> 4.1 CEO Innovation Presentation	O	Carpenter	69
4.2 CEO Report	O	Carpenter	75
<b>5. EMERGENT ITEMS</b>			
<b>6. CLOSING ITEMS</b>			
6.1 Topics for Next Meetings 2.8 Emergency Succession (Even Years) 2.11 Construction Policy Q4 Service Report Q4 Financial Report FTA Triennial Review Debrief		Thursday, October 20, 2022	
6.2 Public Comment	O		
6.3 Adjournment			

Monitoring, D = Decision Preparation, O = Other

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## Board of Director's Meeting Minutes

**Meeting Date/Time:** August 18, 2022, 6:30-9:00pm

**Members:** Eric Mahler (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Rich Chang, Ryan Hunter, Kathleen Mozak, Susan Pollay, Kyra Sims

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, Bryan Smith, Rosa-Maria Njuki, Deb Holt

**Location:** Ann Arbor District Library  
Virtual attendance available [via Zoom](#)  
Passcode: 983308

Chair Eric Mahler called the meeting to order at 6:30 pm

Agenda Item
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<b>1. OPENING ITEMS</b>
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<b>1.1 Approve Agenda</b>
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Ms. Pollay moved to approve the agenda, seconded by Mr. Chang.

All in favor of the accepted agenda:

Mr. Mike Allemang: Yes (attending virtually)

Mr. Rich Chang: Yes

Mr. Jesse Miller: Yes

Ms. Kathleen Mozak: Yes

Ms. Susan Pollay: Yes

Chairman Eric Mahler: Yes

The vote passed unanimously.

*\*Ms. Sims arrived at 6:31 pm\**

<b>1.2 Public Comment</b>
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Jim Mogensen congratulated the board on the successful millage passage. He discussed fare reductions and how they impact different ridership groups and concluded that over the course of the millage, riders will want to see visible capital improvement projects.

Robert Pawlowski expressed his congratulations on the millage passing, commended the public for their involvement in voting and thanked those that worked on promoting the millage.

*\*Mr. Hunter arrived at 6:36pm\**

### 1.3 General Announcements

Mr. Carpenter announced to the Board that Deputy CEO of Operations, Bryan Smith, had accepted a position as the CEO for the transit authority in LaFayette, Indiana and will be beginning his new position in mid-September. He expressed his gratitude for the hard work and dedication from Mr. Smith in his service since 2016.

Board members wished Mr. Smith well in his future position and took turns thanking him for his leadership during the pandemic and let him know he will be missed in the organization. Mr. Smith, in turn, thanked the Board and CEO for the opportunity to serve at TheRide.

## 2. CONSENT AGENDA

### 2.1 Board Meeting Minutes July 21, 2022

### 2.2 Committee Meeting Summaries

### 2.3 Revised FY23 Board Meeting Dates

Mr. Hunter motioned to approve Consent Agenda, seconded by Ms. Mozak.

All in favor of the accepted agenda:

Mr. Mike Allemang: Yes (attending virtually)

Mr. Rich Chang: Yes

Mr. Ryan Hunter: Yes

Mr. Jesse Miller: Yes

Ms. Kathleen Mozak: Yes

Ms. Susan Pollay: Yes

Ms. Kyra Sims: Yes

Chairman Eric Mahler: Yes

The Consent Agenda was accepted as presented.

## 3. POLICY MONITORING & DEVELOPMENT

### 3.1 Millage Recap

Mr. Mahler expressed his thanks to the millage ballot committee members on the board – Mike Allemang, Jesse Miller and Susan Pollay – for their work over the summer. He reminded the board that the work isn't done with the millage passing and he reminded them that voters will want to see evidence of service enhancements and growth over the next few years.

### 3.2 Monitoring Improvements

Mr. Allemang provided the board with an update from the Monitoring Improvement Taskforce. With Mr. Hess resigning from his position on the board, his spot on the taskforce has been filled by Ms. Sims. The taskforce is continuing to make progress with improving policy evaluations but currently are still not ready to implement for board use.

### 3.3 2.2 Treatment of Staff

Mr. Carpenter shared several highlights from the monitoring report – even with an increase of staff survey engagement, results were much the same as they had been last year.

Mr. Carpenter noted that key areas of improvement included more staff feedback, training opportunities, and that Policy Governance coach Rose Mercier had provided recommendations for improving the report.

A robust Board discussion with Mr. Carpenter weighed the benefits of a more detailed survey, using 50% positive survey rating as a threshold of measurement for compliance and how subjectivity and individual perspective impacts survey results and data gathering.

Mr. Miller put forth a motion to accept the report as B in compliance with items noted and with 2.2.1.1 noted as partially compliant. Mr. Hunter seconded the motion.

All in favor of the accepting the report as B in compliance with items noted and with 2.2.1.1 noted as partially compliant:

Mr. Mike Allemang: No (attending virtually)  
Mr. Rich Chang: Yes  
Mr. Ryan Hunter: Yes  
Mr. Jesse Miller: Yes  
Ms. Kathleen Mozak: No  
Ms. Susan Pollay: No  
Ms. Kyra Sims: No  
Chairman Eric Mahler: No

Motion failed.

Ms. Sims put for another motion to accept the report as A in compliance. Ms. Mozak seconded the motion.

All in favor of the accepting the report as A in compliance:

Mr. Mike Allemang: Yes (attending virtually)  
Mr. Rich Chang: No  
Mr. Ryan Hunter: No  
Mr. Jesse Miller: No  
Ms. Kathleen Mozak: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairman Eric Mahler: No

Motion failed.

Mr. Miller put forth a third motion to accept the report as B compliant except for items noted and 2.2.1.1 which cannot be determined. Ms. Mozak seconded the motion.

All in favor of the accepting the report as B in compliance:

Mr. Mike Allemang: No (attending virtually)  
Mr. Rich Chang: Yes  
Mr. Ryan Hunter: Yes  
Mr. Jesse Miller: Yes



Ms. Kathleen Mozak: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: No  
Chairman Eric Mahler: Yes

Motion passed to accept the report as B compliant except for items noted and 2.2.1.1 which cannot be determined.

### **3.4 Q3 Service Report**

Mr. Smith provided the board with an overview of the Q3 Service Report with a note that ridership has remained stable and will increase when students return to school. Return to full service is expected to be implemented by September and he thanked operators, mechanics and staff who have made that possible.

Ms. Sims asked for insight into the increase in complaints to which Mr. Smith noted were most likely attributed to the decrease in some services. Mr. Smith also noted in response to questions from Mr. Miller that flex ride services had decreased with the reimplementation of several routes.

### **3.5 Q5 Financial Report**

Ms. Reed provided the board with an overview of the Q3 Financial Report. The expenses are trending favorably, revenue is trending unfavorably – however, this is still following on trend for the overall budget. Ridership is still lower, yet expenses are also still lower which creates a net balance. She also mentioned that the investment strategy employed earlier this year was paying off which the ability to now invest utilizing better interest rates.

## **4. STRATEGY & OPERATIONAL UPDATES**

### **4.1 Propulsion Timeline**

Mr. Carpenter provided the board with an overview of the process for discussing alternative propulsion and the impact on the capital budget. He shared that a fully prepared report will be ready for discussion in October with any potential decisions targeted for next spring as they would require a revision to the budget. He also shared the importance of staff input was a necessary component to any decisions made.

### **4.2 Preliminary Budget Presentation**

Ms. Reed presented to the board the FY23 [draft budget](#) (pg. 111). In her presentation she provided a general budget introduction and timeline and an overview of the process involved in finishing the budget which will be presented in September.

During her presentation she answered questions from Mr. Mahler regarding estimating fuel charges with fluctuating fuel prices and how in general, increased labor costs have been carefully factored into expense planning. She also responded to Mr. Miller's question regarding the timeline for YTC expansion – it is dependent upon supply chain issues and staff recruitment.

Mr. Mahler asked if there were plans to redirect surplus to reserves and Ms. Reed responded that an option for those surplus funds would be to move them forward to fund the long range plan.

Ms. Reed also noted in her presentation that alternative propulsion is labeled as a placeholder within the budget as no decisions have been made yet. She and Mr. Carpenter also provided more details for board members pertaining to competitive grants for capital projects.

Ms. Pollay asked for clarification on garage expansion projects and utilization of revenue bonds as a funding option– Mr. Carpenter responded that site assessments were being made and revenue bonds were a limited option and not under consideration at this time.

#### **4.1.1 Public Hearing Regarding Budget**

Ms. Pollay motioned to suspend the regular board meeting and move to open the public hearing. Ms. Sims seconded that motion.

Robert Pawlowski shared he had attended recent budget public meetings and that along with attracting staff with competitive wages, he suggested focusing on campaigning to increase public ridership. He also suggested exploring more state funding to offset the cost of rising fuel costs.

Jim Mogensen shared that he feels YTC staffing needs to be incorporated into regularly budgeted staffing. He also agreed that the surplus should be focused on the planning and development of the YTC. He thanked the board for their ongoing work,

Mr. Chang motioned to close the public hearing and resume the board meeting. Mr. Miller seconded that motion.

Board members thanked Ms. Reed for her presentation and look forward to the final budget being shared at the September board meeting.

#### **4.3 CEO Report**

Mr. Carpenter shared highlights from his report, first noting to the board that the board's approved fare changes had been put into effect in August – the changes were to have been made earlier in the year but had been delayed.

### **5. EMERGENT ITEMS**

No emergent items were noted.

### **6. CLOSING ITEMS**

#### **6.1 Topics for Next Meetings**

- 2.9 External Relationships
- 2.4 Financial Planning and Budgeting
- 2.5.11 Fare Policy
- Budget Presentation

## **6.2 Public Comment**

Robert Pawlowski thanked Mr. Carpenter for his work on the propulsion study and he looks forward to when it is released. He looks forward to the changes to the fare structure as they will be beneficial for the community. He also wished Mr. Smith well in his new CEO position in Indiana.

Jim Mogensen also thanked Mr. Smith for his time at AAATA, He requested that the budget presentation be made available online for viewing along with service agreements with the University of Michigan and AirRide.

## **6.3 Adjournment**

Ms. Mozak motioned to adjourn, seconded by Mr. Miller.

Meeting adjourned at 9:40pm.

Respectfully Submitted by Deborah Holt

DRAFT

## Governance Committee Meeting Notes

**Meeting Date/Time:** August 25, 2022 - 9:00-10:30am

**Members:** Eric Mahler (Chair), Mike Allemang, Jesse Miller, Kathleen Mozak

**Staff:** Matt Carpenter, Dina Reed, Bryan Smith, Forest Yang, Kevin Zelazny, Deb Holt

**Location:** [REMOTE – Via Zoom](#)

Mr. Mahler called the meeting to order at 9:01 am

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Agenda (Additions, Approval)</b></p> <p>No additions to the agenda</p> <p><b>1.2 Communications</b></p> <p>Mr. Miller shared that he'd be attending the Park Ridge Festival as a representative of the board.</p> <p>Ms. Reed noted that agenda item 3.1 would be a budget update.</p>
<p><b>2. POLICY MONITORING &amp; DEVELOPMENT</b></p> <p><b>2.1 Monitoring Improvements</b></p> <p>Mr. Allemang shared that there were no new updates since he had shared at the August board meeting. The next meeting of the taskforce will be in September.</p> <p><b>2.2 Board Recruitment and Onboarding</b></p> <p>Mr. Mahler shared that the City had appointed Simi Barr to the board and he would be joining in September. There is one more available seat on the board and candidates are being considered.</p> <p><b>2.3 Agendas</b></p> <p>Amended verbiage was requested on the Finance committee agenda – budget preview was changed to budget update. The committee discussed the robust board meeting agenda, but no additional changes were noted.</p>

### **3. STRATEGY & OPERATIONAL UPDATES: CEO**

#### **3.1 Budget Preview- Update**

Ms. Reed thanked the board for their feedback after her draft budget presentation at the August 18<sup>th</sup> board meeting. Reviews are being made and the recommended budget is being worked on for the September board meeting. Any changes between the draft and recommended budget will be noted.

The committee discussed potential changes to be considered in the recommended budget.

#### **3.2 CEO Expense Report**

Mr. Carpenter shared his quarterly expense report with the committee – expenses are similar in a historical trend. Conferences/travel may increase.

### **4. CLOSING ITEMS**

#### **4.1 Topics for Next Meeting**

Retreat Planning

#### **4.2 Committee / CEO Discussion**

Mr. Carpenter and the committee discussed potential changes within committees as it relates to having a new board member joining and a board seat to be filled.

#### **4.3 Adjournment**

Mr. Mahler thanked the committee and adjourned the meeting at 10:30 am.

Respectfully Submitted by Deborah Holt

## Service Committee Meeting Notes

**Meeting Date/Time:** September 7, 2022, 9:00-11:00am

**Members:** Kathleen Mozak (Chair), Jesse Miller, Susan Pollay

**Staff:** Matt Carpenter, Dina Reed, Bryan Smith, Forest Yang, Deb Holt

**Location:** [REMOTE – Via Zoom](#)

Ms. Mozak called the meeting to order at 9:02 am.

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Agenda (Additions, Approval)</b>            Ms. Reed noted that the budget preview would be a budget process update. Ms. Pollay asked for a verbal update on YTC staffing plans after the budget process update. The committee approved the changes to the agenda.</p> <p><b>1.2 Communications</b>            Mr. Carpenter shared that there would be a going-away party for Mr. Smith – his last day will be September 9<sup>th</sup>. Mr. Yang will be the temporary Deputy CEO of Operations until the position is filled. Two staff members in Mr. Yang’s division will be assisting in his position.</p>
<p><b>2. POLICY MONITORING &amp; DEVELOPMENT</b></p> <p><b>2.1 Monitoring Improvements</b>            Ms. Mozak updated the committee on the progress of the taskforce. She noted that the survey form and evaluation process are close to being prepared to share with the board.</p> <p><b>2.2 External Relationships</b>            Mr. Carpenter shared the monitoring report and survey results with the committee. He shared several challenges with some prescriptive wording within the policy that have been noted in previous years to the board.</p> <p>The committee discussed that the policy may need to be reviewed per the CEO’s notes. They agreed to recommend to the board that the policy be accepted as A – In compliance. They agreed to bring before the board a secondary recommendation to review policy language in further detail at the committee level.</p>

### **3. STRATEGY & OPERATIONAL UPDATES: CEO**

#### **3.1 Budget Preview Process Update**

Ms. Reed shared that the process is in the later stages with a focus on the capital budget portion of the final budget. She will also be compiling and answering specific questions from board members. She noted that the final budget will be consistent with what was presented previously with the draft budget. At the board meeting she will be sharing changes made from the prior draft presentation, along with the updated budget book.

Mr. Carpenter shared with the committee that the YTC staffing is still planned to be funded with grants and local funding as outlined in the Long-Range Plan. Staffing and operational changes are projected to begin to be implemented in future budgets. The committee and staff discussed project implementation timelines.

### **4. CLOSING ITEMS**

#### **4.1 Topics for Next Meeting**

- 2.8 Emergency Succession (Even Years)
- 2.11 Construction Policy
- Q4 Service Report

Mr. Carpenter suggested looking for an alternative date for the October Service Committee Meeting as several members will not be in attendance for the regularly scheduled date.

#### **4.2 Adjournment**

Ms. Mozak thanked the committee and staff and adjourned the meeting at 10:25 am.

Respectfully Submitted by Deborah Holt

## Finance Committee Meeting Notes

**Meeting Date/Time:** September 13, 2022, 3:00 – 5:00pm

**Members:** Mike Allemang (Chair/Treasurer)

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, Gretchen Johnson, LaTasha Thompson, Deb Holt

**Location:** [REMOTE – Via Zoom](#)

Mr. Allemang called the meeting to order at 3:07pm

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Agenda (Additions, Approval)</b></p> <p>No new additions to the agenda.</p> <p><b>1.2 Communications</b></p> <p>Mr. Yang and Ms. Sims were unable to attend the meeting – Mr. Allemang was the only committee member present.</p>
<p><b>2. POLICY MONITORING &amp; DEVELOPMENT</b></p> <p><b>2.1 Monitoring Improvements</b></p> <p>Mr. Allemang shared that the next monitoring taskforce meeting was scheduled for September 20<sup>th</sup> and would be reviewing policies 2.4 and 2.5.12.</p> <p><b>2.2 2.4 Financial Planning and Budgeting</b></p> <p>Mr. Allemang reviewed the highlights from the monitoring report and survey responses with a recommendation that the policy be presented to the board as A – In compliance.</p> <p><b>2.3 2.5.12 Fare Policy</b></p> <p>Mr. Allemang reviewed the highlights from the monitoring report and survey responses and it noted one item was not in compliance. As such, the recommendation to the board will be B – In compliance except for items noted (2.5.12.2).</p>
<p><b>3. STRATEGY AND OPERATIONAL UPDATES</b></p> <p><b>3.1 Budget Preview</b></p> <p>Ms. Reed shared that there were very little changes from the draft budget presented to the work being done for the finalized draft for board presentation. A change noted were with healthcare costs that were adjusted at a higher cost.</p>



#### **4. CLOSING ITEMS**

##### **4.1 Topics for Next Meetings**

Q4 Financial Report

Mr. Allemang noted that monitoring taskforce updates needed to be added as an ongoing agenda item. Mr. Carpenter requested that the Propulsion Study also be added as an agenda item.

##### **4.2 Adjournment**

Mr. Allemang thanked staff for attending and adjourned the meeting at 3:27pm.


Respectfully Submitted by Deborah Holt

DRAFT

## 2.4 Financial Planning and Budgeting Monitoring period: FY2023 Budget

**Finance Committee Meeting Date: September 13, 2022**

**Board Meeting Date: September 28, 2022**

<b>INFORMATION TYPE</b>
Decision
<b>RECOMMENDED ACTION(S):</b>
The Finance Committee recommends that the board accept the Monitoring report as A, Compliant.
<b>BACKGROUND</b>
Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0).
<b>ISSUE SUMMARY:</b>
<p>This policy was scheduled for submission in September and submitted to the Finance Committee for review and consideration on August 30, in preparation for the September Finance Committee meeting.</p> <p>TheRide’s Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO’s interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board’s written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.</p> <p>I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="text-align: center;"> <p>CEO’s Signature</p>  </div> <div style="text-align: center;"> <p>Date</p> <p>September 6, 2022</p> </div> </div>
<b>ATTACHMENTS:</b>
<ol style="list-style-type: none"> <li>1. Monitoring report for Policy 2.4 Financial Planning/Budgeting</li> <li>2. Operating &amp; Capital Budget for FY2023 Version 1.0, Draft Budget FY2023</li> <li>3. Presentation of FY2023 Operating and Capital Draft Budget, as presented on August 18, 2022</li> </ol>

### Table of Contents

POLICIES	Page #	Compliance
<b>2.4 FINANCIAL PLANNING AND BUDGETING</b>  Financial Planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board’s Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:	3	●
2.4.1 Risks incurring those situations or conditions described as unacceptable in the Board policy “Financial Condition and Activities.”	4	●
2.4.2 Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.	5	●
2.4.3 Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.	7	●
2.4.4 Is unclear about long-term funding needs and growth projections.	8	●
2.4.5 Causes deficit spending.	10	●
2.4.6 Does not provide for adequate reserves.	11	●
2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.	12	●
2.4.8 Funds ongoing operations via debt or creates unfunded future obligations.	13	●

 Fully Compliant 
  Partially Compliant 
  Non-Compliant

**Preliminary CEO Interpretations and Evidence**

**2.4 FINANCIAL PLANNING AND BUDGETING**

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

**Degree of Compliance: Fully Compliant**

**Interpretation**

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

**Evidence**

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

The evidence of compliance throughout this Monitoring Report comes from the process by which the annual budget was developed, and the resulting document – the Draft FY2023 Budget (herein also referred to as “the budget”). Additional evidence comes from corporate strategy documents and previously published Auditor reports and Quarterly Financial Reports that are publicly available on TheRide’s website and have been provided to the Board. These documents are cited as evidence of compliance with sub policies in this section.

**2.4.1 Risks incurring those situations or conditions described as unacceptable in the Board policy “Financial Condition and Activities.”**

**Degree of Compliance: Fully Compliant**

**Interpretation**

I interpret this policy to mean that I must consider budgeting elements of Policy 2.5 Financial Conditions and Activities that are not otherwise covered in policy 2.4. Additional requirements are:

- **2.5.6 Contracts in the budget** - I interpret this policy to mean that anticipated contracts greater than \$250,000 must be listed in the budget to be considered approved as part of the budget. Any contract not included in this list over \$250,000 will come to the board for approval.
- **2.5.9 Adjustment of fares or tax rate** - I interpret this policy to mean that staff may not change fares or tax rates without Board approval. Neither the CEO nor the Board has the power to change the tax rate (mill rate). The Board must approve any proposed change which is then voted on by residents.
- **2.5.10 Real estate** - I interpret this policy to mean that staff may not buy, sell, or borrow against real estate without Board approval.

**Evidence**

**Source of data:** FY2023 Draft Budget, presented to the Board on August 18, 2022

**Date of data collection:** 8/30/22 as verified by the Deputy CEO, Finance and Administration

**Data:**

- **2.5.6 Contracts:** a list of all anticipated contracts and their dollar value is included in Appendix 8.3, page 45, of the budget.
- **Fares and Taxes:** The budget includes a table of fares, which are provided in detail in Appendix 8.4, Table 8.4 (pp. 46-47), of the budget document. There are no recommended changes to fares for this fiscal year. The current fares as presented in the budget were approved by the Board in September 2021 and implemented in August 2022. Although not applicable to the FY2023 budget, policy compliance for changing fares would be provided in the Monitoring Report for 2.5.12 Adjust Passenger Fares.

Primary property tax rates in Ann Arbor and Ypsilanti are unchanged in the budget. The expansion millage in Ann Arbor, Ypsilanti, and Ypsilanti Township were restored after voters approved renewal of the 0.7 mill rate in August 2018. Millage rates are automatically reduced by state law (Headlee Amendment).

- **Real Estate:** The budget does not anticipate land acquisition for FY2023. The CEO acknowledges that only the Board can make the decision to purchase real estate. Staff are prohibited by Policy 2.5.9 from buying land without Board approval.

**2.4.2 Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.**

**Degree of Compliance: Fully Compliant**

**Interpretation**

I interpret this policy to mean that the budget should be accompanied by a multi-year corporate plan that illustrates how a single year fits into a longer-term approach to advancing the Board’s policy goals, while also meeting expectations for risk management and prudent management of the agency’s resources.

Together, the corporate plan and the budget must provide clear goals and priorities, illustrate how recommended efforts advance the policy goals of the Board, address all aspects of TheRide’s business, and help the organization become more compliant with Board policies.

**Evidence**

**Source of data:** FY2023 Draft Budget, presented to the Board on August 18, 2022

**Date of data collection:** 8/30/22 as verified by the Deputy CEO, Finance and Administration

**Data:**

**Strategic Context:** The FY2023 Operating and Capital Draft 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. This plan illustrates strategic context for the budget by:

- Aligning priorities and resources towards the Board’s written policy goals, and providing clear objectives for the budget (pp. 7-9, 12-14, 31-33, 41),
- Establishing a situational awareness of the current status of the agency (pp. 12-21), and
- Explicitly connect proposed initiatives with specific policy goals of the Board (pp. 41).

The budget is aligned with the Long-Range plan for transit services approved by the Board in July 2022. References to alignment with the Long-Range plan are provided throughout the

budget and addressed specifically with a list of initiatives on page 41. Long-term financial context is provided on pages 32-33 and 35.

**Comprehensiveness:** The budget encompasses all elements of TheRide’s business. It combines the operating budget (pp. 22-33) and capital budget (pp. 34-37) in one document. Existing services and infrastructure are funded and maintained (see “State of Good Repair” budget on p. 34, and details on pp. 35-36).

Risk is addressed in several parts of the recommended FY 2023 Budget, for example:

- Ensuring adequate reserves (p. 15),
- A focus on addressing deferred maintenance (see “Facilities Rehabilitation,” p. 43),
- Strengthening against risks of uncertainty and contingencies (p. 29),
- Adjustments within various budget line items too numerous to list, and
- By placing the budget in the context of the [Corporate Business Plan](#), and the Long-Range Plan.

Both the CEO and CFO attest that, to the best of their knowledge, there are no elements missing from the budget. This confidence comes, in part, from a collaborative effort to develop the budget where staff, the public and Board members have been consulted during budget development (pp. 10-11).

#### **2.4.3 Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.**

**Degree of Compliance: Fully Compliant**

#### **Interpretation**

I interpret this policy to mean that each recommended annual budget must include realistic estimates of future costs and revenues, sufficient to contextualize the annual budget and demonstrate longer-term financial implications.

In this context, a “credible projection” is an extrapolation of future costs and revenues based historic financial evidence, identified risks, and reasonable and realistic assumptions about future circumstances (i.e., inflation, ridership trends, anticipated economic changes, etc.). In this context the forecasted cash flow is presented as annualized totals.

