

## Board of Director’s Meeting Agenda

**Meeting Date/Time:** August 17, 2023 - 6:30 – 9:00pm

**Members:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Monica Ross-Williams, Susan Pollay, Kyra Sims

**Location:** Ann Arbor District Library (4<sup>th</sup> Floor)  
 Virtual attendance available via [Zoom](#)  
 Passcode: 983308

Agenda Item	Info Type	Details	Page #
<b>1. OPENING ITEMS</b>			
1.1 Approve Agenda	D	Mozak	
1.2 Public Comment	O		
1.3 General Announcements	O		
<b>2. CONSENT AGENDA</b>			
2.1 Board Meeting Minutes July 20, 2023	D		3
2.2 Committee Meeting Summaries	D		9
<b>3. SPECIAL ITEMS</b>			
<b>4. OWNERSHIP LINKAGE</b>			
4.1 Open Dialogue Task Force Updates	O	Chang	Verbal
<b>5. MONITORING</b>			
5.1 Monitoring Task Force Update	O	Allemang	Verbal
5.2 Q3 Financial Report	M	Reed	16
<b>6. POLICY</b>			
6.1 Sustainability Policy	D	Barr/Pollay	20
6.2 Asset Protection (2.7.2 and 2.7.2.1 Review)	D	Allemang	Verbal
<b>7. BOARD EDUCATION/DISCUSSION</b>			
<b>8. OPERATIONAL UPDATES</b>			
8.1 Business Plan Update / Discussion <span style="color: red;">Draft Business Plan pg 28</span>	O	Carpenter	22
8.2 Draft Budget Presentation <span style="color: red;">Draft Budget Book pg 69</span>	D	Reed	23
8.2.1 Public Hearing Regarding Budget <span style="color: red;">Budget PPT pg 129</span>	O	Mozak	
8.3 Title VI Update	D	Yang	Verbal
8.4 CEO Report	O	Carpenter	24
<b>9. EMERGENT ITEMS</b>			
<b>10. CLOSING ITEMS</b>			
10.1 Action Item Recap	O	Carpenter / Holt	
10.2 Topics for Next Meetings Financial Planning & Budgeting (2.4) Fare Policy (2.5.12) Budget Presentation Q3 Service Report		Thursday, September 21, 2023	
10.3 Public Comment	O		
10.4 Adjournment			

\* M = Monitoring, D = Decision Preparation, O = Other

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***If additional policy development is desired:***

Discuss in Board Agenda Item 3.0 Policy Monitoring and Development. It may be appropriate to assign a committee or task force to develop policy language options for board to consider at a later date.

**Emergent Topics**

Policy 3.1.3 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

1. What is the nature of the issue? Is the issue within the scope of the agency?
2. What is the value [principle] that drives the concern?
3. Whose issue is this? Is it the Board’s [Policy, 3.0 and 4.0] or the CEO’s [running the organization, 1.0 and 2.0]?
4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related? Does the Board wish to change what it has already said?

## Board of Director’s Meeting Minutes

**Meeting Date/Time:** July 20, 2023 - 6:30 – 9:00pm

**Members:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Elisabeth Gerber, Monica Ross-Williams, Susan Pollay

**Location:** Ann Arbor District Library (4<sup>th</sup> Floor)  
Virtual attendance available via Zoom

Chairwoman Mozak called the meeting to order at 6:30pm

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Approve Agenda</b></p> <p>Mr. Chang motioned to approve the agenda, seconded by Ms. Pollay.</p> <p>All in favor of approving the agenda:</p> <ul style="list-style-type: none"> <li>Mr. Mike Allemang: Yes</li> <li>Mr. Chris Allen: Yes</li> <li>Mr. Simi Barr: Yes</li> <li>Mr. Rich Chang: Yes</li> <li>Mr. Jesse Miller: Yes</li> <li>Ms. Susan Pollay: Yes</li> <li>Ms. Monica Ross-Williams: Yes</li> <li>Chairwoman Kathleen Mozak: Yes</li> </ul> <p>The approval of the agenda passed unanimously</p> <p>*Dr. Gerber attended virtually and did not participate in voting.</p> <p><b>1.2 Public Comment</b></p> <p>Robert Pawlowski commented on the budget process and state-level funding increases that have been made to increase public transit and wanted to see in the budget where those monies were being invested toward expanding and improving the Ypsilanti Transit Center.</p> <p>Kirk Westphal commented on the metrics used to measure local services against other communities in the Midwest. He suggested providing the community with project timelines for transparency purposes. He also discussed the disuse of HOV lanes around the community and encouraged the organization to collaborate with the city to revive and expand them.</p> <p>Jim Mogensen commented on the Title VI process that is underway and the challenge of meeting required regulations and the organization’s commitment to equity in the community. He also expressed concerns about the vagueness of policies related to Title VI within the Policy Governance framework</p> <p>Jesse Wal provided a brief comment.</p>

### **1.3 General Announcements**

No general announcements were made.

## **2. CONSENT AGENDA**

### **2.1 Board Meeting Minutes June 22, 2023**

### **2.2 Committee Meeting Summaries**

### **2.3 FY24 Board / Committee**

Mr. Chang motioned to approve the Consent Agenda, seconded by Mr. Barr.

All in favor of approving the Consent Agenda:

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Monica Ross-Williams: Yes  
Chairwoman Kathleen Mozak: Yes

The approval of the Consent Agenda passed unanimously.

## **3. SPECIAL ITEMS**

### **3.1 Title VI Presentation**

Mr. Yang proved the Board with an overview of Title VI program and the FTA requirements for reviewing and updating the program every 3 years. He then introduced Title VI consultants Dr. George Harris and Sherry Snyder – Dr. Harris provided a presentation of the Title VI program changes ([Board Packet pg. 20](#)).

Upon conclusion of the presentation, Dr. Harris fielded questions from Board members and clarified the difference between Title VI and EEO complaints, data determinations from the equity analysis, and how low-income is determined by the Department of Labor along with the metrics used by the agency.

Mr. Yang shared the dates of upcoming public engagement – Chairwoman Mozak requested dates/meeting information be forwarded to Board members if any wanted to participate by attending.

## **4. OWNERSHIP LINKAGE**

### **4.1 Ownership Linkage Task Force Updates**

Mr. Chang provided an update on the work of the Ownership Linkage Task Force – newly renamed Open Dialogue Task Force. The task force has a meeting scheduled with Mayor Taylor July 26th.

## **5. MONITORING**

### **5.1 Monitoring Task Force Update**

Mr. Allemang shared that while the Monitoring Task Force is planning to review Financial Planning and Budgeting (Policy 2.4) and CEO Succession (Policy 2.8), the group agreed that those in-depth policy reviews should wait until October after the budget is completed.



## 5.2 Financial Conditions & Activities (2.5.5.1) Review

Ms. Reed presented a revised table showing compliance for policy 2.5.5.1 as was requested by the Board at the June meeting. The changes made in the revised table clarified details of expenditures related to budget overruns on projects. She had presented this information at the Finance Committee meeting and Mr. Allemang shared that the committee had agreed that the revised evidence showed policy compliance.

Recent changes to policy monitoring resulted in a discussion about if the revised evidence needed to be voted upon or merely accepted. It was determined that a vote should take place.

Mr. Miller motioned to accept Policy 2.5.5.1 as (A) compliant, seconded by Mr. Allemang.

All in favor of accepting Policy 2.5.5.1 as (A):

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Monica Ross-Williams: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to accept Policy 2.5.5.1 as (A), was passed unanimously.

## 5.3 Treatment of Staff (2.2)

Mr. Carpenter provided an overview of the monitoring report for Treatment of Staff (Policy 2.2). He shared highlights of discussion from the Service Committee meeting as there had been questions related to attrition rates and if yearly measurement of those rates might not be a good measurement of compliance. The committee also discussed lower staff survey participation and Mr. Carpenter noted that management is committed to continuing employee engagement efforts. Board members provided good feedback on the monitoring report survey and there were also questions/discussion of how internal evidence for reports is gathered.