Furthermore, forecasts must clearly distinguish operating and capital expenses. The time horizon for operating forecasts will cover at least the next 5-year millage cycle, while capital costs are projected over a ten-year timeframe due to longer project-development and implementation cycles.

**Evidence**

**Source of data:** FY2023 Draft Budget, presented to the Board on August 18, 2022

**Date of data collection:** 8/30/22 as verified by the Deputy CEO, Finance and Administration

**Data:**

**Operations:** The operating budget and 7-year forecast of revenues, expenses and cash flow for operating costs are presented on page 33 of the budget. Projections are based on several factors, including historic trends (found on page 13), known business changes, estimated impacts of post-pandemic recovery, and implementation of agency initiatives. Detailed revenue and expense assumptions are described starting on page 23 of the budget. The recently approved millage provides sustainable funding through the seven-year projection period, as illustrated in Figure 3 (p. 14) of the budget.

- **Capital:** The capital budget and 10-year forecast of capital expenses are presented on p. 33 of the budget. Planning assumptions for each project are summarized in Appendix 8.2, pp. 42-44.

**2.4.4 Is unclear about long-term funding needs and growth projections.**

**Degree of Compliance: Fully Compliant**

**Interpretation**

I interpret this policy to mean that the budget must anticipate and clearly account for the funding required in future years to 1) provide for services, 2) maintain assets as per policy 2.8: Asset Protection, 3) mitigate against foreseeable risks, and 4) implement plans for change adopted by the agency (e.g. expansion plans, new services, etc.).

In this context I believe that “needs” will be clear when specific priority expenditures (e.g. projects, initiatives, line items, etc.) are identified in the budget, and when the scope and rationale for the expenditures is provided and is acceptable for the full Board. Clarity also requires:

- Realistic estimates of future costs,
- Adjustments for inflation and other reasonable assumptions about future economic conditions,
- Accounting for full-year costs of earlier partial-year initiatives, and
- Anticipation of operating costs that accompany new capital projects (e.g. utilities for a new building).

I interpret a “growth projection” to mean forecasts of changes in expenditures and revenues which are used to guide budget development.



I believe that “long-term” for budgeting purposes means that operational needs will be illustrated for at least a rolling five-year period, and capital for a rolling ten-year period. A longer-range forecast/plan can be adopted if helpful, for example based on a long-range service plan.

### Evidence

**Source of data:** FY2023 Draft Budget, presented to the Board on August 18, 2022

**Date of data collection:** 8/30/22 as verified by the Deputy CEO, Finance and Administration

### Data:

- **Operating Needs:** The budget contains the expenditures necessary to provide transportation services as described in the “budget overview” and the “operations overview” on pages 22-23. As noted, the budget includes funding for full services for fixed-route and paratransit services, beginning the first phase of the long-range service plan and describes how TheRide has addressed operating and financial risks related to labor shortages. Forecasts of operational revenues and costs for 2023-2030 are provided on page 33, preceded by historic trends on page 32.
- **Capital Needs:** As illustrated on pp. 34-36 of the budget, ten years’ worth of projected capital needs have been organized into four categories: State-of-Good-Repair, Value Added, Expansion, and Research and Development. The first two categories are well populated with projects for maintaining and improving existing services and infrastructure. The “Expansion” category is populated by projects that are aligned with expansion plans established in the Long-Range Plan.
- **Risk:** Risks and mitigations are discussed in the budget on page 29 of the budget.
- **Corporate Strategy:** The operational and capital projections in the budget are further contextualized by the pandemic implications, timelines, work plan, and service restoration discussion provided in the Long-Range Plan and Corporate Business Plan.

**2.4.5 Causes deficit spending.****Degree of Compliance: Fully Compliant****Interpretation**

I interpret this policy to mean that the TheRide should not risk financial jeopardy or services to existing passengers by budgeting or allowing overall spending to exceed revenue (i.e. deficit spending). For annual budgeting, this means that:

- Proposed expenses (operating and capital) in the recommended annual budget must be equal to or less than anticipated revenues,
- New expenses cannot create unfunded liabilities in future years.
- We cannot use reserves to pay for ongoing operating costs, and
- Should debt-financing be recommended as a part of an annual budget, the costs of financing a debt will be clearly articulated and will not cause operating deficits.

It is not acceptable to increase short-term spending by creating future financial burdens that are imprudent or excessively risky, or not clearly identified for the Board. Specifically, ongoing operating costs cannot be funded by debt, drawing down the reserve (unrestricted net asset), or under-funding capital or maintenance activities. While multi-year forecasts can show projected deficits in future years as part of the financial planning exercise, the CEO will not recommend an annual budget for approval that includes deficits.

Furthermore, during a fiscal year should it become apparent that total annual expenses will actually exceed total revenue, the CEO is required to adjust spending or revenue to avoid deficit spending.

**Evidence**

**Source of data:** FY2023 Draft Budget, presented to the Board on August 18, 2022

**Date of data collection:** 8/30/22 as verified by the Deputy CEO, Finance and Administration

**Data:**

The FY2023 Budget:

- Is balanced (no deficit) with total revenues meeting or exceeding total expenses (p. 28).
- Creates no unfunded liabilities in fiscal years 2023-2029. There are no anticipated unfunded liabilities such as unfunded pensions or post-employment benefits in the budget.

As illustrated on p. 31, funding sources (i.e., revenues) do not include any contribution from the reserve or debt financing. The reserve (unrestricted net asset) is expected to remain at or above the reserve level target sufficient to support a minimum of 2.5 months of operations (p. 39).

AAATA carries no debt. This is validated by the 2021 audit conducted by UHY LLC (see [Board Packet for March 17, 2022](#)), demonstrated on the balance sheets of the Quarterly Financial Reports, and most recently as Board Agenda Item 3.5, [Q3 Financial Report](#), presented to the Board on August 18, 2022. These documents are available on TheRide's website.

#### 2.4.6 Does not provide for adequate reserves.

**Degree of Compliance: Fully Compliant**

#### Interpretation

I interpret this policy to mean that TheRide must have enough liquid financial resources available to prevent interruption to regular operations in the event of a temporary disruption to funding sources. For example, we need to have enough money to make payroll should funding from the State of Michigan or federal government be delayed (as has occurred in the past). Processing errors and federal government shutdowns have caused such delays in the past.

I define "adequate" to mean 2.5 months' worth of regular operating expenses (excluding one-time expenses). We will consider TheRide to have adequate reserves when we have a minimum of 2.5 months of operating expense in reserve for 12 consecutive months. A ratio is preferable to a fixed dollar amount as it will keep pace with budget changes. The specific threshold of 2.5 months is considered reasonable based on government finance standards and agency history.

The Government Finance Officers Association (GFOA) best practice recommends, at a minimum, that governments maintain at least two months of regular operating expenditures in reserve. However, several factors should be considered in determining the appropriate level of operating reserves, including the predictability of revenues, volatility of expenditures, and other considerations. The CEO and CFO believe that 2.5 months should continue to be TheRide's target. This determination is based on GFOA's recommendations and considers risks related to state and local funding, economic impacts on revenues and expenses, and the constrained ability to generate additional revenues to cover unpredictable changes in expenses.

Evidence
<p><b>Source of data:</b> FY2023 Draft Budget and Q3 Financial Report, presented to the Board on August 18, 2022</p> <p><b>Date of data collection:</b> 8/30/22 as verified by the Deputy CEO, Finance and Administration</p> <p><b>Data:</b></p> <p>As demonstrated in the 2022 <a href="#">Q3 Financial Report</a> presented to the Board on August 18, 2022, operating reserves were \$12.9 million, or approximately 2.8 months of budgeted operating expenses. The reserve balance has been at or slightly above the target for four consecutive quarters and is forecasted to remain at or above the target level for FY2023 and through the projection period (see Figure 24 of the budget, Projected Operating Reserves, p. 39). As noted under Policy 2.4.6 above, there are no plans to use the reserve to cover operating expenses. In the near term, federal pandemic relief funding will continue to provide operating surpluses and in 2024 when pandemic relief funding is fully utilized, the 2024-2028 approved millage will provide sustainable funding for current and expanded services.</p>

<p><b>2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.</b></p>
<p><b>Degree of Compliance: Fully Compliant</b></p>
Interpretation
<p>I interpret this policy to mean that the budget must include funds for the Board to do its work and that the amount of funding be determined by the Governance Committee. Examples of past expenses in this area have included group and individual education and training, facilitators, and governance advisory consultation.</p>
Evidence
<p><b>Source of data:</b> FY2023 Draft Budget, presented to the Board on August 18, 2022</p> <p><b>Date of data collection:</b> 8/30/22 as verified by the Deputy CEO, Finance and Administration</p> <p><b>Data:</b></p> <p>For FY2023 the Governance Committee accepted a staff recommended budget of \$35,000, which is consistent with the FY2022 budget. This amount is included within the “other expenses” category shown in the budget. While this line item is not called out specifically in the budget, the amount is budgeted in account 300-509-017 (Board Governance &amp; Training), and can be utilized for meetings, policy development, and board recruitment and development expenses. Prior and current year expenditures have included governance coach fees, policy governance training, and advertising costs for Board recruitment.</p>

**2.4.8 Funds ongoing operations via debt or creates unfunded future obligations.**

**Degree of Compliance: Fully Compliant**

**Interpretation**

I interpret this policy to mean that, with respect to recurring operating expenses, the AAATA must live within its means and avoid over-extending ourselves financially. Using debt or creating future obligations (e.g. unfunded pension liabilities, etc.) in order to allow more spending today are not a transparent means of paying for existing services, and are prohibited. Specifically, we cannot borrow funds or otherwise leverage the Authority for the purpose of paying for ongoing operating costs such as payroll, fuel, bus services, geographic coverage, etc. Furthermore, we cannot create new expenses that will cause forecasted expenses to exceed reasonably foreseeable revenues. (This policy does not apply to capital projects where debt may be a reasonable means of financing large projects.)

**Evidence**

**Source of data:** FY2023 Draft Budget and Q3 Financial Report, presented to the Board on August 18, 2022

**Date of data collection:** 8/30/22 as verified by the Deputy CEO, Finance and Administration

**Data:**

AAATA has no debt, as is indicated in the FY2021 audited financial statements, liabilities, (see p. 8 of the [audit report](#)).

The multiyear forecast presented in the budget (pp. 32-33) demonstrates that the CEO has not caused new obligations for the AAATA that cannot be funded with reasonably foreseeable revenues. While new costs have emerged from the pandemic, they are anticipated to be fully funded with pandemic relief funds.

**Policy Trendline**

The policy trends for this policy are as shown below. The trendline for FY 22 is not final and is dependent on the Board's decision on September 28, 2022

Policies	FY 21	FY 22
2.4	3	3
2.4.1	3	3
2.4.2	3	3
2.4.3	3	3
2.4.4	3	3
2.4.5	3	3
2.4.6	3	3
2.4.7	3	3
2.4.8	3	3

Legend	
<b>1</b>	Policy is not compliant
<b>2</b>	Policy is partially compliant
<b>3</b>	Policy is fully compliant

**CEO Notes**

**Board's Conclusion on Monitoring Report****Guidance on Determining "Reasonableness" of CEO Interpretations**

The International Policy Governance Association has developed the following guidance for Board members to use in deciding whether a CEO's interpretation is "reasonable":

*An interpretation is deemed to be reasonable when it provides an operational definition which includes defensible measures and standards against which policy achievement can be assessed...*

*Defensible measures and standards are those that:*

- *Are objectively verifiable (e.g., through research, testing, and/or credible confirmation of observable phenomena.)*
- *Are relevant and conceptually aligned with the policy criteria and the board's policy set.*
- *Represent an appropriate level of fulfillment within the scope of the policy.*

- *"What makes an Interpretation Reasonable and What are the Expectations for the Operational Definition: Policy Governance Consistency Framework Report Number 2". International Policy Governance Association. June 11, 2016. Available on the IPGA website.*

**Board's conclusion after monitoring the report.**

Following the Board's review and discussion with the CEO, the Board finds that the CEO:

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

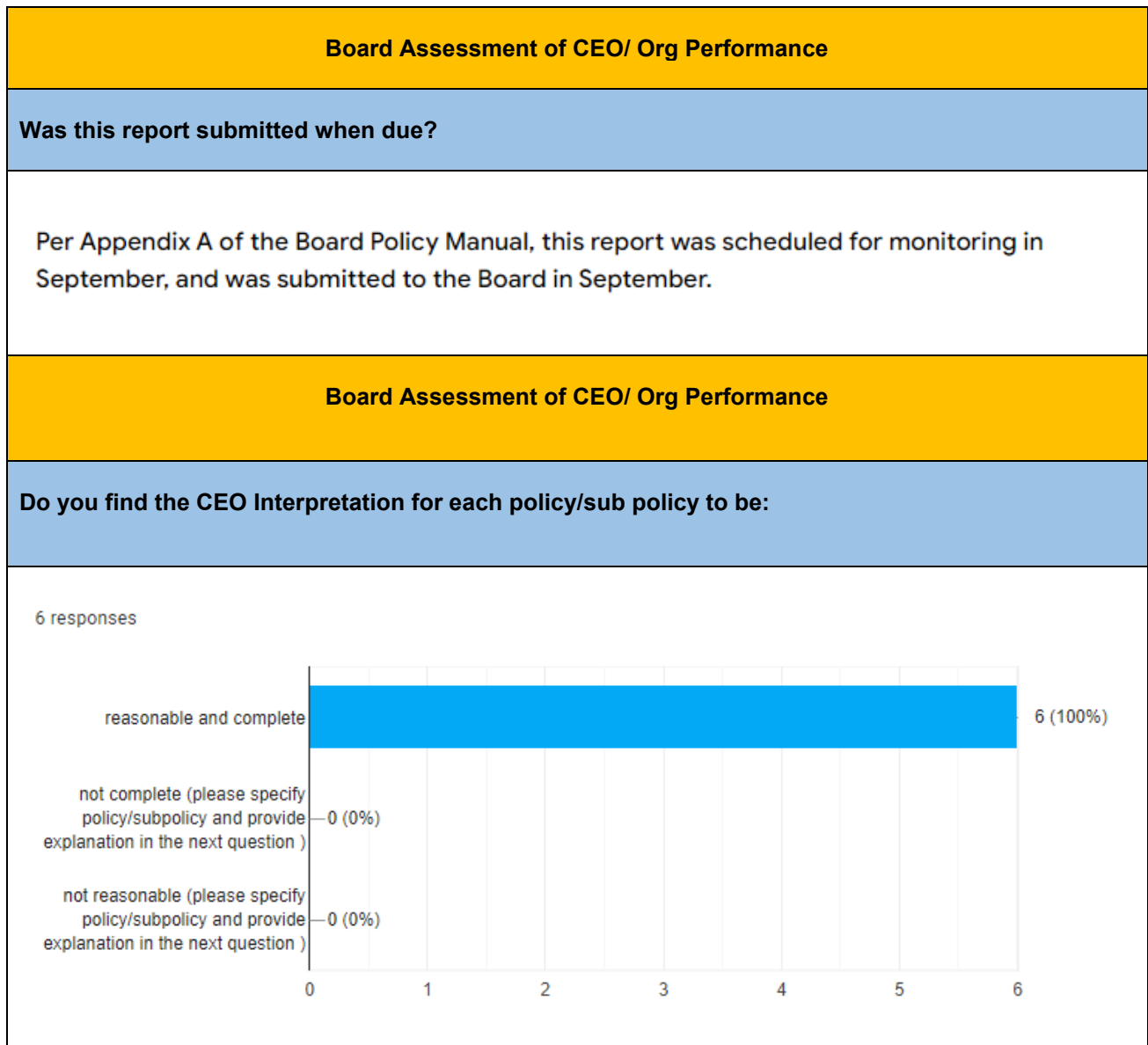
**Board's notes (where applicable)**

## SURVEY RESULTS: Financial Planning and Budgeting (Policy 2.4)

**Finance Committee Meeting Review Date: September 13, 2022  
Board Meeting Review Date: September 28, 2022**

### Survey Participants: 6 Board Members

Note: Each bullet represents a comment by a different Board member.





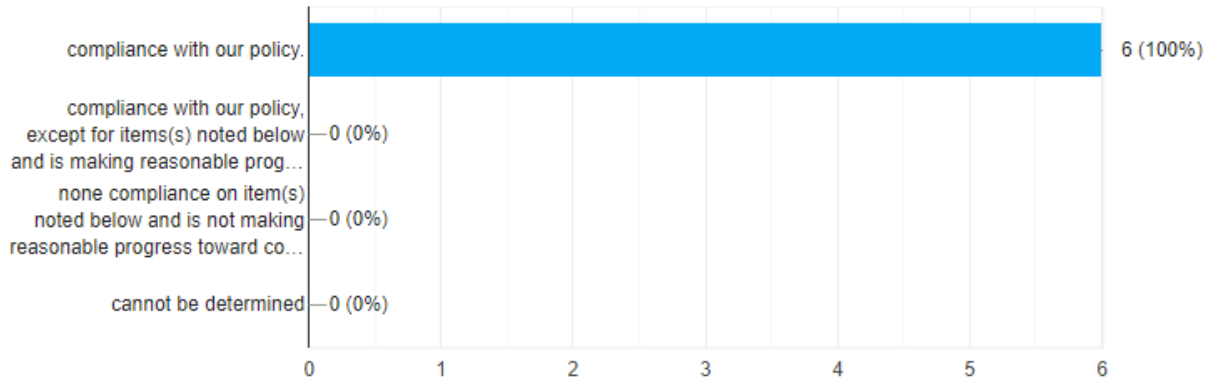
**CEO Interpretations that were incomplete or unreasonable (if any):**

0 responses

No responses yet for this question.

**Do you find the CEO's evidence and data shows..?**

6 responses



**Items not in compliance (if any):**

0 responses

No responses yet for this question.

**Optional: Potential Policy Development**

**Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy? What is the value that drives your concern?**

0 responses

No responses yet for this question.

**What policy language would you like to see incorporated to address your worry?**

0 responses

No responses yet for this question.

**Optional: Comments for the CEO**

**Commendations on this topic:**

1 response

Dina and Matt do an amazing job with the financials -- from reporting to managing to communicating to the board and the general public.

**Potential Improvement(s):**

1 response

Perhaps address the Ends more explicitly in the budget.

**Comments on the report itself:**

1 response


This report relies on the Operating and capital budget that has been reviewed by the board and finance committee. This is an excellent document and clearly indicates policy 2.4 compliance.

**2.5.12 Fare Policy**




**Monitoring period: October 1, 2021 - September 30, 2022**

**Finance Committee Meeting Date: September 13, 2022**

**Board Meeting Date: September 28, 2022**

<b>INFORMATION TYPE</b>
Decision
<b>RECOMMENDED ACTION(S):</b>
The Finance Committee recommends that the Board accept the Monitoring Report as B, In Compliance except for items noted (2.5.12.2)
<b>BACKGROUND</b>
Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0).
<b>ISSUE SUMMARY:</b>
<p>This policy was scheduled for submission in September and submitted in the September Board Meeting.</p> <p>TheRide’s Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO’s interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board’s written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.</p> <p>I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.</p> <p style="text-align: center;"> <b>CEO’s Signature</b>  _____ <b>Date</b> <u>9/6/2022</u> </p>
<b>ATTACHMENTS:</b>
<ol style="list-style-type: none"> <li>1. Monitoring report for Policy 2.5.12: Fare Policy</li> <li>2. Operating &amp; Capital Budget for FY2023 Version 1.0, Draft Budget FY2023</li> </ol>

## Table of Contents

POLICIES:	Page #	Compliance
<b>2.5.12</b> The CEO shall not...adjust passenger fares	3	
<p><b>2.5.12.1</b></p> <p>Request authorization to adjust passenger fares without (a) incorporating the request into a budget or budget amendment for board consideration, (b) providing data that demonstrates the fare adjustment is fiscally responsible and aligned with achievement of the board’s Ends, and (c) providing data that supports an informed decision by the board – including but not limited to clearly articulated information about the following:</p> <p>A. A clear listing of all proposed fare categories/types and prices, along with supporting information.</p> <p>B. The fare discounts to be provided for low-income residents and other vulnerable populations and rationale for how residents qualify for fare discounts.</p> <p>C. The impact of the proposed adjustment on equity among different fare categories.</p> <p>D. The implication of the proposed fare adjustment on ridership.</p> <p>E. The implications of the proposed adjustment on the authority’s budget and the financial trade-offs required (e.g., tax rate increase/decrease, increased/decreased services, impact on reserve or deficit, etc.).</p> <p>F. Opportunities that users, residents, Legal Owners, and stakeholders had to provide feedback on the proposed adjustment, the nature of their feedback</p>	3	
<p><b>2.5.12.2</b></p> <p>Let the travelling public, residents and businesses be without reasonable advance notice of approved changes to fares.</p>	4	

 Fully Compliant    
  Partially Compliant    
  Non-Compliant

## Preliminary CEO Interpretations and Evidence

**POLICY 2.5.12** The CEO shall not...adjust passenger fares.

**Degree of Compliance: Partially Compliant**

**Interpretation**

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

**Evidence**

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

**POLICY 2.5.12.1**

The CEO shall not...request authorization to adjust passenger fares without (a) incorporating the request into a budget or budget amendment for board consideration, (b) providing data that demonstrates the fare adjustment is fiscally responsible and aligned with achievement of the board’s Ends, and (c) providing data that supports an informed decision by the Board – including but not limited to clearly articulated information about the following:

- A. A clear listing of all proposed fare categories/types and prices, along with supporting information.
- B. The fare discounts to be provided for low-income residents and other vulnerable populations and rationale for how residents qualify for fare discounts.
- C. The impact of the proposed adjustment on equity among different fare categories.
- D. The implication of the proposed fare adjustment on ridership.
- E. The implications of the proposed adjustment on the authority’s budget and the financial trade-offs required (e.g., tax rate increase/decrease, increased/decreased services, impact on reserve or deficit, etc.).
- F. Opportunities that users, residents, Legal Owners, and stakeholders had to provide feedback on the proposed adjustment, the nature of their feedback, and how their feedback has been addressed.

**Degree of Compliance: Compliant**

**Interpretation**

I understand this policy to mean that the CEO and staff cannot adjust fare rates without prior approval from the Board.

Compliance will be demonstrated when any proposal to change fares is part of a formal budget document sent to the Board for consideration and addresses the elements A-F listed above.

Further, it is my interpretation that the CEO can temporarily suspend and resume fare collection in the event of a public emergency.

**Evidence**

**Source of data:** Internal documents

**Date of data collection:** 8/30/2022 as verified by the CEO

**Data:**

During the monitoring period there have been no staff proposals to change fares and there is no recommended change to fares in the FY2023 Draft Budget. Reference Section 8.4 Fares (pp. 46-48) which demonstrates that fares have not changed from previously approved prices and are not proposed to change in the FY2023 Budget.

**POLICY 2.5.12.2** The CEO shall not...let the travelling public, residents and businesses be without reasonable advance notice of approved changes to fares.

**Degree of Compliance: Not Compliant**

**Interpretation**

I understand this policy to mean that if fares are to be changed, the CEO will work to make the public aware of the impending change before it occurs.

Compliance will be demonstrated when public notice about the impending change is provided at least 30 days prior to the implementation of the change (although this may be suspended during emergencies). While public notice methods may evolve, they will at least include: prominent hardcopy notices posted at terminals and in buses, and notice on the AAATA website. Other methods may also be employed.

**Evidence**

**Source of data:** Internal Records

**Date of data collection:** 8/30/2022 as verified by the Deputy CEO, Finance and Administration

**Data:**

During the monitoring period, fare changes were approved by the Board on September 23, 2021. Due to internal delays, the implementation of the fare change was deferred until August 2022. Then only 26 days advanced notice was provided to the public. For this reason, the CEO is reporting non-compliance with the element of the interpretation that requires 30-days notice. All other elements of the interpretation were met. This incident of past non-compliance cannot

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be corrected. Instead, staff will learn from this error to ensure *future* fare changes comply with the 30-day requirement.

An official press release was issued on August 4, 2022 (to avoid the August 2 millage referendum) where the effective date of the fare changes (August 28, 2022) was announced. The public was notified of the effective date of the change continuously through the month of August 2022 via the following channels:

- Prominent hard copy notices were posted on buses, at terminals, and the Dawn Gabay Operations Center,
- All social media channels,
- TheRide.org,
- Customer service representatives verbally advised passengers during ticket sales.

While the public may remember public meetings held in June 2021 and budget discussions in September 2021 where the decision to change the fare was made, those discussions do not count as the notice of the new fares taking effect.

### Policy Trendline

Policies	FY 21	FY 22
2.5	2	3
2.5.1	2	3
2.5.12	2	2
2.5.12.1	2	3
2.5.12.2	n/a	1

Legend	
1	Policy is not compliant
2	Policy is partially compliant
3	Policy is fully compliant

The policy trends for this policy are as shown below. The trendline for FY 22 is not final and is dependent on the Board's decision on September 28, 2022.