Mr. Miller motioned to accept the monitoring report as (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with item(s) 2.2.1, which the Board acknowledges and accepts the proposed dates for compliance within the next monitoring period, seconded by Mr. Allen.

All in favor of accepting the Treatment of Staff (Policy 2.2) monitoring report as (B):

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
~~Mr. Rich Chang~~  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Monica Ross-Williams: Yes  
Chairwoman Kathleen Mozak: Yes

*\*Mr. Chang briefly stepped out of the meeting prior to the vote and did not participate in voting.*

The motion to accept the Treatment of Staff (Policy 2.2) monitoring report as (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with item(s) 2.2.1, which the Board acknowledges and accepts the proposed dates for compliance within the next monitoring period, passed unanimously.

## **6. POLICY**

### **6.1 Treatment of the Traveling Public (2.1) Revisions**

Mr. Miller introduced the proposed revisions to Treatment of the Traveling Public (Policy 2.1) that were a part of the work of the Service Committee's review of the overall policy.

Board members discussed the proposed wording changes and revisions with the use of the word "bus stops" a point of focus as the interpretation of that term has been with the inclusion of shelters and bus stops (structures/amenities associated with bus stops). After a robust discussion of whether shelter should be included, Ms. Ross-Williams preferred the record to note she wanted to include "shelter" into the policy language but understood other members might accept the changes without that inclusion.

Mr. Miller motioned to accept the proposed revisions to Treatment of the Traveling Public (Policy 2.1), seconded by Mr. Allen.

All in favor of accepting the proposed revisions to Treatment of the Traveling Public (Policy 2.1):

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Monica Ross-Williams: No  
Chairwoman Kathleen Mozak: Yes

The motion to accept the proposed revisions to Treatment of the Traveling Public (Policy 2.1) passed by a vote of Yes – 7 and No – 1.

The accepted revisions will be made to the Board Policy Manual.

### **6.2 Board Development: Sustainability Policy**

Mr. Barr introduced the board to several suggestions for modifying current policy wording to better identify sustainability within policy language. Mr. Barr, Ms. Pollay and Dr. Gerber have been working on the suggestions as part of the Sustainability Policy Task Force that has been meeting for several months. Policy Governance consultant, Rose Mercier joined the conversation and provided input and suggestions of a potential executive limitation that would address sustainability as opposed to the currently proposed language. Board members engaged in a discussion surrounding the importance of identifying sustainability as a Board value. Sustainability Task Fore members determined they needed to meet with Ms. Mercier again and finalize language for a sustainability policy to bring back to the board for consideration and vote.

## **7. BOARD EDUCATION/DISCUSSION**

### **7.1 Budget Education**

Mr. Carpenter presented the Board with a brief overview of the budget history ([Board Packet, pg. 93](#)). He outlined the traditional budget model used by most organizations and the transition into a hybrid model now used by TheRide which incorporates Policy Governance.

He introduced Ms. Mercier who shared a presentation of the Governance of Management ([Board Packet, pg. 105](#)) which was an overview of how the goal of a budget to be a management tool for staff to harness resources which will result in achieving the Ends defined by the Board.

Board members emphasized a desire to see more initiatives in the budget related to ridership growth and discussed using the Corporate Business Plan and Budget as a means of communicating organizational initiatives to the public. Board members discussed cross-referencing which budget initiatives support specific Ends and Mr. Carpenter noted that suggestion being considered. Mr. Carpenter and Chairwoman Mozak also encouraged Board members to review the Corporate Business Plan as they also review the upcoming draft Budget and communicate any questions/comments directly to Mr. Carpenter.

## **8. OPERATIONAL UPDATES**

### **8.1 Budget Update**

Ms. Reed presented to the Board a draft budget preview which had initially been shared with the Finance Committee at their July meeting. The high-level process for the budget plan is to maintain current services, implement the Long-Rance Plan and process improvements. She shared that at this phase of the budget process, initiatives directly related to the Corporate Business Plan are being considered. In her presentation she shared broad assumptions related to fleet vehicle replacements, staffing increases and the impact of inflation and funding sources. She shared that at this time the draft budget preview shows an operating budget as balanced.

She fielded several questions from Board members related to when the millage funds will be received and incorporated into the budget and encouraged members to contact her directly with their questions and she would answer them prior to the meeting in August.

### **8.2 CEO Report**

Mr. Carpenter referenced his report and shared a brief note of a recent positive discussion with MDOT regarding the 23 / Washtenaw Bridge plans which impact BRT service in that area.

## **9. EMERGENT ITEMS**

No emergent items noted.

## **10. CLOSING ITEMS**

### **10.1 Action Item Recap**

Upcoming Title VI public engagement information will be shared with the Board, ODTF will be meeting with Mayor Taylor, the Board Policy Manual will be updated with approved changes, Sustainability Task Force will be scheduling a meeting with Ms. Mercier and include more specific examples of ridership growth in the Business Plan.

### **10.2 Topics for Next Meetings**

Budget Preview

Asset Protection (2.7.2 and 2.7.2.1 ) Review

### **10.3 Public Comment**

Robert Pawlowski requested board members participate in the Systems Advisory Committee for the RTA as local advisory council updates would be beneficial – if anyone is interested they can contact him. He also encouraged the organization to have a more visible media presence to make the public more aware of the many initiatives taking place.

Jim Mogensen shared his history of participating in Board meetings and monitoring decisions made in relation to the budget. Hybrid buses had been a focal point, but interest waned and now efforts are being made with propulsion technologies. Increased millages and local political engagement in sustainability mean budget initiatives and decisions are being more carefully watched.

### **10.4 Adjournment**

Mr. Barr motioned to adjourn the meeting, seconded by Ms. Pollay.

All in favor of adjourning the meeting:

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Monica Ross-Williams: Yes  
Chairwoman Kathleen Mozak: Yes

Chairwoman Mozak adjourned the meeting at 10:09 pm.

Respectfully Submitted by Deborah Holt

## Governance Committee Meeting Notes

**Meeting Date/Time:** July 27, 2023 – 9:00-11:00am

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

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Kevin Zelazny

**Location:** In-person at DGOC and REMOTE – Via Zoom

Chairwoman Mozak called the meeting to order at 9:40am.

Agenda Item
<b>1. OPENING ITEMS</b>
<p><b>1.1 Agenda (Additions, Approval)</b></p> <p>Chairwoman Mozak called the meeting to order and the agenda was approved. No other additions were noted.</p> <p><b>1.2 Communications</b></p> <p>There were no communications to report</p>
<b>2. BOARD DEVELOPMENT</b>
<p><b>2.1 Board Meeting Debrief</b></p> <p>Chairwoman Mozak and Governance Committee recapped the recent board meeting.</p> <p><b>2.2 Task Force Coordination (Monitoring, ODTF, Procurement)</b></p> <p>Ms. Mozak reported ODTF will be scheduling a meeting before our next meeting and that the legal Procurement Task Force is scheduled to meet next month. The Monitoring Task Force did not meet in July but will resume in August. The Governance Procurement Task Force is in need of one more member.</p> <p><b>2.3 Committee Agendas</b></p> <p>Mr. Miller, Service Committee Chair, requested that the draft business plan include grow ridership language, Mr. Miller would like sustainability to be added to the Service Committee agenda.</p> <p><b>2.4 Cost of Governance / Board’s Budget</b></p> <p>Ms. Reed provided the committee with details for Governance expenses that include present and future costs.-The committee continued their discussion-of potentially increasing costs for continuing and enhancing board educational opportunities. The committee agreed to propose to the Board a budget increase to the amount of \$50,000 in order to accommodate an anticipated increase in Board member participation in educational opportunities.</p>

## **2.5 Board Meeting Locations**

Mr. Carpenter provided an update regarding the complexities of finding a new location, i.e., technology, accessibility, etc., Mr. Miller recommended several locations for Mr. Carpenter to investigate.

## **3. POLICY MONITORING & DEVELOPMENT**

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

#### **4.1 Budget Update**

Ms. Reed shared that the timeline for the budget process is on track. The Finance Department is working with staff on budget details which will be developed into a preliminary draft budget to meet the board's needs.