### CEO Notes



## Board's Conclusion on Monitoring Report

### Guidance on Determining "Reasonableness" of CEO Interpretations

The International Policy Governance Association has developed the following guidance for Board members to use in deciding whether a CEO's interpretation is "reasonable":

*An interpretation is deemed to be reasonable when it provides an operational definition which includes defensible measures and standards against which policy achievement can be assessed...*

*Defensible measures and standards are those that:*

- *Are objectively verifiable (e.g., through research, testing, and/or credible confirmation of observable phenomena.)*
- *Are relevant and conceptually aligned with the policy criteria and the board's policy set.*
- *Represent an appropriate level of fulfillment within the scope of the policy.*

- *"What makes an Interpretation Reasonable and What are the Expectations for the Operational Definition: Policy Governance Consistency Framework Report Number 2". International Policy Governance Association. June 11, 2016. Available on the IPGA website.*

### Board's conclusion after monitoring the report.

Following the Board's review and discussion with the CEO, the Board finds that the CEO:

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

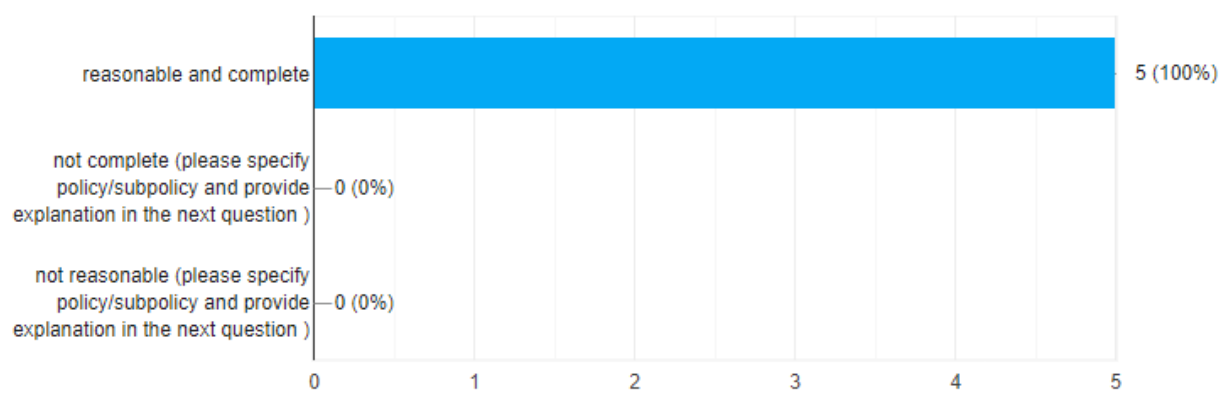
### Board's notes (where applicable)

## SURVEY RESULTS: Fare Policy (Policy 2.5.12)

**Finance Committee Review Date: September 13, 2022**  
**Board Meeting Review Date: September 28, 2022**

### Survey Participants: 5 Board Members

Note: Each bullet represents a comment by a different Board member.

<b>Board Assessment of CEO/ Org Performance</b>												
<b>Was this report submitted when due?</b>												
<p>Per Appendix A of the Board Policy Policy Manual, this report was scheduled for monitoring in September, and submitted to the Board in September.</p>												
<b>Board Assessment of CEO/ Org Performance</b>												
<b>Do you find the CEO Interpretation for each policy/sub policy to be:</b>												
<p>5 responses</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Response</th> <th>Count</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>reasonable and complete</td> <td>5</td> <td>100%</td> </tr> <tr> <td>not complete (please specify policy/subpolicy and provide explanation in the next question )</td> <td>0</td> <td>0%</td> </tr> <tr> <td>not reasonable (please specify policy/subpolicy and provide explanation in the next question )</td> <td>0</td> <td>0%</td> </tr> </tbody> </table>	Response	Count	Percentage	reasonable and complete	5	100%	not complete (please specify policy/subpolicy and provide explanation in the next question )	0	0%	not reasonable (please specify policy/subpolicy and provide explanation in the next question )	0	0%
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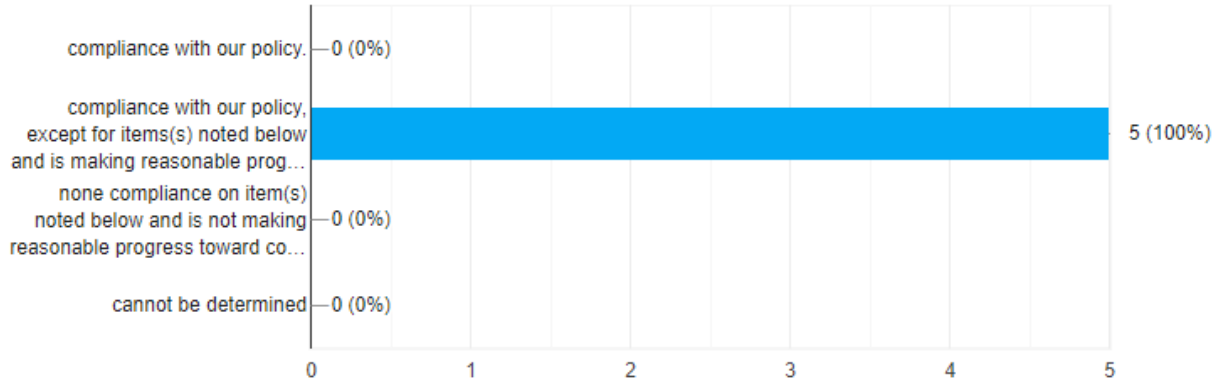
**CEO Interpretations that were incomplete or unreasonable (if any):**

0 responses

No responses yet for this question.

**Do you find the CEO's evidence and data shows..?**

5 responses



**Items not in compliance (if any):**

4 responses

2.5.12.2 but I don't expect it to be an issue in the future.

Reasonable notice of fare change to the public.

2.5.12 The CEO states that "Evidence with sub-policies provide evidence of compliance with this policy" However, policy 2.5.12.2 is non-compliant and therefore 2.5.12 does not meet the measure provided by the CEO.

2.5.12.2 as identified by the CEO

**Optional: Potential Policy Development**

**Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy? What is the value that drives your concern?**

0 responses

No responses yet for this question.

**What policy language would you like to see incorporated to address your worry?**

0 responses

No responses yet for this question.

**Optional: Comments for the CEO**

**Commendations on this topic:**

0 responses

No responses yet for this question.

**Potential Improvement(s):**

0 responses

No responses yet for this question.

**Potential Improvement(s):**

0 responses

No responses yet for this question.

## FY2023 Recommended Budget

**Board Meeting Date:** September 28<sup>th</sup>, 2022

<b>INFORMATION TYPE:</b>
Decision
<b>RECOMMENDED ACTION(S):</b>
Adoption of the recommended Operating and Capital Budget for FY2023.
<b>ALTERNATIVE OPTION(S):</b>
Board may amend the recommended budget.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
<ul style="list-style-type: none"> <li>Governance Process: Policy 3.2.7 "...the Board has direct responsibility to create...approval of the annual budget developed and recommended by the CEO."</li> <li>Executive Limitation: Policy 2.4 Financial Planning/Budgeting</li> </ul>
<b>ISSUE SUMMARY:</b>
This issue brief presents the recommended FY2023 budget to be presented at the September board meeting. The budget is balanced, which means that revenues are sufficient to cover expenses without deficits during the fiscal year.
<b>BACKGROUND:</b>
AAATA staff developed this recommended FY2023 operating and capital budget that furthers Board Ends within Executive Limitations and provides multi-year context. The Michigan Uniform Budgeting and Accounting Act of 1968 requires the Board to adopt a balanced operating budget by Board Resolution for our next fiscal year, which begins October 1. In addition, the Board needs to authorize a multi-year capital program for federal funding. A formal public hearing for the budget is required and was held at the August Board meeting. Authorization of the recommended budget is sought this month.
<b>IMPACTS OF RECOMMENDED ACTION(S):</b>
<ul style="list-style-type: none"> <li>Budgetary/Fiscal: Budget adoption is required by state law and Policies 2.4, 3.2.7.</li> <li>Social/Environmental: Provision of public transportation authorized by the budget is necessary to ensure achievement of social and environmental ends per Board policy.</li> <li>Governance: The Board is responsible to approve the annual budget (Policy 3.2.7)</li> </ul>
<b>ATTACHMENTS:</b>
<ol style="list-style-type: none"> <li>1. Summary of Revisions to Draft Budget</li> <li>2. Resolution 7/2022: Adoption of the FY2023 Operating and Capital Budget</li> <li>3. FY2023 Recommended Operating and Capital Budget</li> </ol>

## Summary of Revisions to Draft Budget

Since presentation of the Draft FY2023 Operating and Capital Budget (the draft budget) to the Board on August 18, 2022, several activities and budget refinements have occurred. With reference to additional review and consideration of the budget and budget assumptions, the following activities have transpired:

- Discussions with Board members to provide additional information as well as process updates and open communication regarding budget items at committee meetings,
- Public engagement outreach and opportunities for public comment,
- Internal staff review of budget assumptions of departmental and capital budgets, including detailed analysis and review of budget assumptions,
- Monitoring of external factors that influence budget assumptions, and
- Thorough review of the budget resolution.

### **Public Comments**

Opportunities for public comment regarding the FY2023 Draft and Recommended Operating and Capital Budgets have been solicited and encouraged in several ways:

- Official and informal public notices of opportunities to review the budget and encourage public comment (newspaper, press release, social media and web site),
- An official public hearing held at the Board meeting on August 18, 2022
- Opportunities for comment at two Board meetings,
- Opportunities for comment and a staff led presentation, and
- Provided the budget online and had a copy available for public inspection at the front desk at the operations center, as publicized.

To date, there have been no objections from any source (telephone, email or in person) from the public.

The final opportunity for public comment will be during the Board meeting on September 28, 2022.

### **Operating Budget Updates**

The Recommended Operating Budget (the budget) is a balanced budget with revenues sufficient to cover budgeted expenditures. Changes to the budget compared to the draft budget presented at the August Board meeting are as follows:

Operating Revenues are budgeted at **\$67,508,862**, which is an increase from the draft budget by approximately \$326,000, or 0.5%. The increase is primarily due to changes in the anticipated revenues for state and federal operating assistance. The Comprehensive Transportation Fund (CTF) appropriation for Local Bus Operating (LBO) is a state reimbursement for a percentage of eligible operating expenses, which is determined by a formula the state uses to appropriate passenger transportation funding to transit agencies. Because operating expenses increased by 1.0% from the draft budget, eligible expenses also increased and results in additional state operating assistance. Federal operating assistance was increased due to an increase in the assumption for additional capital cost of contracting (5307 Operating) funding.

Operating Expenses are budgeted at **\$55,983,183**, which is an increase from the draft budget by \$573,235, or 1.0% increase from the draft budget. As expected, there are several minor adjustments but no significant changes to note. The only significant change is a change in the assumptions for healthcare expenses. As discussed in the draft budget, healthcare premiums are expected to increase by 10%, which is still the primary assumption. However, healthcare premiums in 2022 are higher than budgeted. The base expense was adjusted to reflect 2022 premiums. Additionally, it was found that the draft budget only incorporated a 3% increase in the expense assumption; that has been corrected to reflect the full 10% assumption.

The Capital Reserve Transfer is reduced to **\$11,525,724**, which is a reduction of approximately \$247,000, or 2.1%, from the draft budget as a net result of changes indicated in operating revenues and expenses.

### **Capital Budget Updates**

The Capital Budget for FY2023 has been increased to **\$17,186,000**, which is a reduction of \$410,000 due to increasing the estimated investment in the Blake Transit Center and additional funding added for an initiative to install high speed garage doors at the Dawn Gabay Operations Center.

### **FY2023 Recommended Budget Summary**

The FY2023 Recommended Operating Budget is provided in the table below and illustrates the changes described above. For your convenience, the draft budget presented on August 18<sup>th</sup> is included in the table and labelled accordingly.

	FY2022	FY2023	FY2023	2023 vs. 2022 Change	
	Budget	Draft Budget	Proposed Budget	\$	%
<b>OPERATING REVENUES</b>					
Passenger Revenue	\$ 4,165,723	\$ 4,085,548	\$ 4,085,548	\$ (80,175)	-1.9%
Local Property Tax Revenue	19,258,842	19,070,301	19,070,301	(188,541)	-1.0%
POSA & Other Governmental Partners	1,721,873	1,855,668	1,905,957	184,085	10.7%
State Operating Assistance	16,914,298	17,277,588	17,443,827	529,529	3.1%
Federal Operating Assistance	3,000,000	3,000,000	3,000,000	-	0.0%
Other Federal Conditional Assistance	3,878,890	4,091,317	4,201,180	322,290	8.3%
CARES/CRRSAA/ARP	18,653,477	17,277,770	17,277,770	(1,375,707)	-7.4%
Advertising, Interest, and Other	391,000	524,279	524,279	133,279	34.1%
<b>TOTAL REVENUES</b>	<b>\$ 67,984,103</b>	<b>\$ 67,182,471</b>	<b>\$ 67,508,862</b>	<b>\$ (475,241)</b>	<b>-0.7%</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages and Benefits	\$ 28,621,201	\$ 29,814,110	\$ 30,371,269	\$ 1,750,068	6.1%
Purchased Transportation	14,704,408	12,225,840	12,326,918	(2,377,490)	-16.2%
Diesel Fuel and Gasoline	2,400,000	3,480,000	3,480,000	1,080,000	45.0%
Materials and Supplies	3,036,300	2,762,723	2,762,723	(273,577)	-9.0%
Contracted Services	3,596,874	3,504,382	3,504,382	(92,492)	-2.6%
Utilities	675,200	661,056	661,056	(14,144)	-2.1%
Casualty & Liability Insurance	1,450,000	1,560,000	1,560,000	110,000	7.6%
Other Expenses	1,281,868	1,401,790	1,316,790	34,922	2.7%
<b>TOTAL EXPENSES</b>	<b>\$ 55,765,851</b>	<b>\$ 55,409,900</b>	<b>\$ 55,983,138</b>	<b>\$ 217,287</b>	<b>0.4%</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ 12,218,252</b>	<b>\$ 11,772,571</b>	<b>\$ 11,525,724</b>	<b>\$ (692,528)</b>	<b>-5.7%</b>
Operating Reserve Transfer	-	-	-	-	
Capital Reserve Transfer	(12,218,252)	(11,772,571)	(11,525,724)	(692,528)	5.7%
<b>OPERATING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		

## **Budget Book Updates**

In addition to the changes noted above there have been numerous updates throughout the budget book. Primarily, additional information has provided throughout the document to provide clarification and to further contextualize the budget.

Notable updates are provided in the following areas:

- The Revenues section has been updated to include additional information regarding millage rates. The assumptions have not changed but additional information has been included to provide more information regarding property tax millage rates levied to support the budget.
- There is a more detailed description of the variance related to healthcare expenses.



Attachment 2

Resolution 7/2022

ADOPTION 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

## Monitoring Task Force Report

**Board Meeting Date: September 28<sup>th</sup>, 2022**

INFORMATION TYPE
Other
RECOMMENDED ACTION(S)
Receive for information and discuss.
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<p>Adoption of policies regarding Board’s role, and principles or speaking with one voice (policy 3.1).</p> <p>Creation of Monitoring Task Force. The Monitoring Task Force was established to look for ways to improve or streamline the Board’s monitoring work. The Task Force has been working with Rose Mercier. A few improvements have already begun, such as compliance trends added to monitoring reports.</p>
ISSUE SUMMARY
<p>The Task Force has developed a new questionnaire that may make it easier for board members to review monitoring reports. The questionnaire (Attachment 1) includes more precise guidance on defining “reasonableness” of CEO interpretations and “verifiability” of CEO evidence. The Task Force is submitting some preliminary observations to the full Board to widen the conversation, spur reflection, and seek feedback and discussion. The Task Force is <i>not</i> suggesting approval of the new questionnaire at this time but hopes to work toward that goal.</p> <p>However, during the discussions it became apparent that the Task Force members (Allemang, Mozak, Sims), Policy Governance expert Rose Mercier, and the CEO Matt Carpenter all agreed that there are likely deeper issues at play and that the new questionnaire raises questions that could help TheRide’s Board deepen its practices of Policy Governance. The Task Force offers the following observations:</p> <ul style="list-style-type: none"> <li>• <b>Where we spend our time:</b> We spend a great deal of time on monitoring (the past) and very little on developing new or improved policies (the future).</li> <li>• <b>Operational vs. Outcome Focus:</b> Monitoring reports deal with tangible operational issues that are more familiar and perhaps tempting to focus on; while policy development is proactive but abstract, harder, less familiar, and the Board has never received in-depth training on how to turn their concerns into policy. We also might be creating a backdoor for future micro-management.</li> <li>• <b>Collective Vs. Individual Influence:</b> Discussions of monitoring reports sometimes seem to revolve around differences among individual board members in how to define thresholds for “reasonableness” of interpretations and evidence.</li> <li>• Ms. Mercier noted that it is extremely rare for an experienced Policy Governance board to spend as much time, or go to such detail, on monitoring as we do.</li> <li>• The CEO agrees that monitoring discussions often feel as though they are close to inserting individual preferences into delegated Means, but in an indirect way. He agrees that staff-written monitoring reports can always be improved but only marginally and not in a way that would address the issues noted above.</li> </ul>

The Task Force feels that *when discussing monitoring reports, the Board and its members frequently discuss “reasonableness” in the context of what an individual board member may find reasonable or what an individual board member might do in the CEO’s position as opposed to whether the interpretation itself is reasonable on its face. By doing so, this may account for the time and energy spent on backward-looking activities rather than setting future direction.*

If this is occurring, it is clearly unconsciously and may be due to our inexperience in developing policies as a board that drive the direction of the organization. By comparison, monitoring reports are conveniently delivered by staff, allow individual judgment, and deal with familiar managerial matters – a tempting way to use board time. However, this renders the Board 1) focused on the past rather than the future, and 2) reactive to the CEO’s writings rather than setting a future-oriented direction. It could also explain the excessive amount of time and details our monitoring process has developed, and the lack of new policies.

In addition, the core issues noted above, the Task Force also discussed:

- **Non-Unanimous Votes:** The importance of voting to render a final decision, and that a split vote was an acceptable means of the Board resolving different perspectives. Our Board frequently achieves consensus, but if we are avoiding conflict or splitting votes by allowing individual preferences to shape staff’s monitoring reports, we may unintentionally stall the monitoring process, or incentivize individual influence rather than group decisions.
- **How Much Detail is Enough:** In judging the verifiability of the evidence, it is unlikely to be necessary to go into exhaustive detail on each point every time. Greater detail is always available but satisfying individual curiosities with this approach forces staff to dedicate more effort to respond. It also encourages them to anticipate such questions and build larger reports in advance. In this way, reports can ratchet up and become more detailed than the entire Board may actually want. Allowing individual *comments* that don’t negate the overall group assessment of the evidence may allow improvements without promoting excessive detail or slowing the process for individual concerns. Should a majority of the Board want more detail, they can demand a report on any policy at any time, monitor more frequently, or add additional lower-level policies.

The new monitoring questionnaire for board members intentionally provides *more* precise criteria for how members should determine the “reasonableness” of interpretations and “verifiability” of evidence, but *less* opportunity to express *individual* preferences on *How* operational results should be achieved. **The Task Force feels that the Board should discuss the broader issues before introducing the questionnaire.**

#### IMPACTS OF RECOMMENDED ACTION(S)

- Budgetary/Fiscal: NA
- Social: NA
- Environmental: NA
- Governance: Significant. Refinements of the Board monitoring and policy development processes.

#### ATTACHMENTS

1. Policy Worksheet Sample

# Attachment 1 POLICY WORKSHEET SAMPLE

## Construction (Policy 2.11)

### Worksheet Question Format

#### Policy 2.11: Construction

Policy monitoring worksheet

Per Appendix A of the Board Policy Manual, this report was scheduled for monitoring in October and was submitted to the Board in October.

Name

First Name

Last Name

#### Instructions

This worksheet will be used to monitor Executive Limitations based on ANY reasonable interpretations and verifiable evidence. The policies have been provided in the sequence they appear in the Board Policy Manual, the order of monitoring has also been provided at the beginning of each policy. i.e., from the lowest policy size to the largest.

Policy 2.11 \*

	<b>Are the interpretations reasonable?</b> An interpretation is reasonable if the following are provided, 1. a measure or standard, 2. a rationale for the measure or standard, 3. a level of achievement necessary to achieve compliance and 4. a rationale for the level of achievement.	<b>Is evidence verifiable?</b> Evidence is verifiable if there is 1. actual measurement/data, 2. the source of data and 3. the date when data was collected is provided.
<b>The CEO shall not allow construction of a new building or facility or major renovation that is inconsistent with industry standards and grantor expectations, environmentally irresponsible, risks financial jeopardy, or is not aligned with achievement of the Board's Ends.</b>	<input type="text"/>	<input type="text"/>

If you stated NO, kindly provide additional context

Type here...

Policy 2.11

## Additional Context Questions at the end of the Worksheet

### Additional context questions

These questions inquire on the integrity of the report, whether the CEO provided an acceptable compliance timeline and the need for the Board to review policy.

1. Is there any reason to doubt the integrity of the information presented? \*

If you stated YES, kindly provide additional context

Additional context: Question 1

2. If the CEO has indicated NON-COMPLIANCE with any aspect of this policy, is there a commitment as to when the Board can expect to see compliance and is the proposed time-frame acceptable? \*

If you stated NO, kindly provide additional context

Additional context: Question 2

3. Having reviewed the monitoring report, does anything you have learned make you consider whether the POLICY ITSELF should be amended? (Policy amendment is not monitoring, but should be addressed as a board decision.) \*

If you stated YES, kindly provide additional context

Additional context: Question 3


Submit

## 2.9 External Relationships














**Monitoring period: (May 2021- April 2022)**

**Service Committee Meeting Date: September 7<sup>th</sup>, 2022**

**Board Meeting Date: September 28<sup>th</sup>, 2022**

<b>INFORMATION TYPE</b>	
Decision	
<b>RECOMMENDED ACTION(S):</b>	
<ol style="list-style-type: none"> <li>1. The Service Committee recommends that the Board accept the Monitoring Report as A, Compliant.</li> <li>2. The Service Committee also recommends a review of policy language in further detail at the committee level.</li> </ol>	
<b>BACKGROUND</b>	
Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0).	
<b>ISSUE SUMMARY:</b>	
<p>This policy was scheduled for submission in May but submitted in the September Board Meeting.</p> <p>TheRide’s Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO’s interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board’s written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.</p> <p>I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.</p>	
<p><b>CEO’s Signature</b></p> 	<p><b>Date</b></p> <p>8/22/2022</p>
<b>ATTACHMENTS:</b>	
Monitoring report for Policy 2.9: External Relationships	

## Table of Contents

POLICIES:	Page #	Compliance
<b>2.9</b> In order to facilitate the continued success of AAATA and its achievement of Ends, the CEO shall not operate without creating collaborative, strategic relationships with external stakeholders. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:	3	
<b>2.9.1</b> Ignore opportunities for collaboration for the community benefit	3	
<b>2.9.2</b> Ignore opportunities to promote multi-modal solutions, transit-supportive land development, or first mile/last mile considerations whether internally or to outside decision makers.	4	
<b>2.9.3</b> Fail to develop relationships with community stakeholders, including elected officials, which contribute to community support for the AAATA.	5	
<b>2.9.4</b> Fail to reasonably engage riders, residents, and stakeholders when considering material changes to services, programs, fares, or transit facilities.	6	
<b>2.9.5</b> Fail to operate in a publicly transparent manner.	7	
<b>2.9.6</b> Endanger the organization's public image, credibility, or its ability to accomplish Ends by:	8	
<b>2.9.6.1</b> Operating the organization in a manner that jeopardizes grantor relationships.	9	
<b>2.9.6.2</b> Allowing third-party advertising that violates stated agency guidelines for community standards.	10	
<b>2.9.6.3</b> Hiring a former Board member as an agency employee or supplier within one year of that member's departure from the Board.	11	
<b>2.9.6.4</b> Hiring a sitting elected official or former elected official that has not been out of office for at least one year from any jurisdiction that appoints members to the AAATA Board.	11	
<b>2.9.6.5</b> Authorizing the use of vehicles and their operators to transport persons detained by law enforcement for participating in public demonstrations.	13	
<b>2.9.7</b> Allow the organization to be without (advisory) committees required in legislation or permit those committees to operate inconsistently with requirements of the legislation.	14	

 Fully Compliant    
  Partially Compliant    
  Non-Compliant

**POLICY 2.9.** In order to facilitate the continued success of AAATA and its achievement of Ends, the CEO shall not operate without creating collaborative, strategic relationships with external stakeholders.\*<sup>1</sup>

**Degree of Compliance: Compliant**

**Interpretation**

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

**Evidence**

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

**POLICY 2.9.1** The CEO shall not... Ignore opportunities for collaboration for the community benefit.\*

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when written, external requests for the AAATA's resources or support are given due consideration as to whether they advance the Ends and comply with Executive Limitations and Administrative policies, whether the potential benefits are worth the investment and risk, and whether better options exist.