#### **4.2 Title VI Update**

Mr. Yang shared a Title VI update to the committee and shared that the public equity analysis policy presentations have been taking place and informed them that a presentation will be made to the Board in September. After Board approval, the final report will be submitted to the FTA in November.

#### **4.3 PTASP Update**

Mr. Carpenter provided an update regarding new proposed legislation related to PTASP – the agency submitted comments to the FTA. The FTA will be providing a final ruling in the coming months?

## **5. CLOSING ITEMS**

### **5.1 Action Item Recap**

Sustainability committee will be meeting soon to get the sustainability policy back on track, continue board education opportunities through boot camps and the policy governance with R. Mercier, changed the verbiage of the budget presentation to draft, alternate board meeting location work continues, budget update is coming in August, Title VI continues to move forward.

### **5.2 Topics for Next Meeting**

Budget Draft  
Cost of Governance/Board Budget

### **5.3 Adjournment**

Chairwoman Mozak thanked the committee and staff and adjourned the meeting at 11:18am.

Respectfully Submitted by Kevin Zelazny

## Service Committee Meeting Notes

**Meeting Date/Time:** August 1, 2023, 9:00-11:00am

**Members:** Jesse Miller (Chair), Simi Barr, Rich Chang, Susan Pollay

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

**Location:** [REMOTE – Via Zoom](#)

Mr. Miller called the meeting to order at 9:03 am

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Agenda (Additions, Approval)</b></p> <p>No new additions or changes to the agenda noted.</p> <p><b>1.2 Communications</b></p> <p>Mr. Barr provided a brief update to the committee regarding the sustainability policy language.</p>
<p><b>2. POLICY MONITORING &amp; DEVELOPMENT</b></p> <p>No policy monitoring or development discussion.</p>
<p><b>3. STRATEGY &amp; OPERATIONAL UPDATES: CEO</b></p> <p><b>3.1 Business Plan and Budget Update</b></p> <p>Mr. Carpenter shared with the committee several small updates that had been made to the business plan after the topic of increasing ridership had been discussed at the July Board meeting. He discussed the Boards goals of increasing and attracting new ridership within the Business Plan which are further outlined as specific projects within the Long-Range Plan. Both are used as a tool for building the annual budget.</p> <p>Committee members shared feedback on increasing ridership post-pandemic and discussed ways that other communities are addressing and using innovative ideas. They also discussed the process for input/priorities from individuals board members or the entire Board are considered for inclusion within the Business Plan.</p> <p><b>3.2 Budget Update</b></p> <p>Ms. Reed provided an overview of the budget process – currently initiatives are being reviewed for both operating and capital. A draft budget will be sent to the Finance Committee by the end of the week and a draft budget book will be shared with the Board in advance of the August Board meeting. The budget continues to remain on track with the budget process timeline.</p> <p>Ms. Pollay noted that at the July Board meeting Ms. Reed encouraged board members to forward any budget questions and inquired as to when those might be addressed/answered. Ms. Reed confirmed she is still receiving questions and plans to send responses prior to the August Board meeting.</p>



### **3.3 Title VI Update**

Mr. Yang shared that the Title VI program process was in the public engagement phase – two virtual meetings and 2 in-person meetings have been held recently. He emphasized that the public engagement sessions have provided educational opportunities. He also shared that members of the public have provided a great deal of positive feedback regarding customer service and thanked staff for their hard work. The next step will be summarizing public feedback to be shared with the Board at the September Board meeting.

## **4. CLOSING ITEMS**

### **4.1 Action Item Recap**

Business Plan feedback/comments can be sent to Mr. Carpenter, budget questions are still being sent to Ms. Reed and will be responded to prior to the Board meeting.

### **4.2 Topics for Next Meeting**

Budget Preview  
Q3 Service Report

### **4.3 Adjournment**

Mr. Miller thanked the committee and staff and adjourned the meeting at 10:24 am.