This is reasonable because this policy pertains to external relations and implies the AAATA's reaction to outside proposals. To be clear the AAATA cannot reasonably be accountable to say yes to all requests or any benefit as that approach would quickly make the Ends and other politics irrelevant and make the organization reactive to outsiders demands. Therefore, the CEO must vet proposals. Key criteria is whether the proposal advances the AAATA's goals, has acceptable risks, or disrupts the AAATA's own strategies. Due diligence is reasonable as some proposed collaborations may be wasteful or damaging to the pursuit of the Ends. The AAATA's own approach to pro-active collaboration is covered under the Ends policies and other Executive Limitations policies. Verbal proposals are too numerous to track and often politically oriented.

<sup>1</sup> \*- See CEO notes.



Limiting the scope and definition of community is reasonable as it streamlines focus of operations and level of engagement with potential collaborators.

**Evidence**

**Source of data:** Internal documents

**Date of data collection:** 7/12/22 as verified by the CEO

**Data:** During the monitoring period the AAATA agreed to transfer federal funds to the City of Ypsilanti to facilitate sidewalk construction.

A serious request for collaboration was received to participate in the joint federal grant applications (RAISE) with outside parties. After consideration, the CEO declined to participate (due to concerns over scope, compatibility with the emerging LRP, financial risks, and roles) and instead the AAATA submitted its own RAISE grant application on April 14, 2022 (not successful). The CEO has since reengaged with the parties to identify other collaboration opportunities.

**POLICY 2.9.2** The CEO shall not...Ignore opportunities to promote multi-modal solutions, transit-supportive land development, or first mile/last mile considerations whether internally or to outside decision makers.\*

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when written requests for the AAATA's support of, or funding for, other modes, land development policies, or short-distance travel options are given due consideration as to whether they advance the Ends and comply with Executive Limitations and Administrative policies, whether the potential benefits are worth the investment and risk, and whether better options exist.

This is reasonable because this policy pertains to external relations and implies the AAATA's reaction to outside proposals. Verbal proposals are too numerous to track and can be politically oriented. The AAATA's own approach to pro-active planning in these areas is covered under the Ends policies and other Executive Limitations policies. Also, due diligence is reasonable as some proposed collaborations may be wasteful or damaging to the pursuit of the Ends.

**Evidence**

**Source of data:** Planning records

**Date of data collection:** 7/12/22 as verified by the Deputy CEO, Planning

**Data:** During the monitoring period AAATA was not approached with any proposals regarding new modes or short-distance mobility options.

However, AAATA staff participated in the effecting of the Ann Arbor TC1 zoning transit corridor ordinance that was voted on July 6<sup>th</sup>, 2021. This ordinance promotes mixed-use development and public transit use.

**POLICY 2.9.3** The CEO shall not... Fail to develop relationships with community stakeholders, including elected officials, which contribute to community support for the AAATA.\*

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when no elected officials publicly call for the dissolution of the AAATA. This is reasonable because a call to dissolve the Authority would be a clear indicator of loss of community support. Otherwise, it is impossible to put a threshold on “relationships” and the CEO’s role requires him to sometimes not accede to political demands. Further, if we judge the success of the CEO or the AAATA on the popularity with elected officials, we will become reactive to outside demands.

**Evidence**

**Source of data:** Public records on community support for AAATA

**Date of data collection:** 7/12/22 as verified by the CEO

**Data:** The CEO is not aware of any public calls to dissolve the AAATA from anyone or any elected official. However, at least one member of the Ypsilanti Township Board of Trustees did publicly mention the possibility of the Township withdrawing from the AAATA due to a disagreement over the 2022 millage rate. As of August 19, 2022, the Board of Trustees has not seriously considered these suggestions, to the CEO’s knowledge. However, it is reasonable to ask whether some elected officials still support the AAATA, or if the CEO can reasonably be held accountable for their decisions and actions.

**POLICY 2.9.4** The CEO shall not... Fail to reasonably engage riders, residents, and stakeholders when considering material changes to services, programs, fares, or transit facilities.

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when the CEO ensures that appropriate opportunities exist for public involvement and feedback are provided *prior* to major final decisions regarding services, programs, fares, or transit facilities and in line with the AAATA's *Public Input Policy for Service and Fare Changes (Board resolution 5/2012)*.

This is reasonable the PIP is compliant with federal regulation regarding public involvement and describes levels, types and timing of engagement needed in relation to the degree of change being considered i.e., major, minor, or adjustment.

**Evidence**

**Source of data:** Planning records

**Date of data collection:** 7/12/22 as verified by the Deputy CEO, Planning

**Data:**

During the monitoring period there was a major service change in August 2021 as TheRide purposed to restore services after the pandemic. The service change was to impact all fixed routes, along with A-Ride, GoldRide, FlexRide and Night/Holiday service. Virtual public meetings were held in March-April 2021 per the dates/ times below in order to allow for public feedback prior to the service being implemented in August of 2021.

- Monday, March 22, 12:00 PM
- Tuesday, March 23, 6:00 PM
- Thursday, March 24, 12:00 PM
- Tuesday, March 30, 6:00 PM
- Wednesday, March 31, 12:00 PM
- Thursday, April 1, 6:00 PM

**POLICY 2.9.5** The CEO shall not... Fail to operate in a publicly transparent manner.

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when the following information is freely available on the AAATA website:

- A. Board meeting agendas and packets are publicly available at least 18 hours before the meeting,
- B. Board meeting minutes are available on-line within two months,
- C. All draft Budgets when proposed, and final Budgets once approved,
- D. All audits, once accepted,
- E. Board members and senior executive staff are identified, and a contact method is provided,
- F. Contact information for Freedom of Information Act (FOIA) requests, and
- G. Contact information of all services as well as the main office.

This interpretation is reasonable because it complies with the Open Meetings Act and minimum transparency requirements, and adopts further standards derived from the now-defunct Sunshine.org group methodology for grading government transparency.

**Evidence**

**Source of data:** TheRide’s website data upload records.

**Date of data collection:** 7/12/22 as verified by the Executive Administrative Assistant

**Data:**

- A. Board meeting packets were uploaded on the website per the dates below.

	Board meeting Date	Date of packet upload	On time?
May -21	5/20/2021	5/14/2021	Yes
Jun- 21	6/17/2021	6/11/2021	Yes
Jul-21	7/22/2021	7/15/2021	Yes
Aug-21	8/19/2021	8/13/2021	Yes
Sep-21	9/23/2021	9/17/2021	Yes
Oct-21	10/21/2021	10/15/2021	Yes
Nov-21	11/18/2021	11/10/2021	Yes
Dec-21	12/16/2021	12/10/2021	Yes
Jan-22	1/20/2022 -meeting cancelled due to pandemic related concerns	1/11/2022	Yes
Feb-22	2/17/2022 -meeting cancelled due to weather	2/14/2022	Yes
Feb-22	2/24/2022:- rescheduled meeting	2/22/2022	Yes

Mar-22	3/17/2022	3/14/2022	Yes
Apr-22	4/21/2022	4/18/2022	Yes

Board meeting packets are available on the Ride’s website ([link here](#)).

- B. All Board minutes were available in the following month’s packet.
- C. The Draft FY2022 budget was posted on-line on Sept 10 2021. The final budget was approved on September 23, 2021; and posted on the website on Oct 1, 2021.
- D. All annual operating budgets and audits are available the Ride’s website ([link here](#)).
- E. The website has pages for [Board members](#) and [Executive Team](#).
- F. FOIA information is available on the website ([link here](#)).
- G. General contact info is available on the website ([link here](#)).

**POLICY 2.9.6** Endanger the organization's public image, credibility, or its ability to accomplish Ends by:

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when

- A. when there are no *legitimate* public accusations suggesting mismanagement of the AAATA due to a factor over which the CEO has control. A legitimate case of mismanagement would likely involve decisions that were unlawful, imprudent, or in violation of commonly accepted business practices or professional ethics (policy 2.0).
- B. compliance with policies 2.9.6.1 - 2.9.6.6 is achieved.

This is reasonable because, as a public body, the AAATA can always be a potential target for accusations of mismanagement by those who reject otherwise legitimate decisions. Limiting AAATA to only *popular* decisions would severely limit our ability to pursue Ends outcomes. Limiting the scope to legitimate mismanagement seems appropriate.

**Evidence**

**Source of data:** Legal records

**Date of data collection:** 6/24//22 by the CEO

**Data:**

- A. The CEO is not aware of any legitimate of accusations mismanagement at the AAATA.
- B. Compliance with the following policies further demonstrates compliance with this policy. Sources of data and date of data collection will be provided in respective policies.

**Policy 2.9.6.1** Operating the organization in a manner that jeopardizes grantor relationships.

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when AAATA meets expectations set forth by the Federal Transit Administration (FTA) and Michigan Department of Transportation (MDOT). This is reasonable because the FTA and MDOT are the two main grantors. Any other grantor expectations are relatively small. These rules generally cover broader federal and state laws, compliance with which is a requirement to be eligible for funding. The FTA's every-three-year Triennial Review, and MDOT's annual awarding and execution of grants (i.e., state formula funding) will demonstrate compliance.

**Evidence**

**Source of data:** Financial records

**Date of data collection:** 5/4/22 as verified by the Deputy CEO, Finance and Administration

**Data:**

**A. Federal Compliance:**

- a. AAATA's FY2020 and FY 2021 audits assessed compliance with federal grant regulations and found that Ann Arbor Area Transportation Authority complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- b. In 2018 the FTA conducted a Triennial Review and found no problems with the AAATA's internal control or business decisions that would jeopardize federal funding.
- c. The FY22 Triennial preliminary feedback found no deficiencies that jeopardized grantor relationships. As of August 19, 2022 a preliminary report has been submitted to the FTA and the AAATA is awaiting final conclusions.

**B. State Compliance:** Grant agreements from the Michigan Department of Transportation were fully awarded and executed during the monitoring period and for the current fiscal year. MDOT has not indicated any concern with the AAATA's compliance with State grants; all state grants are intact and there are no known risks resulting from noncompliance for these grants.

**POLICY 2.9.6.2** Allowing third-party advertising that violates stated agency guidelines for community standards.

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when AAATA has, and consistently enforces, the administrative advertising policy below which restricts inappropriate third-party advertising in order to protect AAATA’s image and reputation.

**AAATA Advertising Policy, 2014**

*A. The AAATA, by permitting commercial advertising in or on its vehicles, shelters, informational material, buildings, and benches, does not thereby intend to create a public forum. Further, AAATA requires that such advertising comply with specified standards to further the purposes of providing revenue for AAATA, increasing ridership, and assuring that AAATA riders will be afforded a safe and pleasant environment. AAATA reserves the right to approve all advertising, exhibit material, announcements, or any other display and their manner of presentation.*

*B. In order to minimize the chances of abuse, the appearance of favoritism, and the risk of imposing upon a captive audience, advertising in or on AAATA vehicles, in AAATA shelters, buildings, benches or informational material which does any of the following shall be prohibited.*

- 1. Contains false, misleading, or deceptive material.*
- 2. Promotes an illegal activity.*
- 3. Advocates violence or crime.*
- 4. Infringes copyright, service mark, title, or slogan.*
- 5. Defames or is likely to hold up to scorn or ridicule a person or group of persons.*
- 6. States or implies the endorsement of a product or service by AAATA.*
- 7. Contains political or political campaign advertising\*\*.*
- 8. Contains advertising that is obscene or pornographic, or in advocacy of imminent lawlessness or violent action.*
- 9. Promotes alcohol or tobacco products.*

(\*\* Note: Recent court cases may force a reconsideration of the prohibition on political advertising.)

**Evidence**

**Source of data:** Community Relations Records

**Date of data collection:** 5/4/22 as verified by the Manager of Community Relations

**Data:** During the monitoring period AAATA operated and enforced the AAATA’s Advertising Policy, 2014. There were no violations to the policy.

**POLICY 2.9.6.3** Hiring a former Board member as an agency employee or supplier within one year of that member’s departure from the Board.

**& 2.9.6.4** Hiring a sitting elected official or former elected official that has not been out of office for at least one year from any jurisdiction that appoints members to the AAATA Board.

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with these policies will be demonstrated when

- A. The hiring manger confirms that during the monitoring period, AAATA did not hire a current or former Board member as an agency employee or supplier within one year of that member’s departure from the Board.
- B. Additionally, AAATA did not hire a sitting elected official or former elected official that has not been out of office for at least one year from any jurisdiction that appoints members to the AAATA Board.
- C. A review of current Board member Certificates of Disclosure of Financial and Personal Interest does not indicate employee or supplier relationships with AAATA.

This is reasonable because the hiring manager has access to all employment records. The Board is expected to sign Certificates of Disclosure every year where they note of any personal financial interest, business interest, or any other obligation or relationship they have that would create a potential conflict of interest assigned duties and responsibilities.

**Evidence**

**Source of data:** Hiring and Procurement Records

**Date of data collection:** 5/4/22 as verified by Manager of Human Resources and Manager of Procurement

**Data:** During the monitoring period

- A. AAATA did not hire a current or former board member, or current or former elected officials as staff, and there were no such people on staff.
- B. Nor did any current or former board members or elected officials own any of the suppliers we engaged for goods or services.
- C. Certificates of Disclosure provided by the Board members during the monitoring period did not show conflicts of interests that indicated any of them being employees or suppliers of goods and services to AAATA.



**POLICY 2.9.6.5.** Authorizing the use of vehicles and their operators to transport persons detained by law enforcement for participating in public demonstrations.

**Degree of Compliance: Compliant**

**Interpretation**

Compliance with this policy will be demonstrated when all vehicles used to operate TheRide’s services, and all personnel hired by the agency are not involved in providing transportation services to persons detained by law enforcement for participating in public demonstrations.

**Evidence**

**Source of data:** Internal operational records

**Date of data collection:** 5/4/22 as verified by the CEO

**Data:** During the monitoring period, the CEO did not authorize the use of vehicles or operators to transport persons detained by law enforcement for participating in public demonstrations. No such requests were made.

**POLICY 2.9.7.** Allow the organization to be without (advisory) committees required in legislation or permit those committees to operate inconsistently with requirements of the legislation.

**Degree of Compliance:**

**Interpretation**

Compliance with this policy will be demonstrated when

- A. The Local Advisory Council (LAC) meets at least once a year,
- B. And has at least three members including one appointed by the local Area Agency on Ageing,
- C. And provides feedback on the MDOT-required Vehicle Accessibility Plan.

This interpretation is reasonable because the LAC is the only advisory body required by legislation, and the above membership and feedback elements are the only requirements in the legislation.

**Evidence**

**Source of data:** LAC records

**Date of data collection:** 07/15/2022 as verified by Manager of Mobility Services

**Data:** During the monitoring period,

- A. LAC met monthly
- B. LAC has had 9 active members including one appointed by the local Area Agency on Ageing,
- C. On 12/7/2021, LAC met and provided feedback on the Vehicle Accessibility Plan before the plan was submitted to MDOT.

## Policy Trendline

Policies	FY 21	FY 22
2.9	3	3
2.9.1	3	3
2.9.2	3	3
2.9.3	3	3
2.9.4	3	3
2.9.5	3	3
2.9.6	3	3
2.9.6.1	3	3
2.9.6.2	3	3
2.9.6.3	3	3
2.9.6.4	3	3
2.9.6.5	3	3
2.9.6.6	3	3

Legend	
1	Policy is not compliant
2	Policy is partially compliant
3	Policy is fully compliant

The policy trends for this policy are as shown below. The trendline for FY 22 is not final and is dependent on the Board’s decision on Aug 18<sup>th</sup>, 2022

## CEO Notes

In past years I have noted that policies 2.9, 2.9.1, 2.9.2, and 2.9.3 (\*) are prescriptions as they dictate staff actions rather than proscribing unacceptable situations. Further, they open a door to criticism of many staff decisions based on the popularity of such decisions, not any clear business rationale. I have done my best to develop reasonable interpretations which I believe satisfy the guidance from the IPGA (below), but these are still unsatisfying.

I continue to believe these early policies are contrary to Policy Governance and constitute “backdoor means prescriptions.” I would ask the Board to consider rewording these policies or deleting them. One alternative would be to move 2.9.4 and 2.9.5 under 2.9.6 and delete everything else. The Board could also consult Rose Mercier.

I will also note that there is no “External Relationships” section in the stock Policy Governance template of policies. I believe this policy began as a continuation of the pre-Policy Governance Performance Monitoring and *External Relations* Committee.

## Board's Conclusion on Monitoring Report

### Guidance on Determining "Reasonableness" of CEO Interpretations

The International Policy Governance Association has developed the following guidance for Board members to use in deciding whether a CEO's interpretation is "reasonable":

*An interpretation is deemed to be reasonable when it provides an operational definition which includes defensible measures and standards against which policy achievement can be assessed...*

*Defensible measures and standards are those that:*

- *Are objectively verifiable (e.g., through research, testing, and/or credible confirmation of observable phenomena.)*
- *Are relevant and conceptually aligned with the policy criteria and the board's policy set.*
- *Represent an appropriate level of fulfillment within the scope of the policy.*

- *"What makes an Interpretation Reasonable and What are the Expectations for the Operational Definition: Policy Governance Consistency Framework Report Number 2". International Policy Governance Association. June 11, 2016. Available on the IPGA website.*

### Board's conclusion after monitoring the report.

Following the Board's review and discussion with the CEO, the Board finds that the CEO:

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

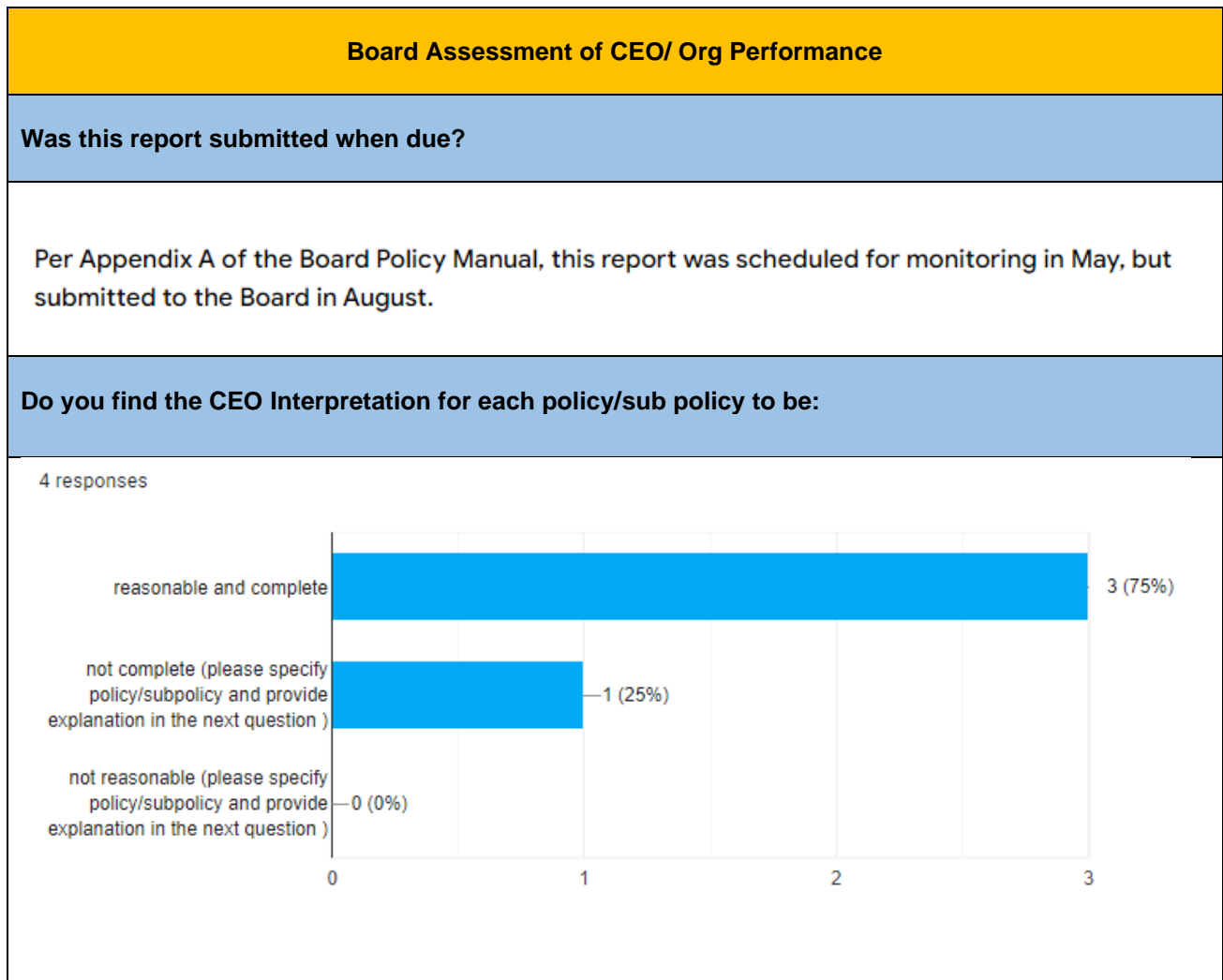
### Board's notes (where applicable)

## SURVEY RESULTS: External Relationships (Policy 2.9)

**Service Committee Review Date: September 7, 2022**  
**Board Meeting Review Date: September 28, 2022**

### Survey Participants: 4 Board Members

Note: Each bullet represents a comment by a different Board member.



## Board Assessment of CEO/ Org Performance

### CEO Interpretations that were incomplete or unreasonable (if any):

1 response

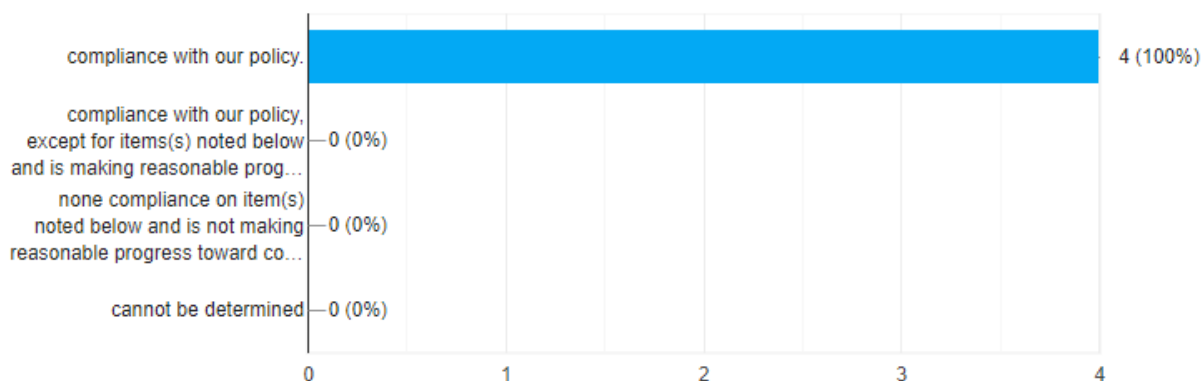
2.9.62. regarding 2014 3rd party advertising. With the legalization of marijuana in the State of Michigan, it may be wise to add the word "marijuana" to interpretation #9 "Promotes alcohol or tobacco products".

#### \*Emailed revision to above survey response \*

2.9.62. regarding the AAATA Advertising Policy/2014 . With the legalization of marijuana in the State of Michigan, it may be wise to add the word "marijuana" to interpretation #9 "Promotes alcohol or tobacco products". This not board policy but rather an internal policy used for interpretation."

### Do you find the CEO's evidence and data shows..?

4 responses



**Items not in compliance (if any):**

0 responses

No responses yet for this question.

**Optional: Potential Policy Development**

**Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy? What is the value that drives your concern?**

1 response

None

**What policy language would you like to see incorporated to address your worry?**

1 response

N/A

**Optional: Comments for the CEO**

**Commendations on this topic:**

1 response

The CEO and the agency overall is extremely transparent and collaborative with the public, stakeholders, and the board. A recent example is the LRP -- the various methods of outreach to the community, and the many discussions, etc, is a great example of how the AAATA CEO and staff interact with stakeholders.

**Potential Improvement(s):**

1 response

None

**Comments on the report itself:**

1 response

The CEO has stated he feels that some of the policies are proscriptive. I believe the board needs to take a closer look at these policies and engage the assistance of our Governance Coach, Rose Mercier.