Respectfully Submitted by Deborah Holt



## Finance Committee Meeting Notes

**Meeting Date/Time:** August 8, 2023, 3:00pm – 5:00pm  
 August 11, 2023, 9:00am – 11:00am (Rescheduled)

**Members:** Mike Allemang (Chair/Treasurer), Kyra Sims, Chris Allen,

**Staff:** Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Rosa-Maria Njuki, Vivi Nguyen, Deb Holt

**Location:** REMOTE – Via Zoom

Mr. Allemang called the meeting to order at 9:03am

Agenda Item
<b>1. OPENING ITEMS</b>
<p><b>1.1 Agenda (Additions, Approval)</b></p> <p style="padding-left: 20px;">No new additions or changes to the agenda noted.</p> <p><b>1.2 Communications</b></p> <p style="padding-left: 20px;">No new communications.</p>
<b>2. POLICY MONITORING &amp; DEVELOPMENT</b>
<p><b>2.1 Q3 Financial Report</b></p> <p>Ms. Reed provided the committee with the Q3 Financial Report with a final summary that at the end of the 3<sup>rd</sup> quarter, the budget is on track. She noted an upcoming variance may be that 5307 monies are used in the 4<sup>th</sup> quarter as pandemic relief funds are being drawn down. She stated that there is \$8.6M remaining in federal pandemic relief funds. Expenses are on target and still under budget. No large changes have been made in investments - as bonds reach maturity they are being rolled into new investments with higher interest rates. She also shared that the organization is utilizing the CDARS program through their bank which provides a benefit of more liquidity and a higher interest rate.</p> <p>Mr. Allemang and Ms. Reed briefly discussed the impact of fares and contract revenues.</p> <p>Ms. Reed also noted an adjustment within the report that came from an error identified in Q2 reporting – cash from operations wasn't separated from cash from capital. The correction was made and is reflected. Reserves remain strong.</p>

### **3. STRATEGY AND OPERATIONAL UPDATES**

#### **3.1 Business Plan and Budget Update**

Mr. Carpenter shared recent updates to the annual business plan after the topic of increasing ridership had been discussed at the July Board meeting. As a refresher he shared an overview of the annual business plan and specific ideas and tactics for increasing and attracting ridership. He highlighted that increasing/attracting ridership, excellence in service delivery and continuous improvement are the 3 main organizational goals. Specific projects are created from those business plan goals and are within the Long-Range Plan. Both are used as a tool to strategically align with building the annual budget.

Committee members discussed how sustainability measures within the budget align with goals of continuous improvement. They also provided positive feedback on a refresher on the business plan and were encouraged to forward any additional comments to Mr. Carpenter.

#### **3.2 Budget Update**

Ms. Reed provided an overview of the budget process with a draft version of the budget being presented to the committee and will be presented to the Board at the August meeting. There are initiatives still in progress which will be included in the final budget presentation. Ms. Reed noted there may be some minor changes between the August draft and final September versions of the budget, yet nothing significant.

After an overview of the operating portion of the draft budget Ms. Reed shared that the notable increase in salary/wages is a result of an increase in services that required phasing in additional staffing ahead of millage funds being received.

In the capital portion of the draft budget, the most significant change is related to the state of good repair which relates to the increase in bus repairs/replacements and building repair project costs. Committee members discussed uncertainties related to inflation impacts, expiring service contracts and other variables. Significant budget risks that have been considered are related to federal funding and bus procurement contracts.

Mr. Carpenter provided additional input on the importance of the capital reserve which drives major projects related to the Long-Range Plan.

#### **3.3 Title VI Update**

Mr. Yang shared that the Title VI program process was in the public engagement phase – two virtual meetings and 2 in-person meetings have been held recently. Public feedback has provided an opportunity to educate people on services and answer questions. He shared that the meetings also provided a great deal of positive feedback regarding customer service and thanked staff for their hard work. He will be summarizing public feedback and sharing with the Board at the September Board meeting. Title VI program updates and policy changes will be brought to the board for approval in September or October.

### **4 CLOSING ITEMS**

#### **4.1 Action Item Recap**

There will be updates to the draft budget presentation along with the draft budget book which will be included in the board packet for the August meeting.

#### **4.2 Topics for Next Meeting**

Budget Preview  
Financial Planning & Budgeting (2.4)  
Fare Policy (2.5.12)

### **4.3 Adjournment**

Mr. Allemang thanked the committee and staff and adjourned the meeting at 10:56am.