## CEO Innovation Presentation: Purposeful Innovation

**Meeting: Board of Directors**

**Meeting Date: September 28<sup>th</sup>, 2022**

<b>INFORMATION TYPE</b>
Other
<b>RECOMMENDED ACTION(S)</b>
Receive for information and discuss.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
Policy 2.10.1.5 H requires an annual presentation regarding emerging trends, innovation, and technologies.
<b>ISSUE SUMMARY</b>
As per policy 2.10.1.5 H the CEO will present information regarding emerging trends and innovation <i>as a concept</i> . This is a lead-in to the October 2022 retreat where the Board will learn more details about a new technology opportunity: zero-emissions propulsion.
<b>BACKGROUND</b>
To advance TheRide’s agenda, the CEO and staff must be innovative and willing to explore new ideas. However, prudence and risk management are also required. This brief provides more background and context about how the CEO views innovation and the importance of vetting new ideas.
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: N/A or other</li> <li>• Social: N/A or other</li> <li>• Environmental: N/A or other</li> <li>• Governance: Innovation is a Means and broadly delegated to the CEO. However, the Board retains important approvals.</li> </ul>
<b>ATTACHMENTS</b>
1. CEO Thoughts on Successful Innovation in the Public Sector

## Attachment 1: CEO Thoughts on Successful Innovation in Public Sector

### What is Innovation?

Conceptually, “innovation” has been defined at *novelty that works*. In a changing environment an organization must evolve, or it will fall behind. Innovation can be evolutionary (i.e., incremental) or revolutionary, and can come in many forms such as technologies, business models, service delivery methods, and administrative practices.

### Benefits

Innovation can accelerate progress toward goals, increase productivity or efficiency, or free up resources for other purposes. Occasionally new ideas can radically open new areas of opportunity. Emotionally, we can be proud of finding new ways to address needs in our communities. Meaningful innovations in the transportation sector deliver results such as reduced costs, faster travel, greater reliability, less pollution, etc. Key areas for possible innovation noted in TheRide’s Long-Range Plan include:

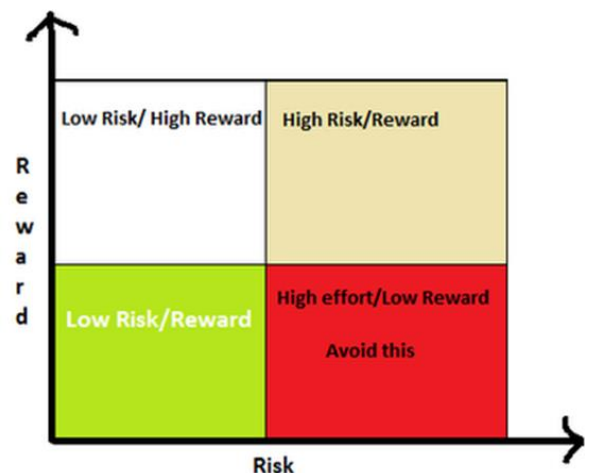
- Improvements to existing models of service delivery such as new propulsion systems for buses, driverless buses, wheelchair securement, or expansion of express service to distant park n’ ride lots. This could also include new business models such as non-urgent patient transport (non-emergency medical transportation).
- Advocating for changes in the outside environment we would like to see, such as transit-supportive land development or odometer taxes.
- New Mobility is a broad term for new technologies, often enabled by smartphones, that allow other means of getting around. Ideas in this category include fare collection, trip planning, automated vehicles, and first mile/last mile solutions (i.e., ride hailing, scooters, bike share, TNC, etc.). Also called Mobility as a Service (MaaS), Smart Mobility, etc.

Looking ahead, many of these areas will be assessed for their potential use at TheRide. Some already have been such as our ride hailing service, FlexRide.

### Risk Tolerance

Innovation and change also carry risk, and optimism must be balanced with practicality. Unworkable ideas can squander time and limited resources. Even viable ideas require considerable investments for successful implementation. Failures consume resources (time, energy, money, staff, credibility, hope) which then cannot be used for other purposes. Dashed hopes promote cynicism and undermine trust in institutions<sup>1</sup>.

While individuals all have different tolerances for risk in their private lives, risking *public* funds carries a higher impact due to principles of stewardship and the potential for criticism. Institutional decisions require a collective decision about common assets. Public funding is very limited and lost funds are effectively taken away from other activities that could have benefited the public. Public-sector decisions



<sup>1</sup> See “[Marge vs the Monorail](#).” The Simpsons. Season 4, episode 12. 1993.

can also be affected by political dynamics. [Researchers have noted<sup>2</sup>](#) that when funding is awarded *competitively*, proponents tend to inflate benefits while minimizing risks. Exactly who benefits can be unclear in untransparent decisions. While public sector risk tolerance tends to be low, high-risk ventures such as technology R&D are often well-received in the private sector.

While some new transportation inventions succeed (e.g., low floor buses, real-time information, etc.), others fail to find a viable economic niche. Technology *fads* and manufactured hype are not uncommon and tend to promise shortcuts around intractable challenges. Less-than-successful technologies have included: vacuum trains (i.e. [Hyperloop](#)), [electric scooters](#), [micro-transit](#), [Segways](#), [autonomous cars](#), a [Michigan rocket base](#), [the straddle bus](#), and the Detroit PeopleMover. Alternative bus propulsion has cycled through several technologies over the last 20 years, but no new technology has displaced diesel (90% or more of all buses). New technologies may provide better options in the future but the risks for early adopters are still high.

### **Purposeful Innovation – Finding the Cost/Benefit Sweet Spot**

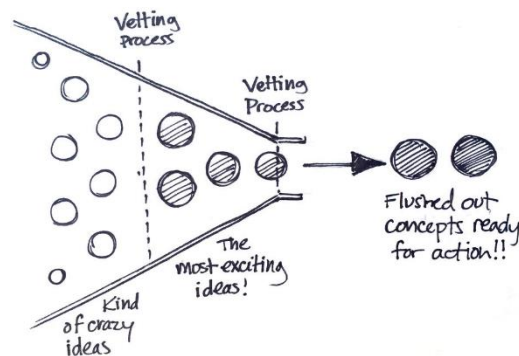
If innovation is necessary but comes along with risks, it becomes critical to vet new proposals and judge their worth, risks and probability of success, and *then* establish priorities.

At the highest level the Board uses [Policy Governance](#) to guide costs, benefits, and risks. When the Board decides *What* we do, *For Whom*, and *At What Cost* it is exercising its fiduciary stewardship and setting *priorities*. The Board has approved specific [policies](#) detailing the organization's goals (1.0 Ends), as well as unacceptable impacts (2.0 Executive Limitations). While the risk tolerance of individual board members or the CEO may not be the same, the policies articulate the *collective* goals and risk tolerance of the Board with a single unified voice.

The CEO and staff are then charged to use their professional expertise (e.g. training, experience, judgement, etc.) to make almost all decisions on *How* to achieve the Board's goals (i.e. Means). This ensures that professional considerations in meeting the collective expectations drive the decisions. The CEO is accountable for meeting the Board's (collective) expectations. The CEO and staff use this direction to ensure that any new initiative is aligned with the Board's goals and that risks are constrained within acceptable parameters. While specific initiatives are delegated to the CEO, these tangible decisions unfortunately attract more public attention than more abstract policy decisions.

How do the CEO and staff judge the worthiness of new ideas? Presumably the CEO could not make much progress without being open to new ideas. However, too many failed innovations would also hurt progress and the institution. Staff have documented some of the questions we use (consciously or otherwise) to help evaluate new ideas and proposals:

1. **Scope vs Opportunity/Need**
  - a. **Goal Clarity:** The Board's Ends policies define the outcomes that TheRide is trying to achieve.
  - b. **Scope of Proposal:** What output/outcome does a proposed innovation/initiative



<sup>2</sup> [https://en.wikipedia.org/wiki/Megaprojects\\_and\\_Risk](https://en.wikipedia.org/wiki/Megaprojects_and_Risk)

produce? What is it and what does it accomplish? What economic niche does it fill after the novelty wears off?

- c. **Feasibility & Alternatives:** What is the probability of success? Is it leading edge or bleeding edge? Can it scale (v. become cost-effective in large quantities)? Do we *trust* the proponents? Are there other ways to achieve comparable results? Is this a beneficial use of limited funding or time? What are the relative cost/benefits or ROI? Are the proponents trustworthy and dependable?
  - d. **Alignment:** Is it aligned with the goals of TheRide?
  - e. **Roles:** Which organization is most appropriate to lead? Are partnerships warranted? Who benefits and who pays? Are risks and rewards properly distributed?
2. **Risks** – All initiatives have risks. There are also risks of not innovating. Understanding helps to mitigate.
- a. **Risk Analysis:** Are risks being reasonably accounted for? How could the initiative impact costs, financial, liability, human capacity, existing workload/services/passengers, or precedents? What are the future implications? Has any sort of risk assessment been done? Can risks be minimized or better understood via further, detailed investigations or studies? Are the risks worth the benefits?
  - b. **Risk Tolerance:** Would the risks be within the toleration levels set by the Board? Would compliance with any policy be jeopardized? What risks do staff see?
  - c. **Emotional Influences:** Are uncertainties being addressed will calm detachment or appeals to emotion? Are decisions being rushed? Why?
3. **Readiness & Implementation**
- a. **Capacity & Readiness:** Do we have the expertise or resources to pursue the idea, or would we be over-extending ourselves? We can do a *few* things well or *many* things poorly.
  - b. **Sequence:** How ready is the initiative to proceed? Do other steps logically need to come first? Is there a risk of proceeding too soon or waiting too long? What are the impacts of deferral?
  - c. **Implementation:** Can we execute this new initiative along with all other work and commitments?
  - d. **Speed:** How fast should change come? How fast can we deliver it? Is an incremental “evolution not revolution” approach acceptable if it limits risk? Is the urgency warranted?
4. **Limited Resources & Priorities**
- a. **Resources:** What resources (time, money, energy, focus, staff, etc) could the agency devote without impacting other work? What is the most constrained resource that bottlenecks new initiatives? Can additional resources be brought to bear?
  - b. **Equity & Precedents:** If we establish a precedent, are we prepared to do the same for everyone? Can it benefit everyone equally?
  - c. **Trade-Offs & Opportunity Costs:** Would we have to give up anything else? Which is more valuable? What are the *priorities* for limited resources?

In this last point we come back to the issue of priorities – What we do, For Whom, and At What Cost. When costs, benefits, risks, and resources are all accounted for we typically have more

initiatives and innovations than we can undertake at once. TheRide uses the criteria above and processes (e.g., Policy Governance, Business Planning, annual budgets, Long-Range Plans) to help filter opportunities and set priorities in a transparent manner.

TheRide benefits from an engaged and passionate citizenry who often share proposals for new approaches. Some proposals reflect the *values* of the proponents more than the viability of the specific proposal itself and can be seen as a manifestation of *Ownership values*. It is sometimes necessary to balance passionate urgency with process and accountability for the health of the organization. Often more discussions can help harmonize interests and actions.

Ideas generated by political processes can be a great source of inspiration or insight into Owner values. But when decisions are politicized, an agency's focus can be forcibly shifted away from its original goals. Of course, politics needs to be considered, ideally *after* a practical vetting not before. Making do with the results of momentarily popular decisions is not the same as thoughtful, effective innovation.

### Gartner Hype Cycle

How people outside the public sector look at risk and benefits can be illuminating. Venture capital investors in Silicon Valley need to be able to tell good risks from bad risks quickly. A California consultancy developed a graphed "lifecycle" for gauging the degree of risk in new technologies such as [autonomous vehicles](#)<sup>3</sup> and [micro-transit](#)<sup>4</sup>. Called the "Hype Cycle" this twist on the traditional product development lifecycle incorporates the human tendency to initially over-value *new* ideas before viability has been determined.

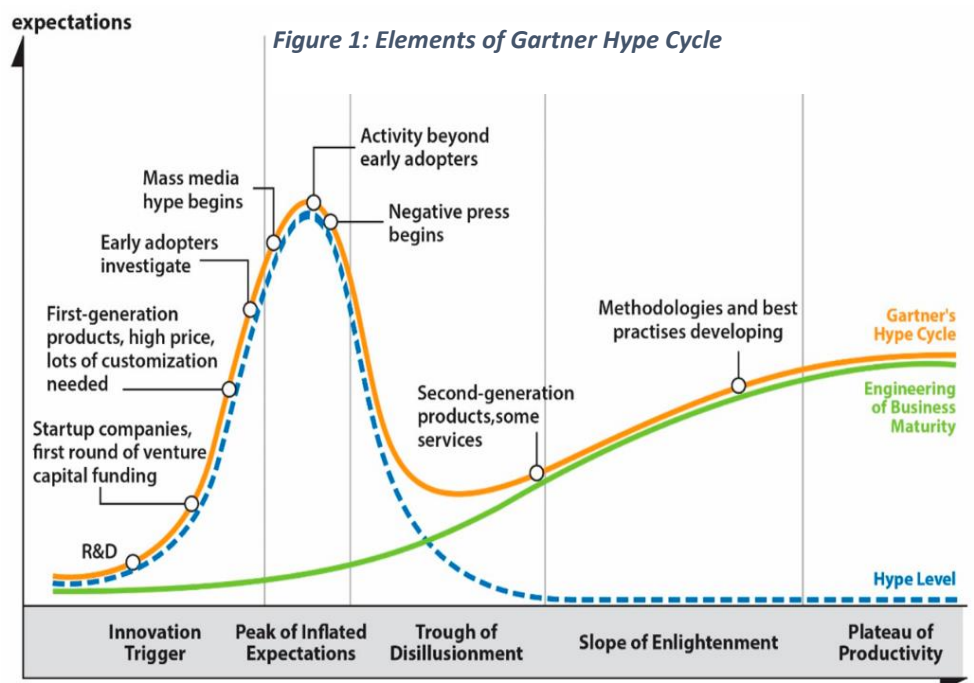


Figure 1 illustrates the elements of the Hype Cycle while Figure 2 shows Gartner's published 2020 report on Connected Vehicles and Smart Mobility.

While intended for technologies, the Hype Cycle can be applied many other circumstances where trends and fads exist. Enthusiastic booster-ism, excessive optimism, delusion, hubris, and outright manipulation are not limited to any one sector.

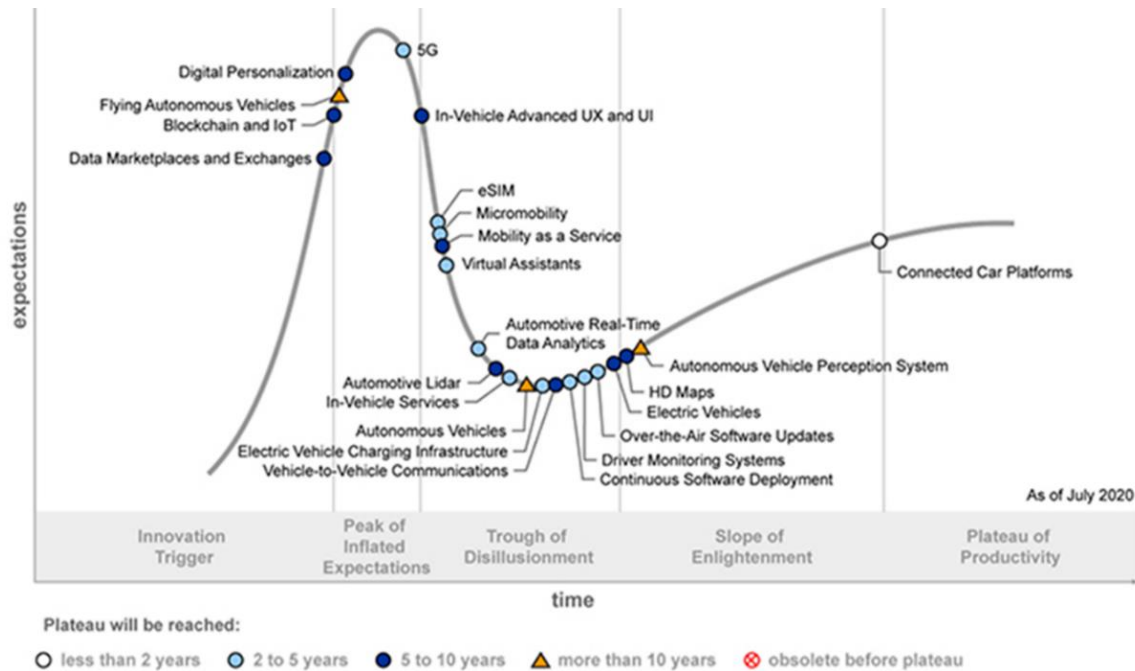
While not scientifically proven and receiving some [criticism](#), the concept of a Hype Cycle helps to illustrate patterns in decision-making and how to gauge risk. The value of concepts like the

<sup>3</sup> <https://nathanielhoradam.com/2018/07/23/hype-cycle-blues-has-the-av-bubble-burst/>

<sup>4</sup> <http://www.beatekubitz.com/blog-1/2021/7/28/demand-responsive-transport-when-will-it-catch-the-bus>

Hype Cycle may be in its application beyond Silicon Valley as a reminder to not let excitement get ahead of practical considerations.

Figure 2: Hype Cycle for Connected Vehicles and Smart Mobility. Gartner, 2020.



Source: Gartner

### In Closing

Innovation and calculated risks are essential in a changing environment. New challenges and new opportunities require new approaches. But failed investments can undermine an agency’s capabilities and resources.

TheRide will begin discussion about alternative bus propulsion systems in the near future. The potential benefits of such technologies are real and aligned with Board and community goals. But the risk profile of these technologies is much higher than TheRide typically considers. Understanding the pros and cons of change can help staff and the Board make informed decisions.



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## CEO Report

Meeting: Board of Directors

Meeting Date: September 28<sup>th</sup>, 2022

### INFORMATION TYPE

Other

### OPERATIONAL AND PROJECT UPDATES

#### ALL SERVICE RESTORED

All service has been restored to pre-pandemic levels including the return of Route 68 on September 6<sup>th</sup>. Overtime continues to be used due to recent COVID cases. Another class of motor coach operators are in training.

#### RIDERSHIP

Ridership is continuing to recover as people return to school and the pandemic wanes. August 2022 had the highest ridership recovery since the onset of the pandemic – 61% of the same month in 2019.

#### NEW PASS PRICES

New pass prices have been implemented as of August 28<sup>th</sup>.

#### TRIENNIEL REVIEW UPDATE

The FTA submitted their final report regarding our Triennial Review. The report identified six deficiencies in five areas, mostly related to record keeping. There were no significant issues found. A debrief with the Board is anticipated in November 2022.

#### FOOTBALL SHUTTLES

Football Shuttle Service have been implemented with the first game on September 3.

#### PROPULSION STUDY

Public engagement plans are underway to share the findings of the propulsion study with staff, the general public, Board of Directors and stakeholders starting in October.

#### REPLACEMENT BUSES

The next 8 NovaBus replacements are in their last stages at the factory in New York state. Delivery is anticipated before the end of the year. Six Paratransit E450 14-Passenger Vehicles have been procured with pending delivery date. Two cutaways are scheduled to arrive mid-September. Supply-line and labor challenges continue to challenge manufacturers in the transit industry.

#### YTC UPGRADE:

Anticipating Board approval, technology and facility plans are being developed to update the Ypsilanti Transit Center to accommodate new customer service staff.

### **LOCAL ADVISORY COMMITTEE(LAC)**

The Local Advisory Committee met in September and the meeting focused on restructuring roles within the committee with several members stepping away from their positions. The committee voted to temporarily suspend Executive Term Limits until August 2023 due to lack of applicants and suggestions were made to help promote more interest by providing a link from the accessibility page to the LAC page on the TheRide's website.

### **GRANTS**

TheRide is considering pursuing grants from the RTA, SEMCOG (Carbon Reduction) and MDOT (Mobility Wallet). These are relatively small grants for non-construction projects.

### **TRANSPORTATION COMMISSION (ANN ARBOR)**

Staff continues to attend the City of Ann Arbor Transportation Commission meetings. In August the commission motioned for a proposed a "No Turn on Red Downtown" resolution (buses exempted) which has since gone to Council for discussion, approved a proposed Traffic Calming Committee Charter and Safe Streets for All Grant application. Recommendations for Capital Improvement Plan will be made at September meeting.

### **STAFF LEADERSHIP TRAINING RESUMES**

TheRide was able to re-start in-person leadership training retreats for staff and board members in September. Another session is planned for October 27-28. Board members are welcome to participate and should contact the CEO as soon as possible.

### **WATS POLICY COMMITTEE UPDATE**

The August Washtenaw Area Transportation Study Policy Committee was cancelled.

### **BUS PAINT SCHEME (LIVERY)**

Because the new paint scheme on the Nova buses has been well received, we will begin repainting older Gillig-brand buses to match. We will repaint a few a year as opportunities arise. We will start with newer Gillig buses and then many older buses. One repainted Gillig (#1937) is already on the road. No additional costs are needed as the operations budget already carries painting costs. The re-painting process will likely take several years until the entire fleet is a single paint scheme.

### **STAFFING UPDATE**

TheRide is recruiting for a few open management positions include the Manager of Human Resources, Manager of Finance, and Deputy CEO of Operations. We are currently interviewing for one Service Crew position and three Technician positions. A Paratransit Call Taker has been hired to replace an internal promotion. An IT staff member has been hired to fill an open position.





**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.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Ann Arbor Area Transportation Authority  
Michigan**

For the Fiscal Year Beginning

**October 01, 2021**

*Christopher P. Morill*

**Executive Director**

*Government Finance Officers Association (GFOA) advances excellence in government finance by providing best practices, professional development, resources and practical research for more than 22,500 members and the communities they serve.*

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# 1. About TheRide

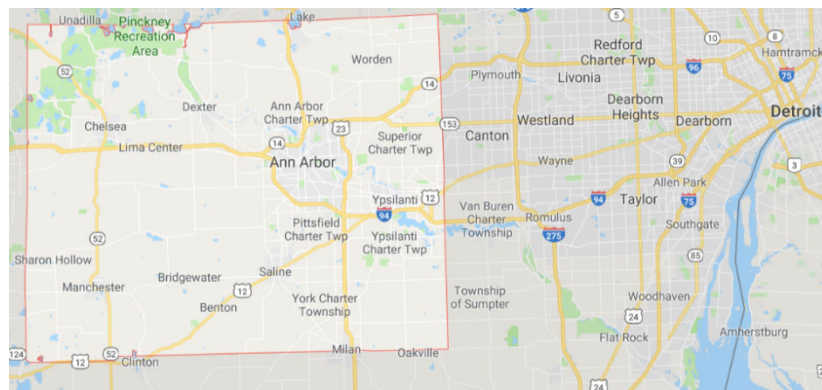


The Ann Arbor Area Transportation Authority (AAATA, or TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

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.

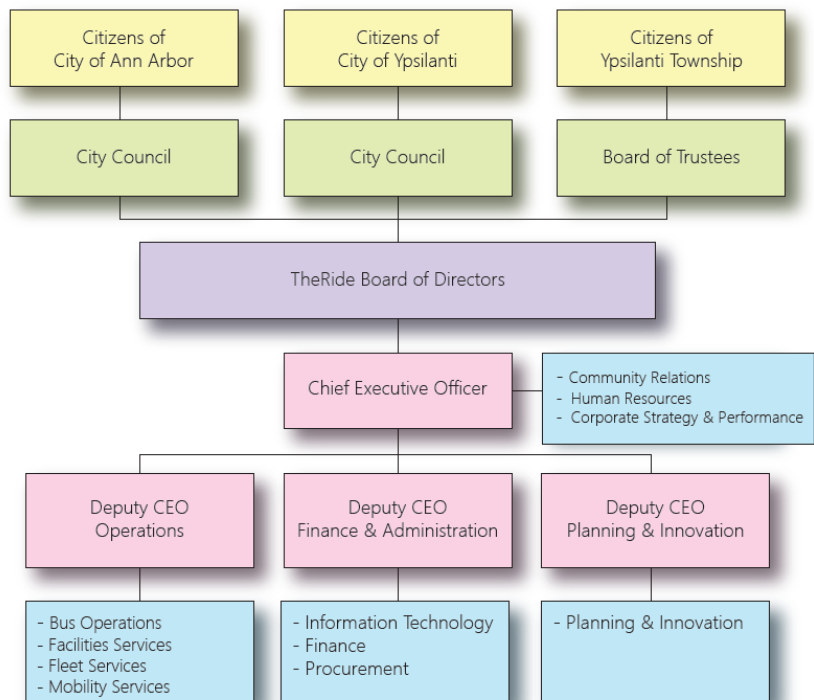
### Board of Directors

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



Dawn Gabay Operations Center  
2700 S. Industrial Highway  
Ann Arbor, MI 48104

734-973-6500 **Phone**  
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

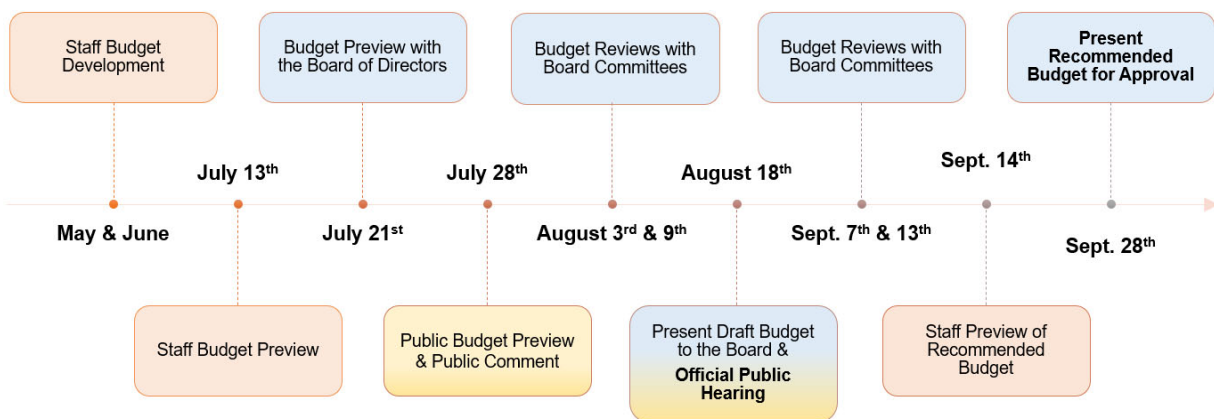
budget. For example, the Board has set clear limitations upon Financial Planning and Budgeting (Policy 2.4), Financial Conditions and Activities (Policy 2.5), Cash and Investments (Policy 2.6), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.7).

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 on September 28, 2022. 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](#).

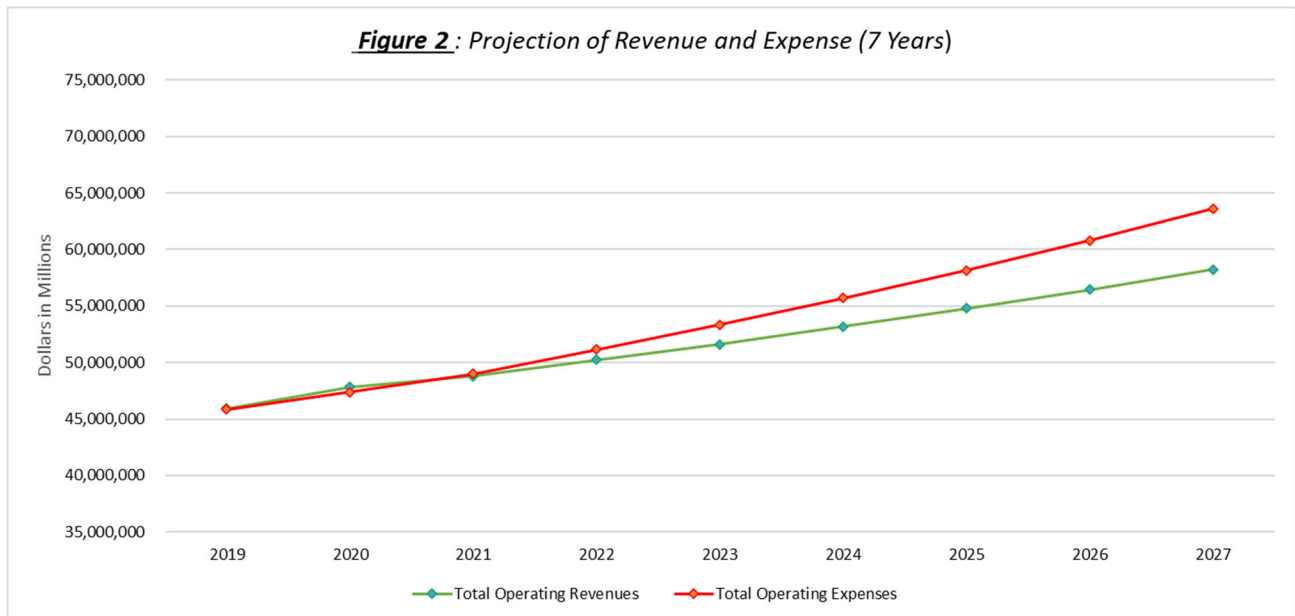
## New Millage Provides Longer-Term Financial Stability

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.

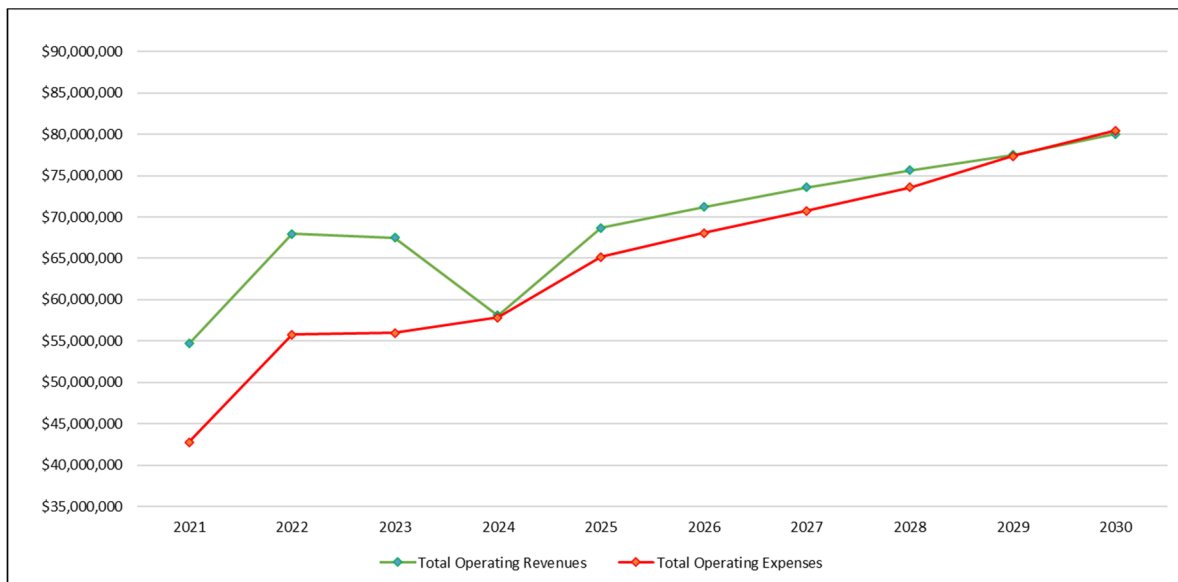
The need to re-focus and address the structural deficit became two-fold as time marched us toward the expiration of the 2018 millage for property tax funding set to expire in 2023. As the emergency of the pandemic began to stabilize, TheRide prioritized attention on recovery and the future. Efforts to 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.

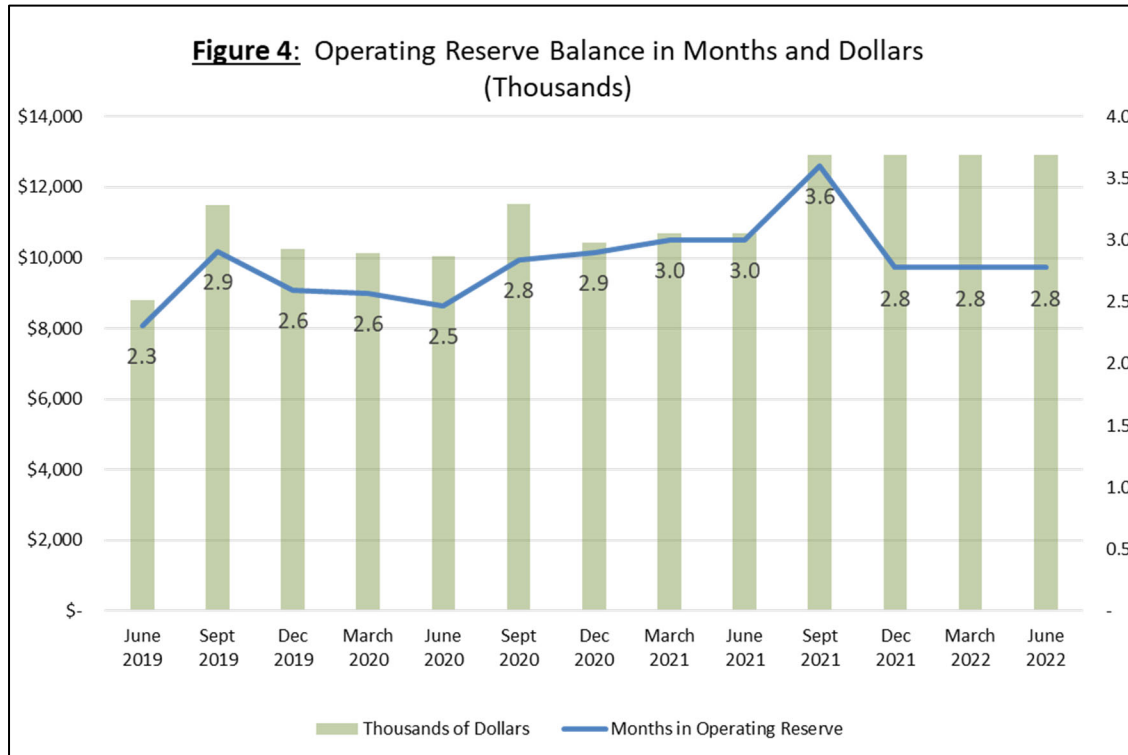
Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Through Board adoption, TheRide established the following reserves and target levels in 2021:

- 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](#).

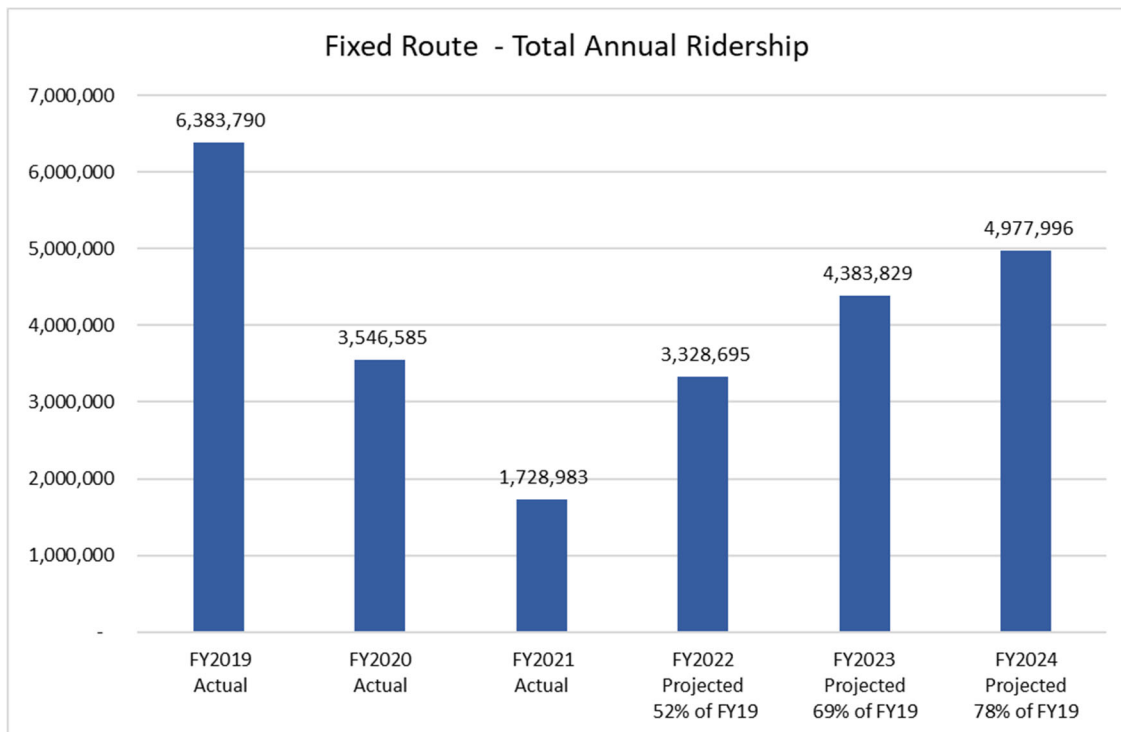
Fixed-route ridership represents approximately 96% all ridership for services offered by TheRide and is the most compared metric for mid and large-sized public transportation agencies. The significance of the ridership as a percentage of total also makes it the primary driver for budget projections of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

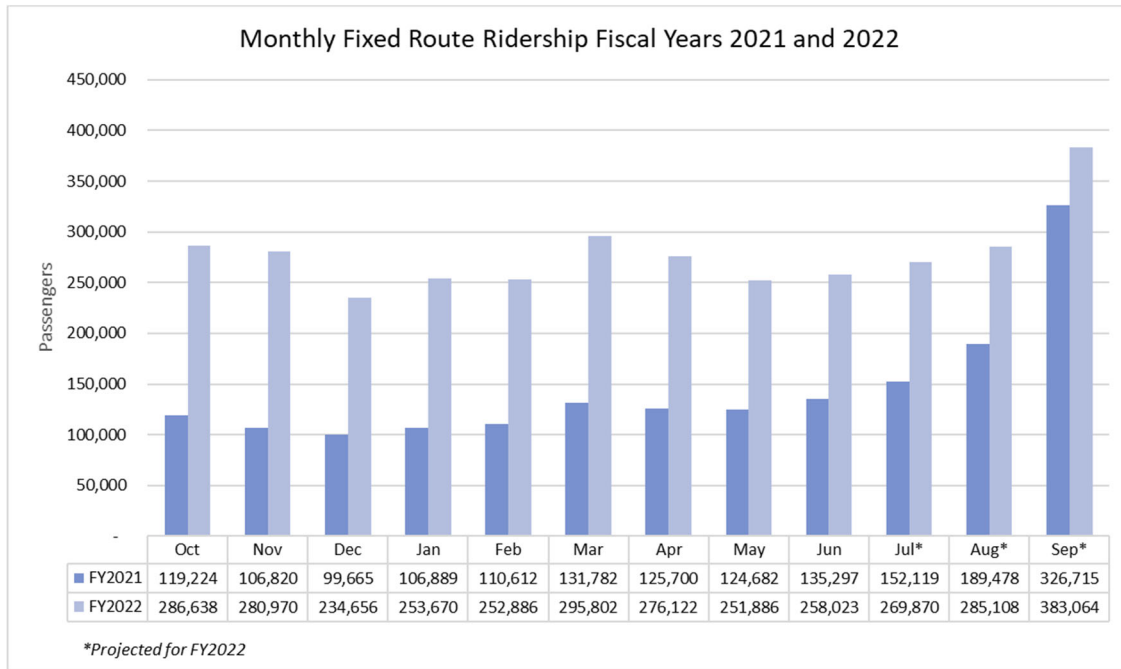
As shown in Figure 5, in fiscal year 2023, total annual fixed route ridership is projected to reach 69% of pre-pandemic ridership levels. Ridership recovery has lagged slightly from initial post-pandemic projections, due in part to having to temporarily reduce service schedules in FY2022 because of short-term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

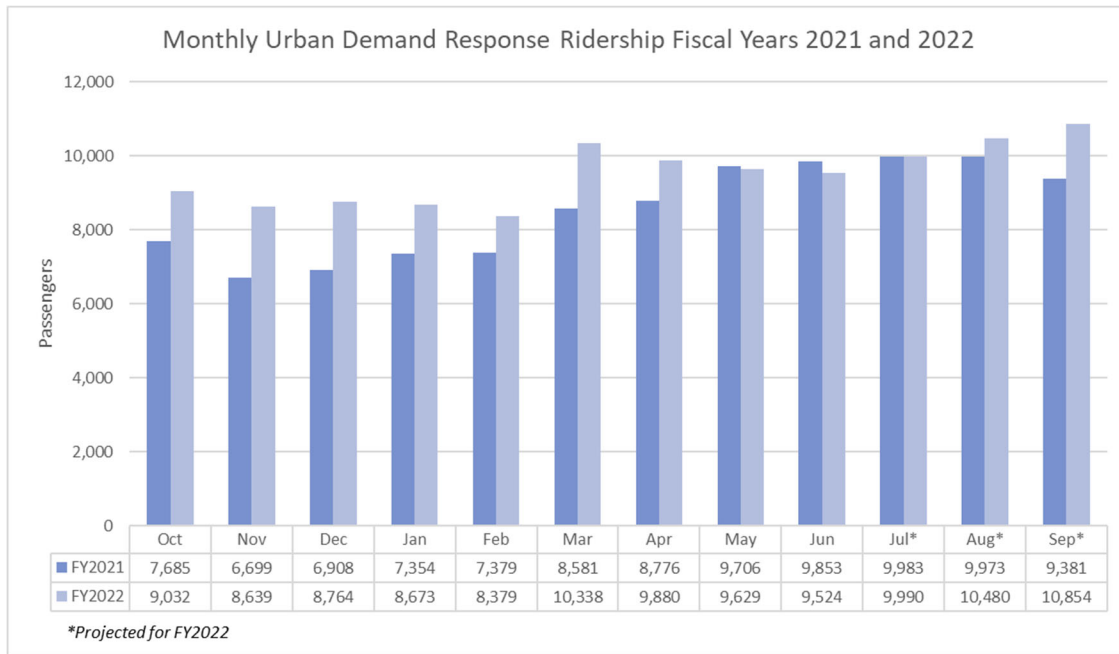
### Urban Demand Response Services and Ridership

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

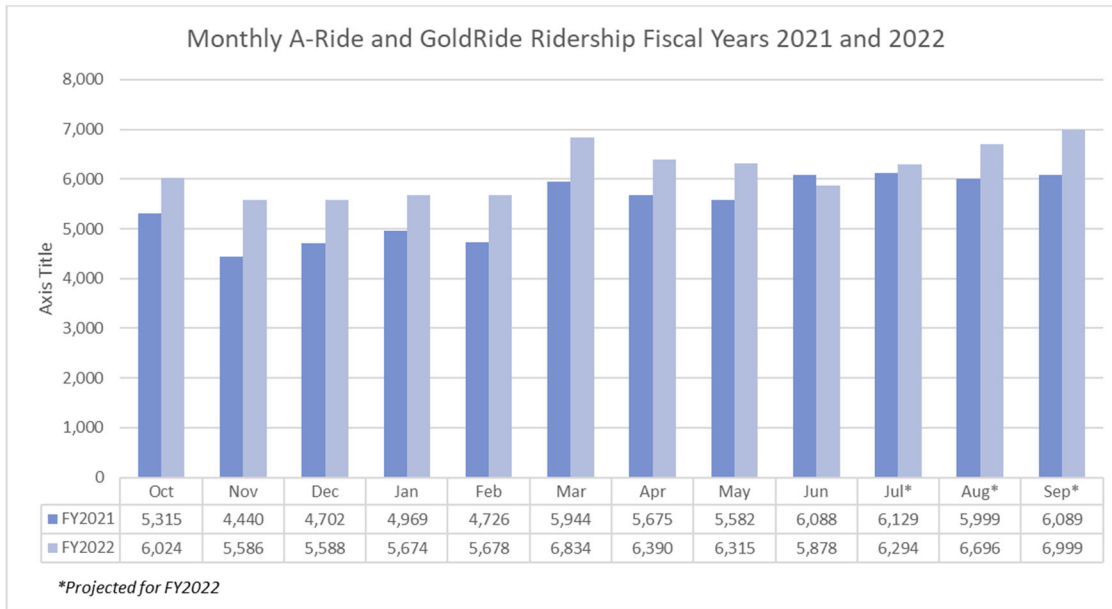
A-Ride is a shared, reservation-based accessible service. This service provides quality transportation for persons with disabilities. A-Ride provides origin-to-destination, curb-to-curb, and door-to-door service and operates during fixed-route service hours. A-Ride trips are provided in accessible lift-equipped 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**



# 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.

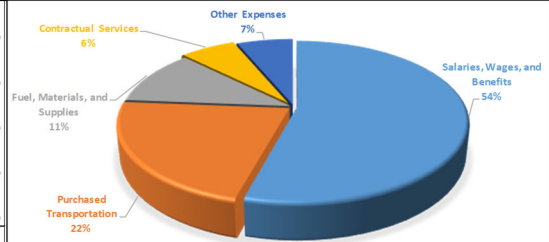
The operating budget is expected to provide a surplus of approximately \$11.8 million in FY2023. The surplus will be dedicated to the capital reserve. Further detail of operating budget expenses and revenues, as well as multi-year projections are highlighted in this section of the budget document.

## Operating Expenses

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



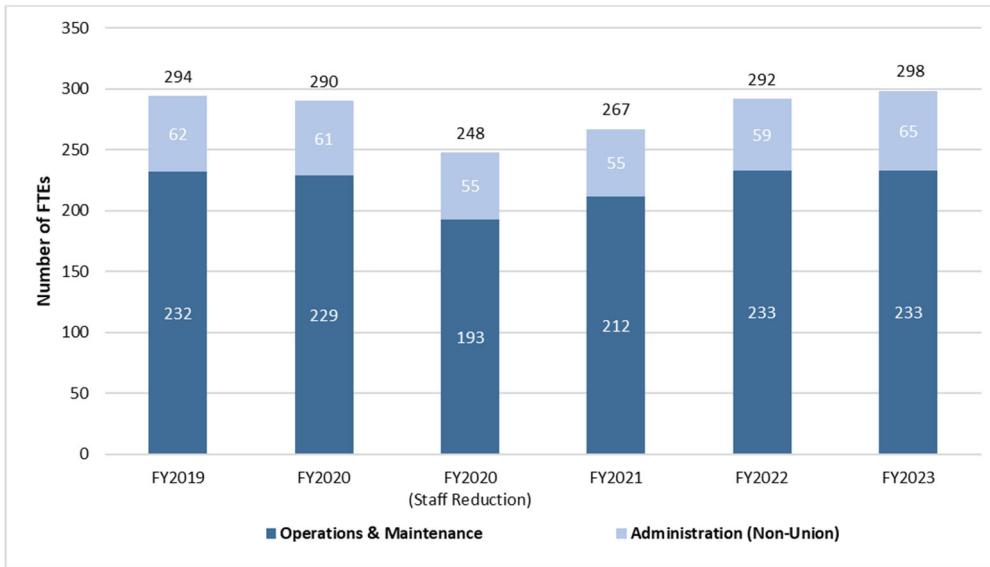
Descriptions of expenses and key budget assumptions are as follows:

- 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.

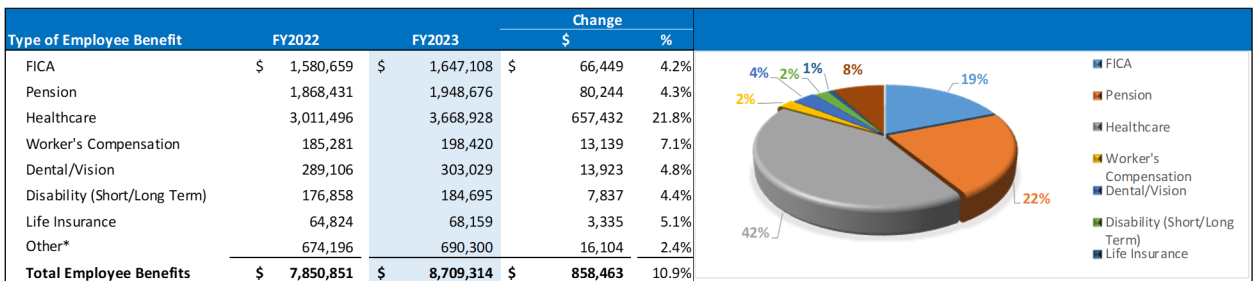


**Figure 11: Full Time Employee (FTE) Staffing Levels FY2019 to FY2023**



- 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, except for healthcare and worker’s compensation. Assumptions and explanations for significant changes in the budget are described in this section.