Respectfully Submitted by Deborah Holt

DRAFT

## FY2023 Q3 Financial Statement

**Finance Committee Review Date: August 8, 2023**

**Board Meeting Review Date: August 17, 2023**

<b>INFORMATION TYPE:</b>
Receive as CEO operational update
<b>RECOMMENDED ACTION(S):</b>
Receive as CEO operational update
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
<ul style="list-style-type: none"> <li>2.10.1.5 CEO shall not...Let the Board be unaware of... incidental information (including) quarterly budget to actual financial reports.</li> <li>Appendix A: Informational Reports schedule specifies quarterly Financial Statement reports in November, February, May, and August.</li> <li>Policy 2.6 Investments and Appendix F Investment Policy.</li> </ul>
<b>ISSUE SUMMARY:</b>
Staff presents the Third Quarter Financial Statement with currently available and reportable financial information for the period ending June 30, 2023.
<b>BACKGROUND:</b>
<p>Financial highlights from the third quarter year-to-date (October 2022 to June 2023) include:</p> <ul style="list-style-type: none"> <li>TheRide operated within the budget for the third quarter of the year.</li> <li>There was a \$8.3 million surplus of revenues over expenses. The surplus at the end of the fiscal year will be placed in the capital reserve.</li> <li>Expenses were \$1.2 million lower than budgeted primarily due to unfilled staff positions and demand for services that are lower than budgeted.</li> <li>Revenues were \$1.6 million lower than budgeted. This is primarily a result of lower state and federal operating assistance received because of lower actual expenses than budgeted.</li> <li>The projected balances for the three board-approved reserves are as follows: operating reserve at \$12.9 million or 2.7 months, based on year-to-date expenses, capital reserve of \$32.4 million, and insurance reserve at \$0.5 million.</li> <li>\$50.1 million in Federal pandemic relief revenue (CARES, ARP, CRRSAA) has been used to date to support operations.</li> <li>Cash flow was adequate to cover expenses; Q3 2023 ended at \$42 million in cash and investments.</li> </ul>

<b>IMPACTS OF RECOMMENDED ACTION(S):</b>
<ul style="list-style-type: none"><li>• Budgetary/Fiscal: Demonstrates financial performance for the reporting period</li><li>• Governance: Supports Board in financial oversight/fiduciary responsibility</li></ul>
<b>ATTACHMENTS:</b>
FY2023 Q3 Financial Statement (Income Statement and Balance Sheet)

## Income Statement

For the Period Ended June 30, 2023

### Revenue and Expense (Budget to Actual)

In Thousands of Dollars (which means add a comma and three zeros).

BLACK = FAVORABLE  
RED = UNFAVORABLE

REVENUES	Actual Quarter 1	Actual Quarter 2	Actual Quarter 3	Actual Quarter 4	Actual YTD	Budgeted YTD	Budget Variance	
							\$	%
Fares and Contracts	\$ 1,208	\$ 1,700	\$ 1,761		\$ 4,669	\$ 4,494	\$ 175	3.9%
Local Property Taxes	4,768	5,535	5,190		15,493	14,303	1,191	8.3%
State Operating Assist.	4,301	3,700	4,143		12,144	13,083	(939)	-7.2%
Federal Operating Assist.	989	701	893		2,583	5,401	(2,818)	-52.2%
Federal Pandemic Relief	4,000	4,634	4,607		13,241	12,959	283	2.2%
Other Revenues	38	614	294		946	393	553	140.7%
<b>Total Operating Revenues</b>	<b>\$ 15,304</b>	<b>\$ 16,884</b>	<b>\$ 16,888</b>	<b>\$ -</b>	<b>\$ 49,076</b>	<b>\$ 50,632</b>	<b>\$ (1,556)</b>	<b>-3.1%</b>
<b>EXPENSES</b>								
Salaries, Wages, Benefits	\$ 6,461	\$ 7,716	7,706		\$ 21,883	\$ 22,778	\$ 895	3.9%
Purchased Transportation	2,459	3,263	3,074		8,796	9,245	449	4.9%
Fuel, Material, Supplies	1,531	1,628	1,228		4,387	4,681	295	6.3%
Purchased Services	538	1,179	1,369		3,086	2,628	(458)	-17.4%
Other Expenses	398	1,376	884		2,658	2,654	(5)	-0.2%
<b>Total Operating Expenses</b>	<b>\$ 11,387</b>	<b>\$ 15,162</b>	<b>\$ 14,261</b>	<b>\$ -</b>	<b>\$ 40,810</b>	<b>\$ 41,987</b>	<b>\$ 1,177</b>	<b>2.8%</b>
<b>Surplus (Deficit)</b>	<b>\$ 3,917</b>	<b>\$ 1,722</b>	<b>\$ 2,627</b>	<b>\$ -</b>	<b>\$ 8,266</b>	<b>\$ 8,645</b>	<b>\$ (379)</b>	<b>-4.4%</b>
<b>Capital Reserve Transfer</b>	<b>\$ (3,917)</b>	<b>\$ (1,722)</b>	<b>\$ (2,627)</b>	<b>\$ -</b>	<b>\$ (8,266)</b>	<b>\$ (8,645)</b>	<b>\$ 379</b>	<b>-4.4%</b>
<b>Operating Reserve Transfer</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>OPERATING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