**Figure 12: Employee Benefits Summary**



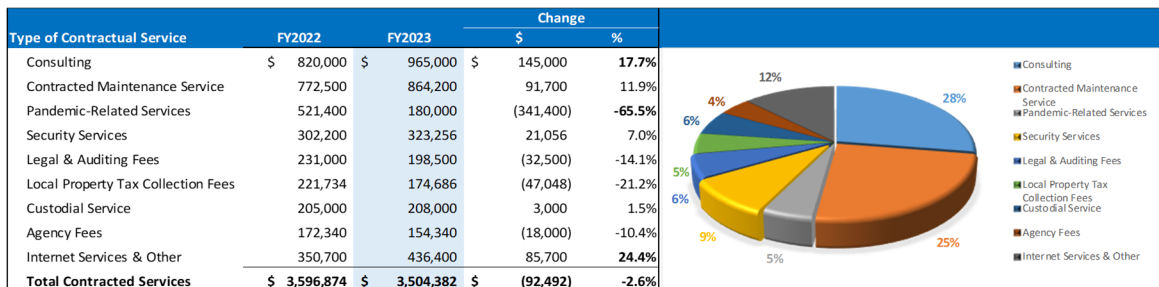
\*Other includes Health Care Savings Plan, Post-Retirement, EAP, Unemployment expenses

- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based 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**

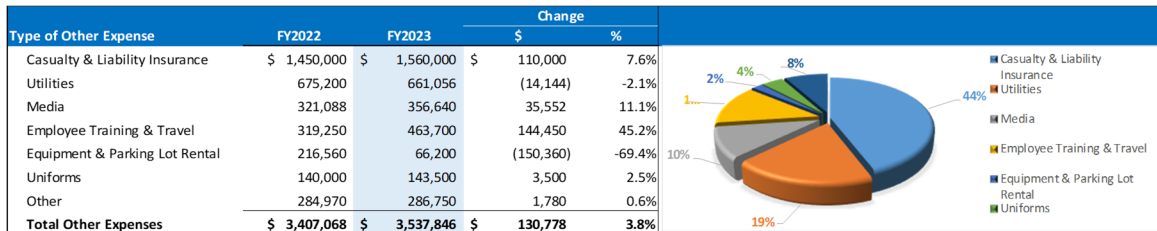


- Consulting expenses are increasing by \$145,000 or 17.7%, due to additional investment in corporate initiatives, security services, and internet data fees (partially offset by decreases in mobile data) for improved operations communications. Contractual services fluctuate each year due to removal of 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 in 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**

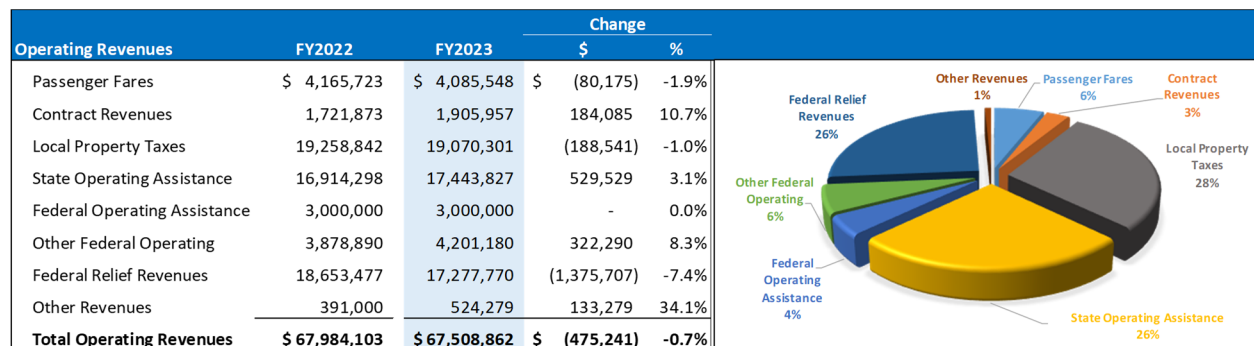


- Higher casualty and liability insurance premiums are mainly due to increases experienced in FY2022 that were underbudgeted last year. Adjustments in the number and type of vehicles were adjusted in FY2022, which impact estimates for FY2023. Market increases seen recent years of 10% to 15% have stabilized. 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, FY2023 Operating Revenues are budgeted at **\$67,508,862**, a 0.7% decrease from the FY2022 budget year.



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 revenues have increased 10.7% 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 our 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.

Figure 16 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.

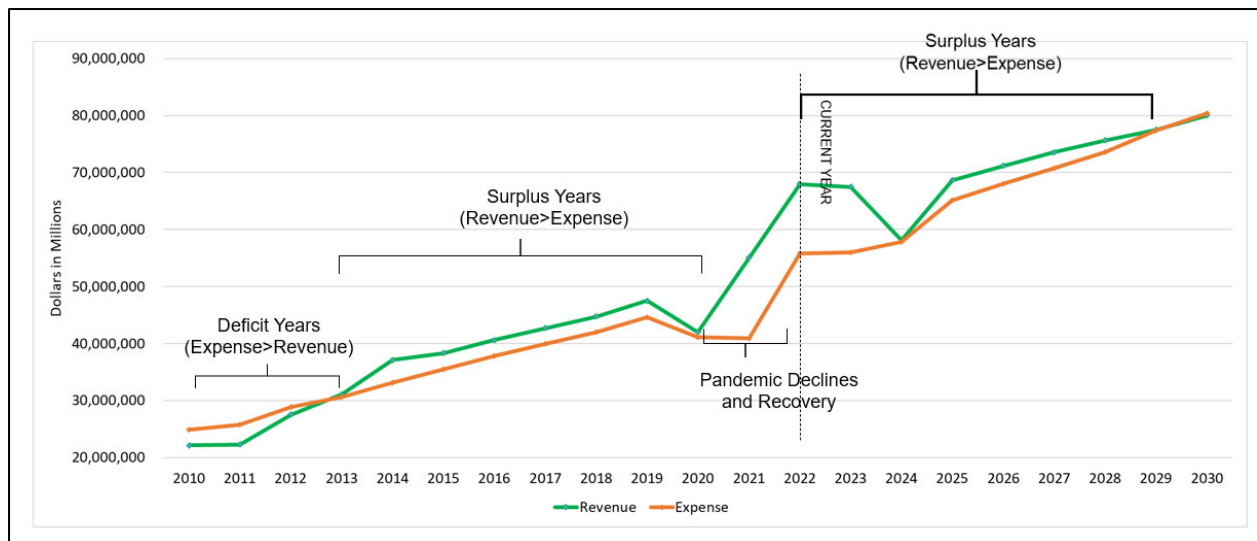


## Long-Term Financial Context: 2010-2030

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**

<b>CAPITAL PROJECTS</b>	<b>FY2023 Budget</b>	<b>FY2024-FY2032 Program</b>
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>
<b>FUNDING SOURCES</b>	<b>FY2023 Budget</b>	<b>FY2024-FY2032 Program</b>
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>
<b>UNIDENTIFIED FUNDING PORTION</b>	<b>FY2023 Budget</b>	<b>FY2024-FY2032 Program</b>
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 [ITS, Smart Card]	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 [Costs Pending Study]	-	-	-	-	-	-	-	-	-	-	-		
	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>Category Total</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
<b>State of Good Repair</b>	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>
<b>Value Added</b>	Technology Upgrades	\$250,000
	Bus Stop Improvements	\$280,000
	Transit Priority	\$300,000
	<b>Sub-total</b>	<b>\$830,000</b>
<b>Research and Development</b>	Emergent R&D Projects	\$25,000
	<b>Sub-total</b>	<b>\$25,000</b>
<b>Expansion</b>	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>

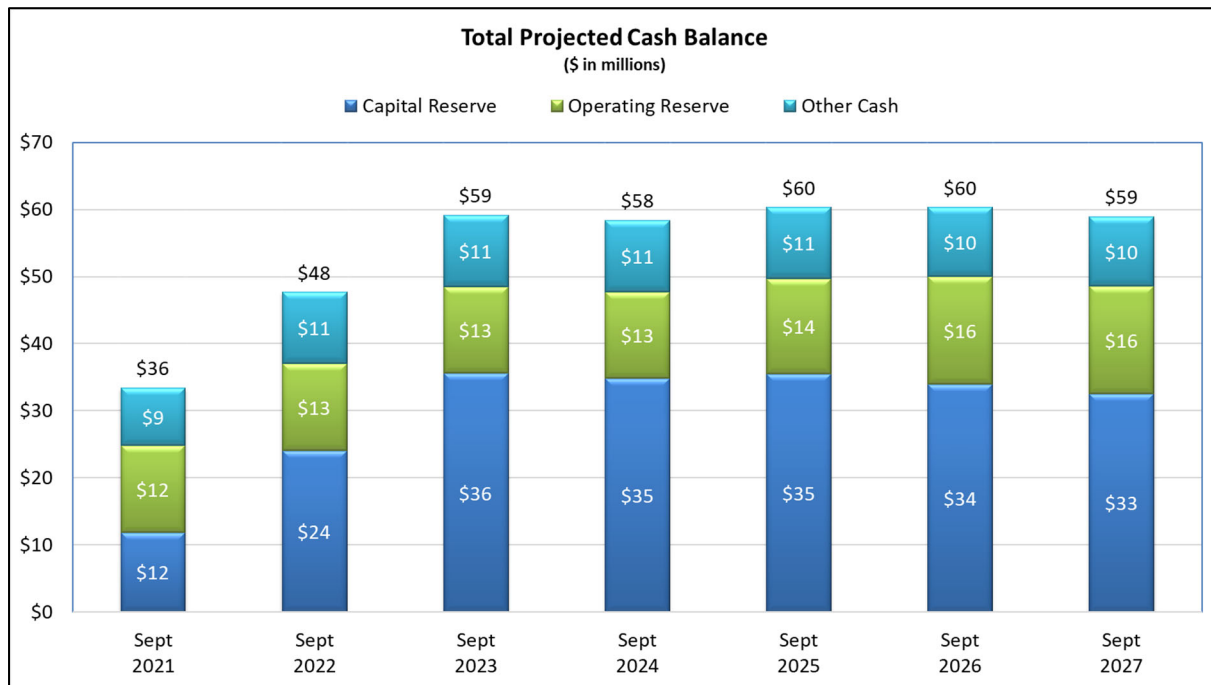
# 7. Impacts of 2023 Budget

## 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 \$11 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**

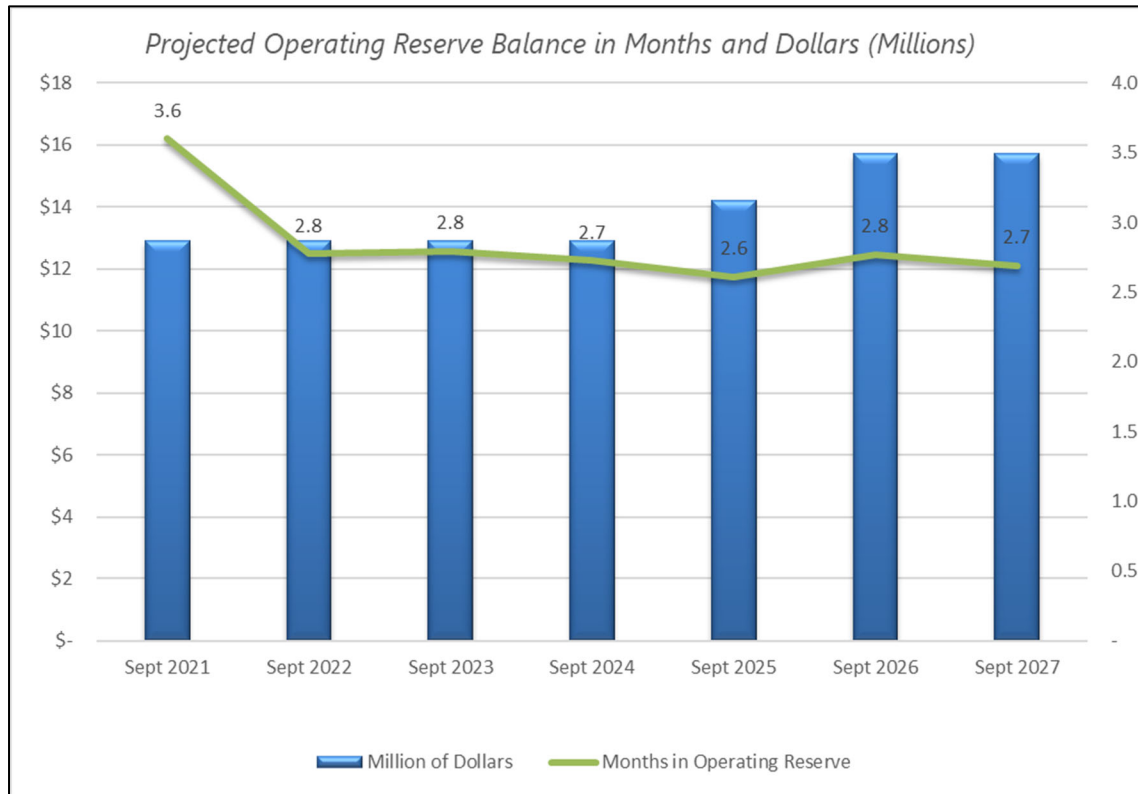


## Projected Operating Reserve Balance

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 \$250,000 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.
  - **Bus Rapid Transit (BRT) and Bus Garage:** The long-range plan recently approved by the Board includes the BRT project and a Bus Garage that would be required to support the BRT. In FY2023 staff is requesting \$250,000 to begin the planning, design and NEPA work to begin planning for the project. The planning phase will take several years.
  - **Information Technology:** The long-range plan provides funding for operational innovations and improvements in customer experience technology beginning in FY2023 in the amount of \$300,00 for both.

**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: \$8,482,000 (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).

- **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: \$280,000 (Policies 2.1, 2.4, 2.7, 2.10).
- **Transit Priority:** 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
<b>*ExpressRide service has been suspended due to the pandemic.</b>			
<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
<b>*Same day reservation has been suspended due to the pandemic.</b>			
<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

ADOPTION 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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Kyra Sims, 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.

# Purposeful Innovation: Putting Novelty to Work

Matt Carpenter, CEO

September 2022

# One Example of Innovation



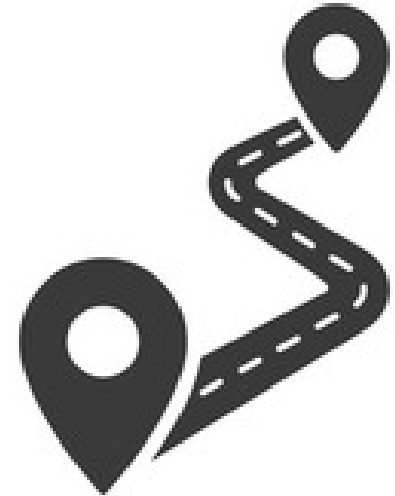
# Purpose & Agenda

## Purpose:

- Introduce innovation as concept
- Get ready for propulsion discussions!

## Agenda

1. Definitions
2. Benefits & Risk Tolerance
3. Purposeful Innovation
4. Roles
5. Key Questions & Discussion



# Innovation = Novelty That Works

- New, New-ish, or New-to-you
- Can be tech, process, mindset, etc
- Evolution & Revolution
- Change is essential, but not every change works
- Provides real benefits:
  - *What, For Whom, At What Cost*  
(Priorities\*)



# Innovation at TheRide...

## Historical

- 1<sup>st</sup> real-time tech (c 1995)
- FlexRide (TheRide's Uber)
- Policy Governance
- 25-Year Long Range Plan
- 2022 Millage

## Future (LRP)

- New business models
- Advocacy Agenda
- Equity
- New technologies
  - Propulsion, driverless, ride hailing...



# Cautionary Tales





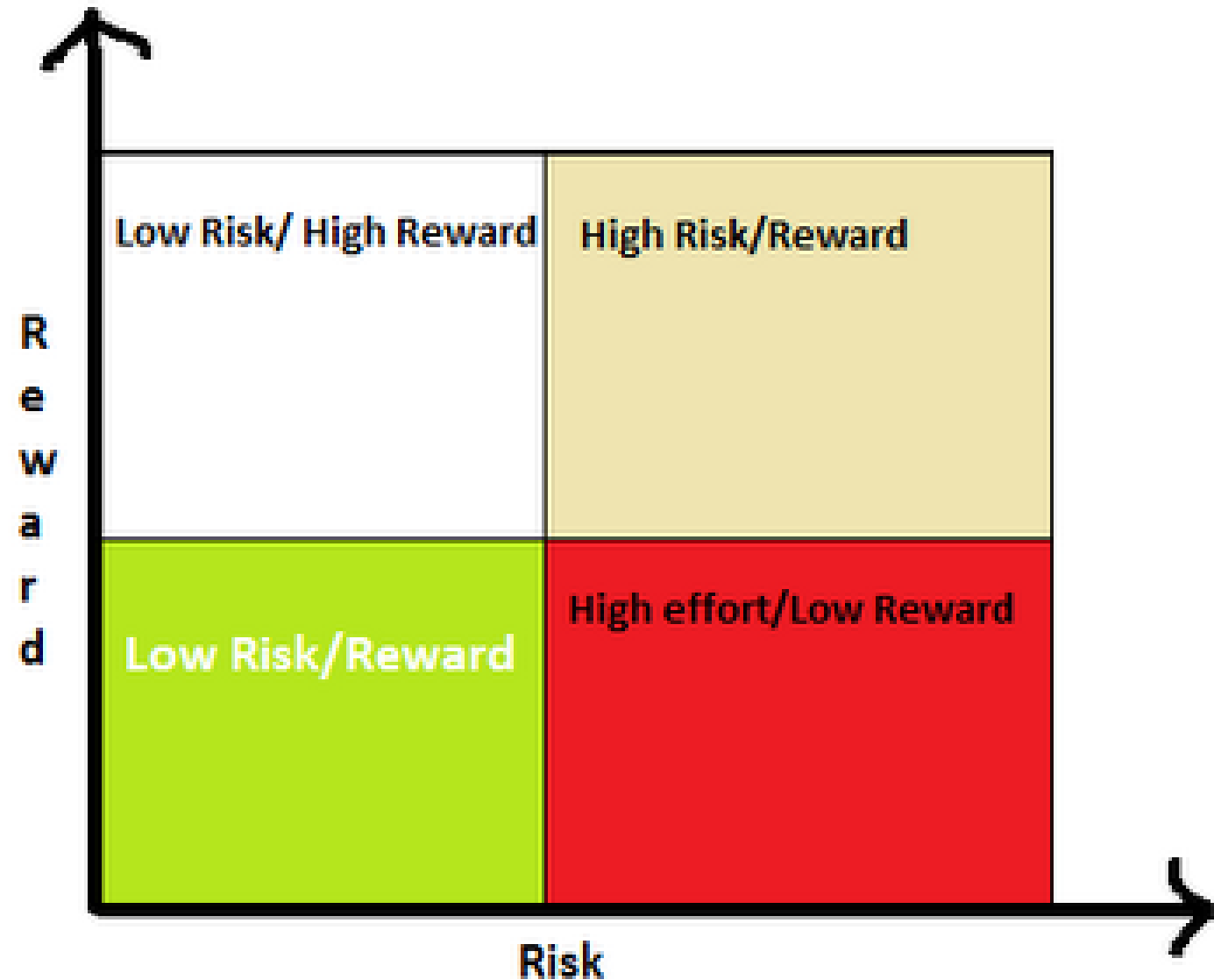
# Risk

- All change carries opportunity & risk
  - Time, money, energy, focus, staff capacity, credibility, etc
  - Opportunity costs & limited resources
  - New or unproven ideas carry higher risk
- No change is also a risk
- Going too soon vs waiting too long

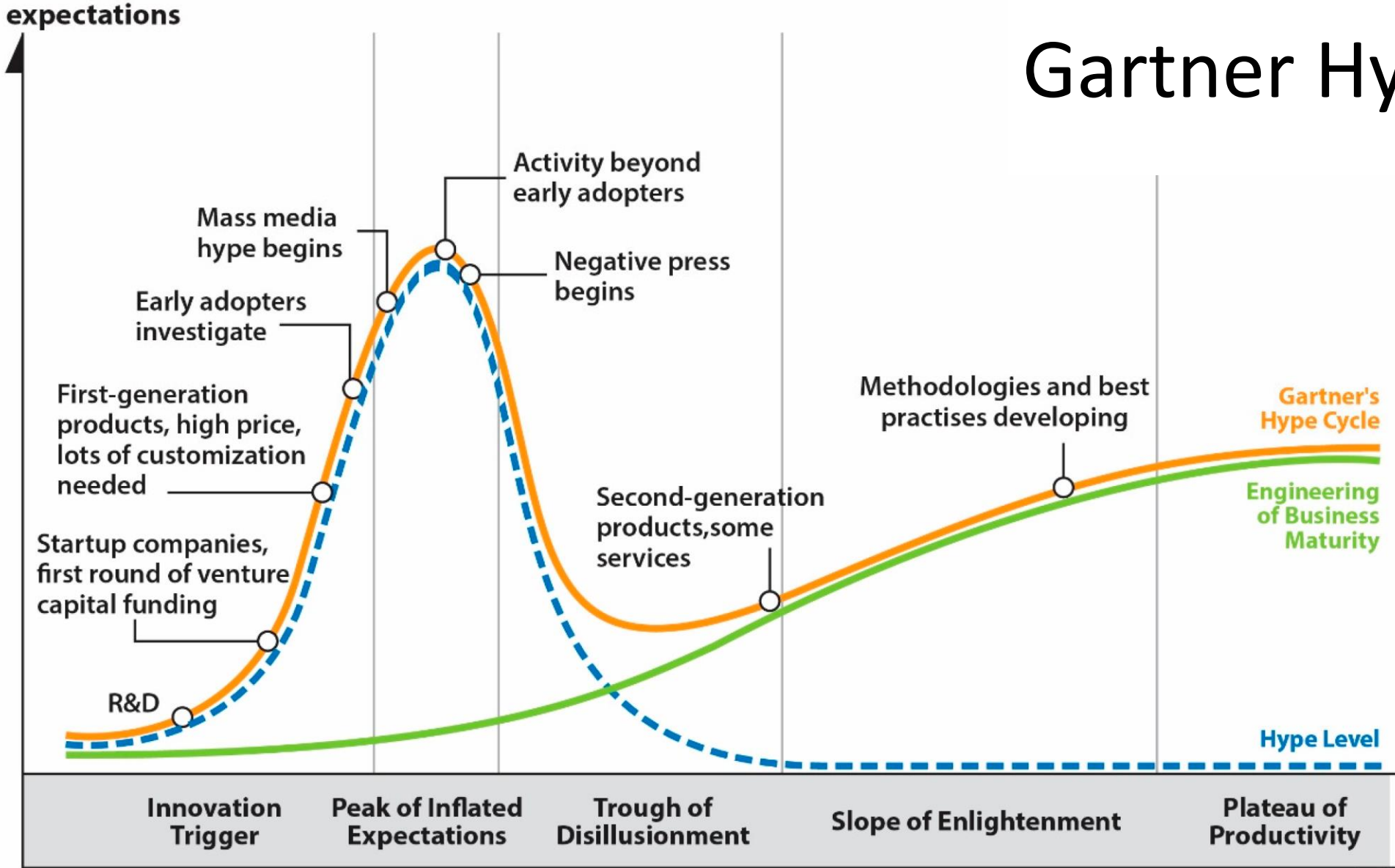


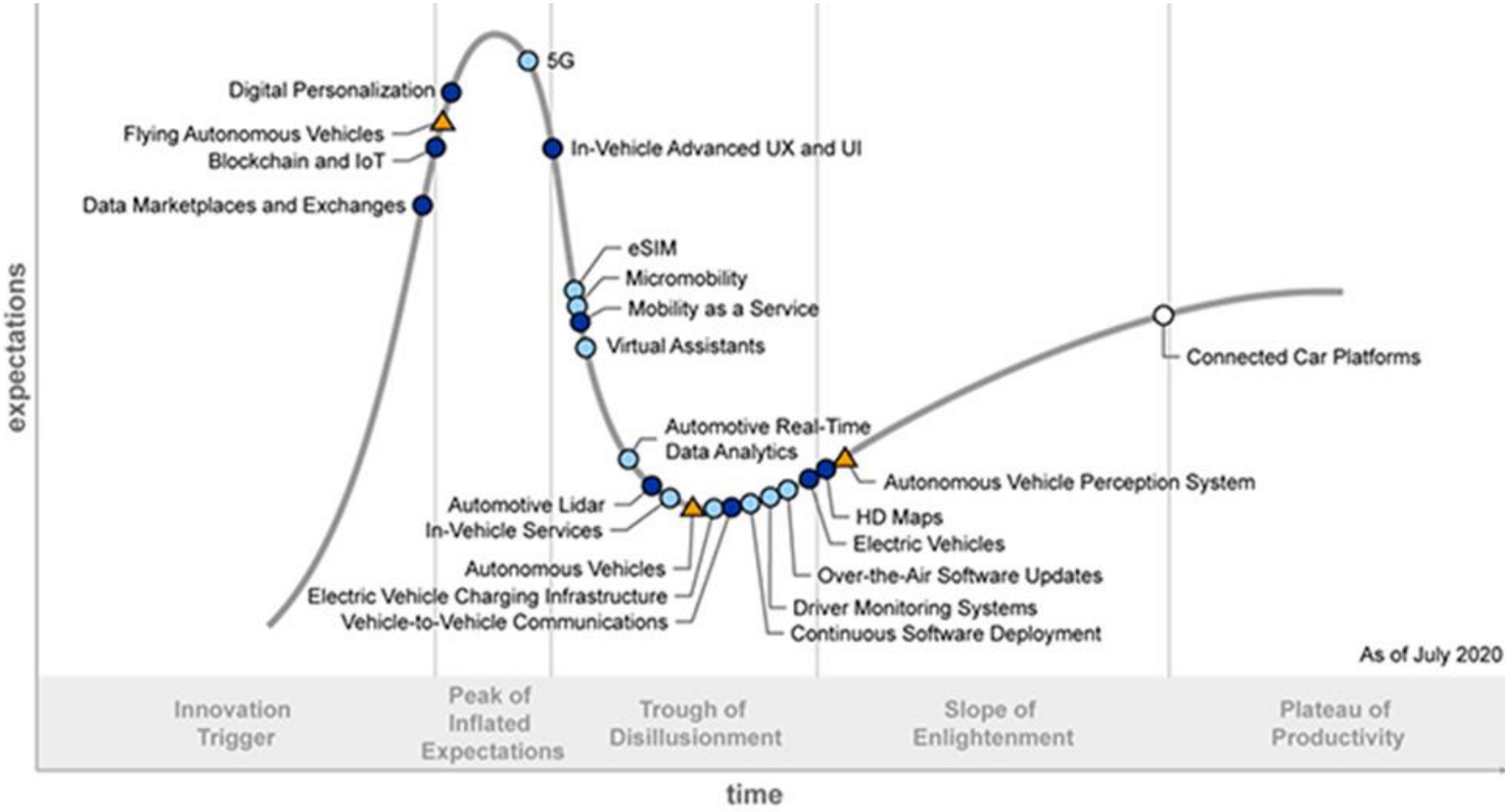
# Risk Tolerance

- Distribution of risks/benefits
- Risking *public* money is different
  - Personal risk tolerance
  - Fiduciary risk tolerance



# Gartner Hype Cycle





As of July 2020

Plateau will be reached:

- less than 2 years
- 2 to 5 years
- 5 to 10 years
- ▲ more than 10 years
- ⊗ obsolete before plateau

Source: Gartner

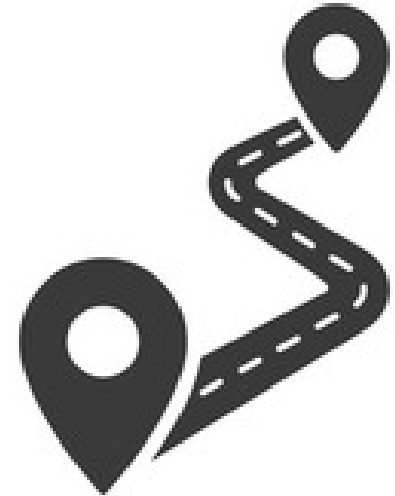
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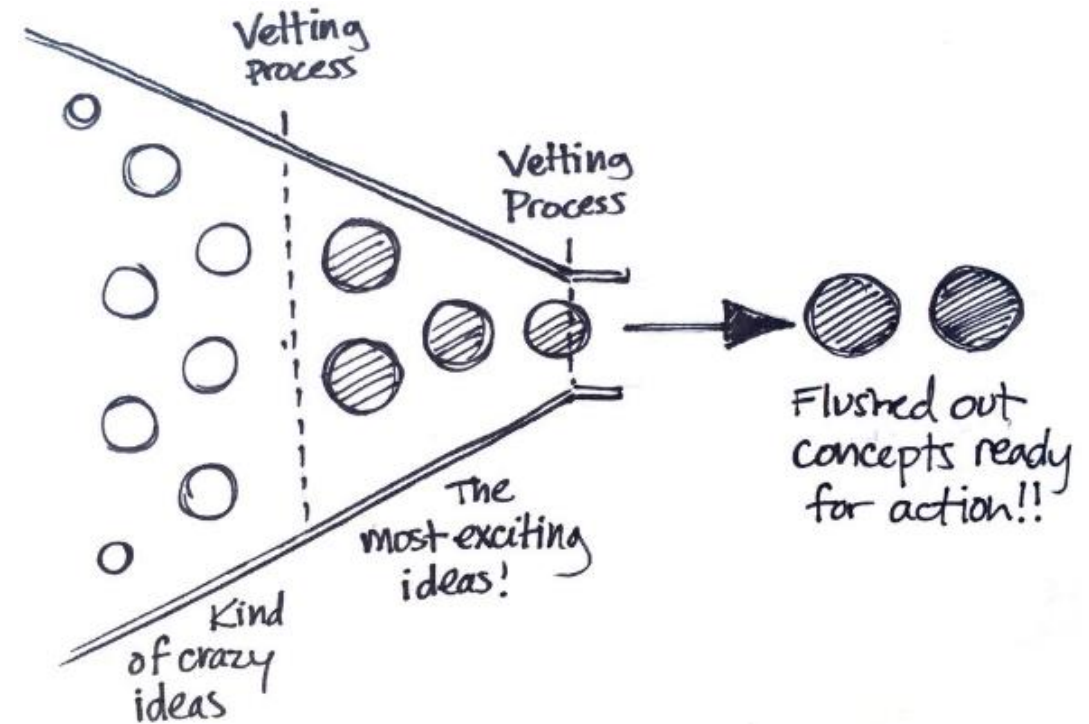
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# Purposeful Innovation

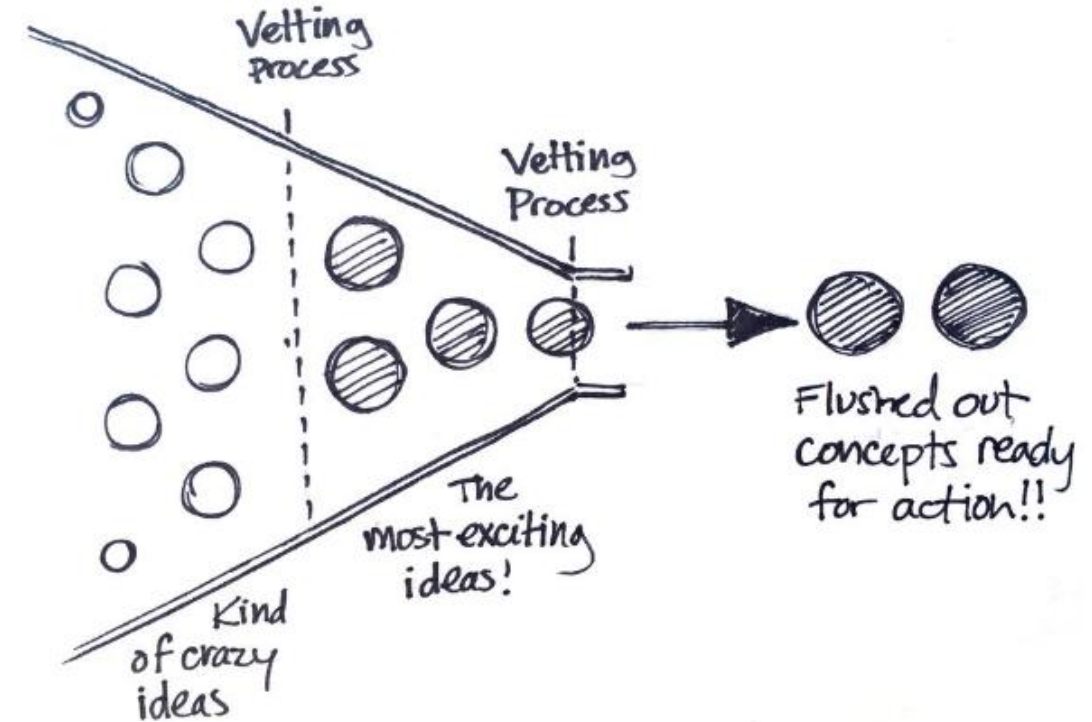
- *Channeling* new ideas to constructive results
- For goals and risk tolerances the *group* has set
- Vetting new ideas
- Being picky (i.e. setting priorities)



# Vetting Criteria

## Board Policies

- Goals and Priorities: *What* we do, for *Whom*, & at *What Cost* (Ends)
- Risk tolerance (Exec Limits)
- Group speaking with one voice

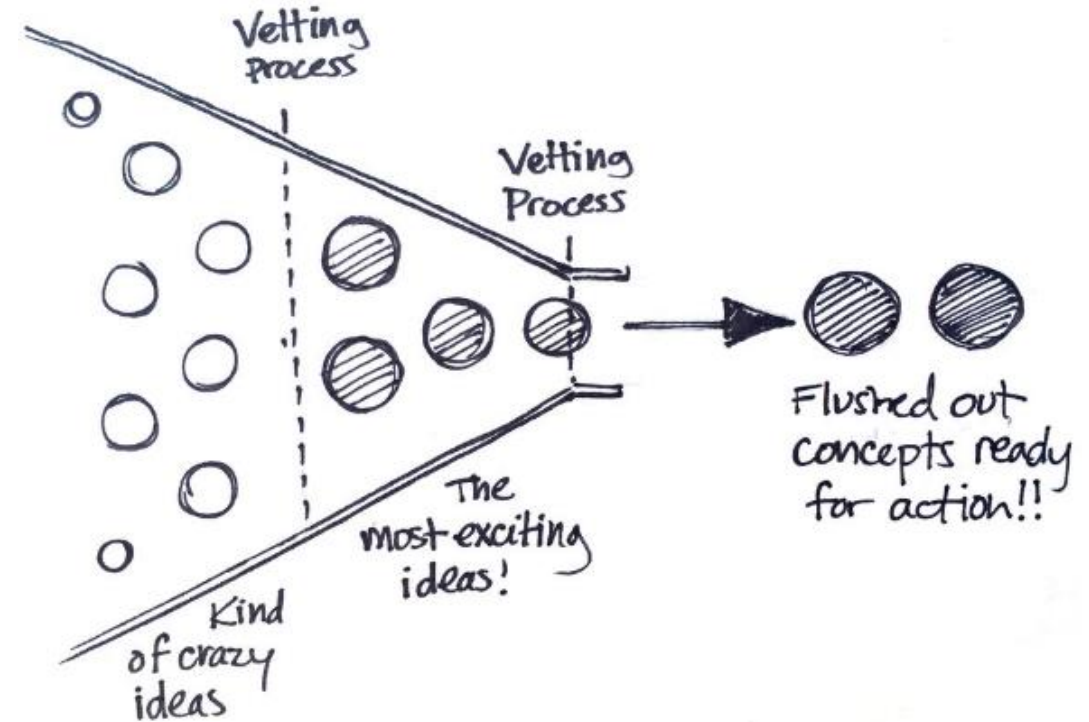




# Vetting Criteria

## Staff Questions

1. Benefits, Feasibility, Alts,
2. Risks
3. Readiness & Implementation
4. Limited Resources and Priorities





# Organizational Capacity

## **Feds Intervene in Boston's Transit Troubles**

The Federal Transit Administration issued a scathing review of the Massachusetts Bay Transportation Authority's performance last week, ordering major changes at the Boston area's transportation agency.

## **Massachusetts Receives Almost \$189 Million in Federal Grant Funding Toward Clean Energy for Public Transportation**

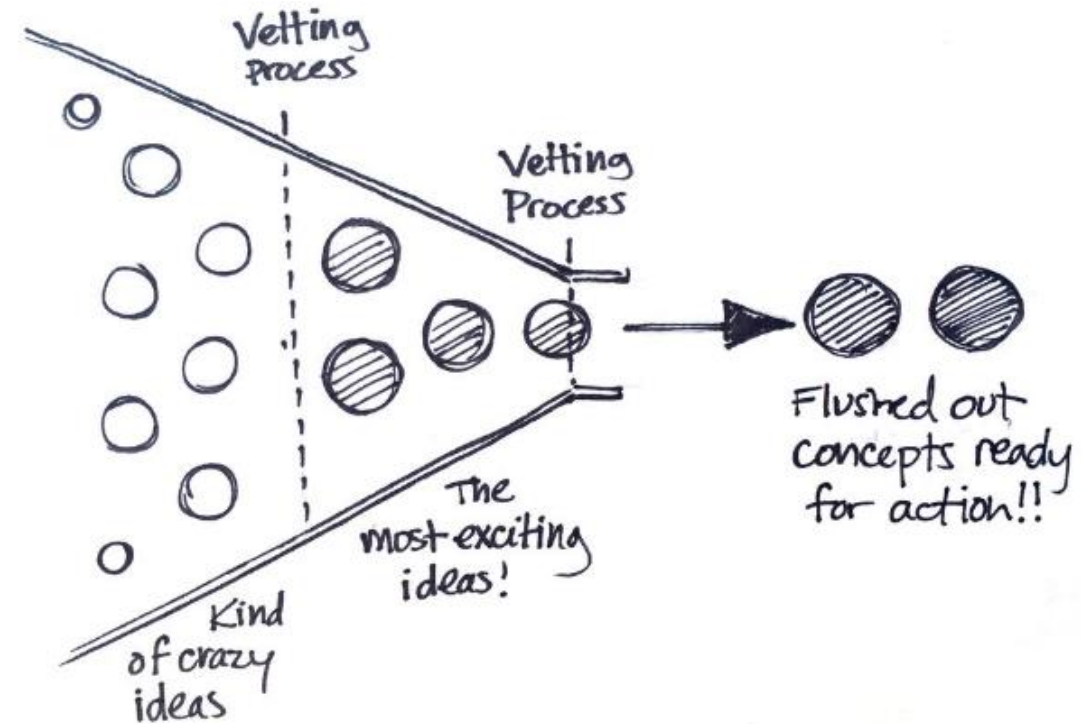
Federal Transit Administration announces grants for five entities, including the MBTA for bus fleets and facilities



# Roles: Setting & Vetting

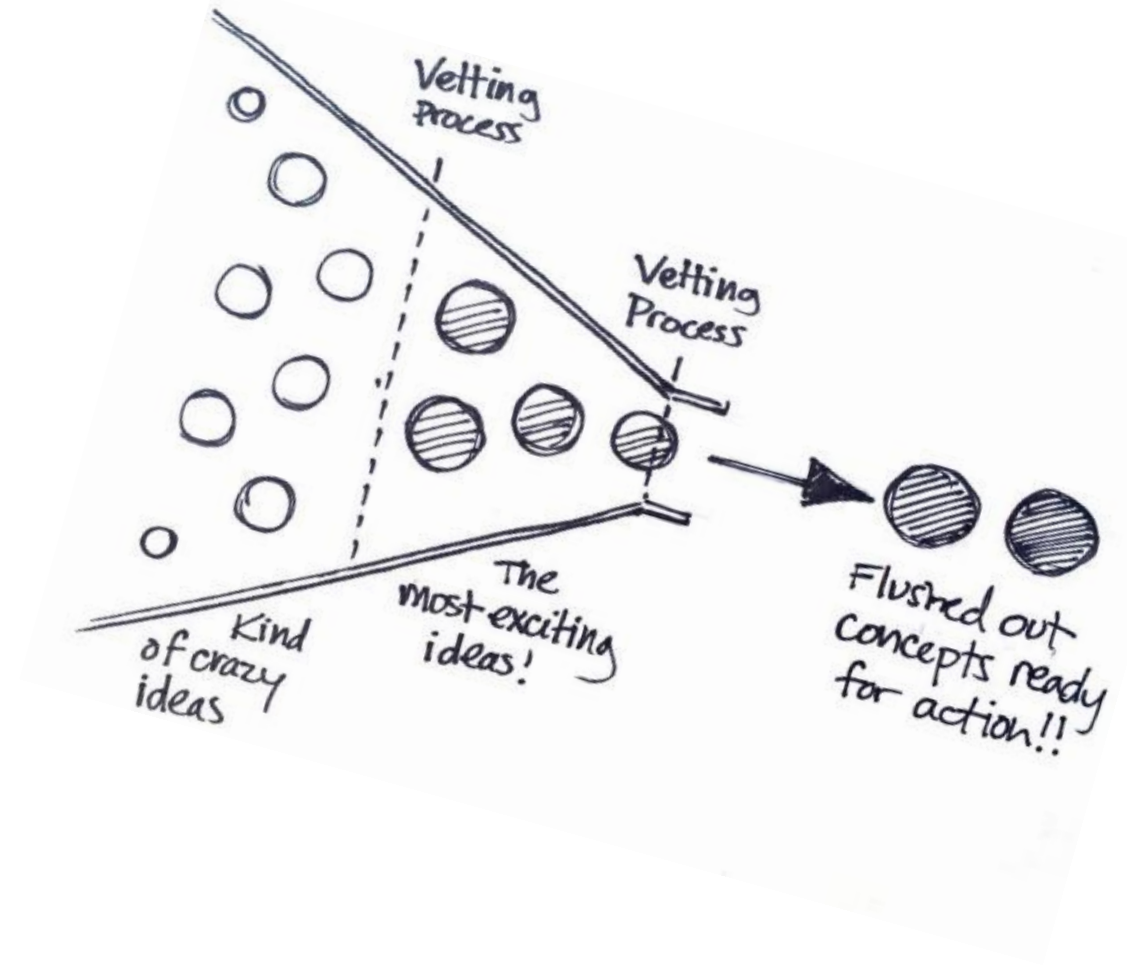
## Per Policy Governance

- Board sets policy for goals (Ends) and risk (Exec Limits)
- Delegates rest, including *vetting*
- CEO and staff *vet* options, decide, recommend



# Politics & Outside Priorities

- The Public wants access
- Advocates pitch new priorities
- Competing priorities?
- Tend to focus on *outputs*
- Listening, finding “Whys” = Owner values
- Remaining open minded



# Key Questions

- Comfortable with your policies?
  - **What** we do, for **Whom**, and at **What Cost**
  - Risks, limitations & process
- Where is your collective risk tolerance?
- Comfortable w/roles in setting and vetting?  
Internal & external?



# Purposeful Innovation: Putting Novelty to Work

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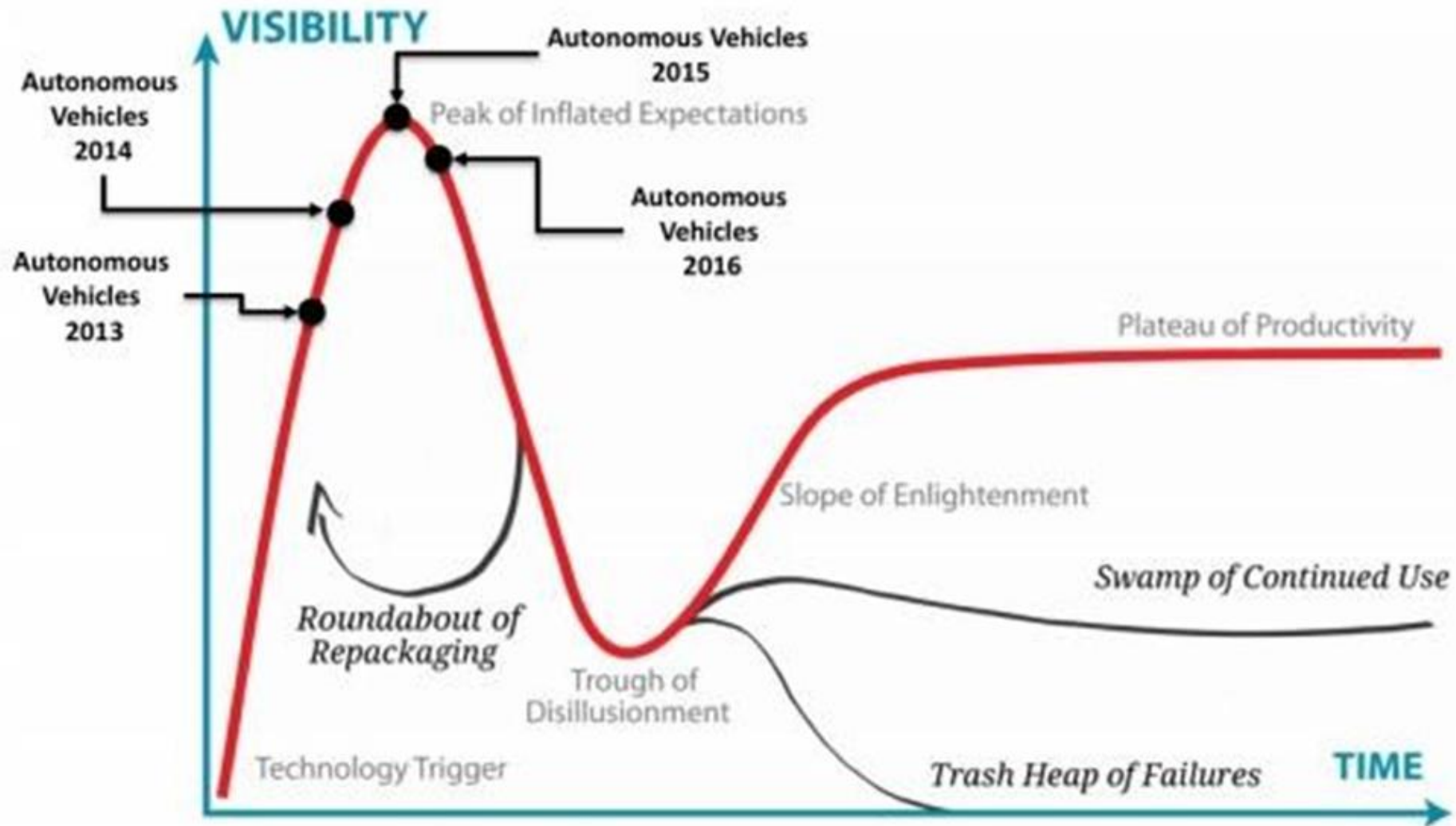
# Human Factors

## **Innovation can be Emotionally/Politically Charged**

- Pros/Cons can get lost in competing interests, personal ego, ideology
- Authentic enthusiasm, booster-ism, delusion, manipulative self-interest

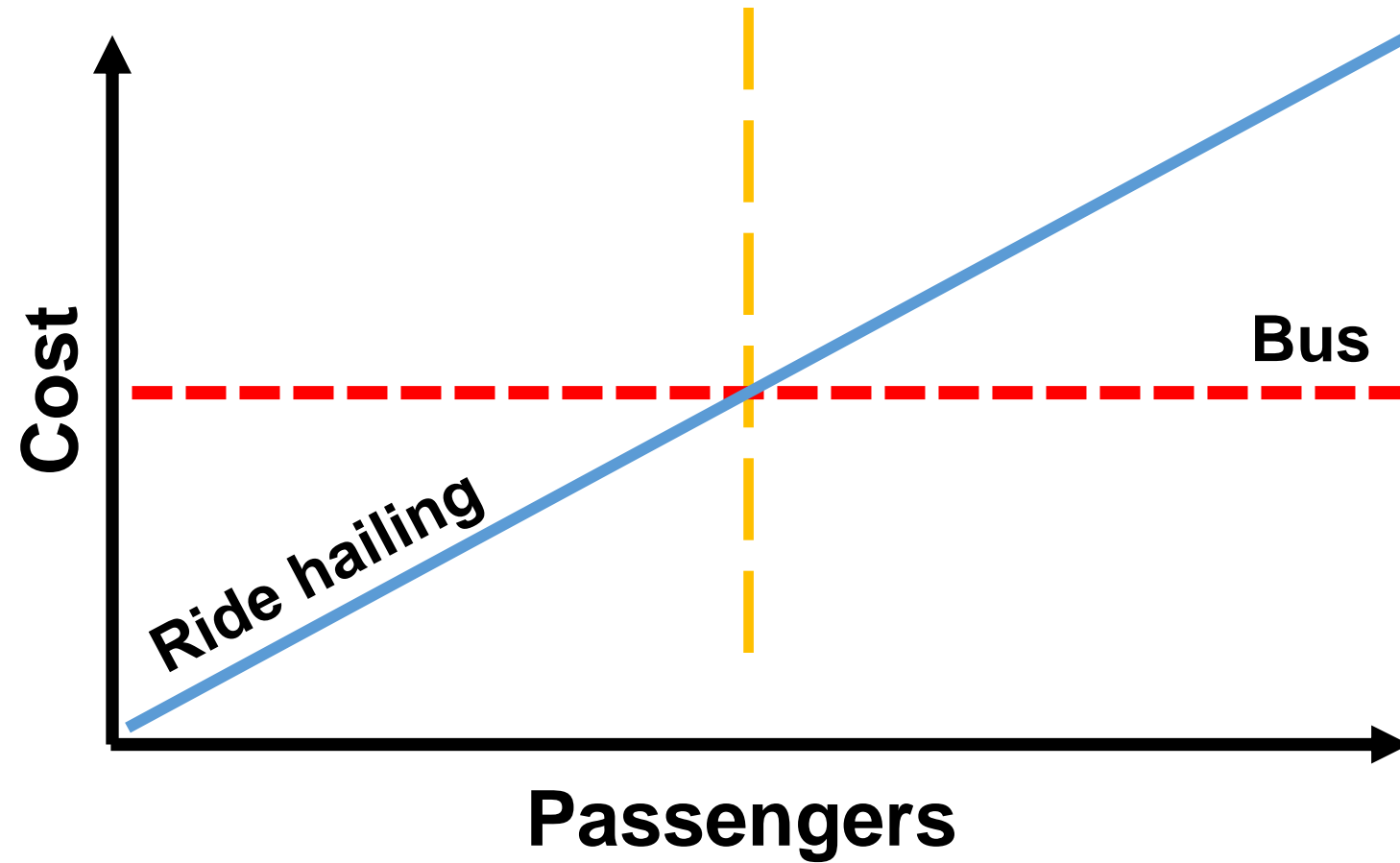
## **Emotions Magnified in Government**

- No profit measure
- Tendency to let popularity/politics lead practicality



Source: Author's edit based on Gartner (2016)

# Cost





- **Micro-Transit** – 2019, Ford shut down Chariot - \$65 million write off.
- **Ride Hailing** – 2022, Uber whistleblower reveal unethical practices, 90% subsidy.
- **Bike Share** – In rivers
- **Autonomous Cars** - Unknown



# Vetting = Learning

- Phases of understanding
  - Drowning in details
  - Finding patterns
  - Aligning with outcomes
  - Finding critical path, fulcrum issues
  - Communicating simply