TheRide had a \$8,266,000 surplus at the end of the third quarter.

Revenues were lower than budgeted by \$1,555,750 primarily due to timing of state and federal operating assistance.

Expenses were \$1,177,250 lower than budgeted primarily due to unfilled staff positions, demand for services that are lower than budgeted, as well as timing of expenses and operational needs.

**Federal Pandemic Relief Utilization**  
Expenditures from \$58.7 million in Federal Pandemic Relief funding as of June 30, 2023, for eligible COVID-19-related costs:

Operating Expenditures	\$ 50,145,090
Capital Expenditures	\$ -
<b>TOTAL EXPENDITURES</b>	<b>\$ 50,145,090</b>

Federal Pandemic Funds Remaining: \$ 8,599,897

### YTD Revenue and Expense By Mode

In Thousands of Dollars (which means add a comma and three zeros).

	Fixed Route	Demand Response	Other Demand Response	Non-Urban	Express Ride	D2A2	VanRide	TOTAL ACTUAL
	<i>Fixed Route Bus</i>	<i>A-Ride</i>	<i>FlexRide, HolidayRide, GoldRide, MyRide, NightRide</i>	<i>WAVE, Peoples Express</i>	<i>Commuter Express</i>	<i>Detroit Shuttle</i>	<i>VanRide, Ride Sharing</i>	
<b>DIRECT REVENUE</b>								
Fare Revenue	\$ 2,644	\$ 154	\$ 89	\$ 142	\$ -	\$ 135	\$ -	\$ 3,164
Contract Revenues	716	199	137	453	-	-	-	1,505
Advertising, Interest, Other	946	-	-	-	-	-	-	946
Federal Operating	-	-	-	-	-	1,486	-	1,486
State Operating	8,761	2,004	423	751	-	-	206	12,145
<b>Total Direct Revenue</b>	<b>\$ 13,067</b>	<b>\$ 2,357</b>	<b>\$ 649</b>	<b>\$ 1,346</b>	<b>\$ -</b>	<b>\$ 1,621</b>	<b>\$ 206</b>	<b>\$ 19,246</b>
<b>TOTAL EXPENSE</b>								
Salaries, Wages, Benefits	\$ 20,725	\$ 897	\$ 79	\$ 124	\$ -	\$ -	\$ 58	\$ 21,883
Purchased Transportation	47	3,441	1,421	1,877	-	1,522	488	8,796
Fuel, Materials, Supplies	3,872	515	-	-	-	-	-	4,387
Contracted Services	2,929	111	-	46	-	-	-	3,086
Other Expenses	2,427	58	30	37	-	99	7	2,658
<b>Total Operating Expense</b>	<b>\$ 30,000</b>	<b>\$ 5,022</b>	<b>\$ 1,530</b>	<b>\$ 2,084</b>	<b>\$ -</b>	<b>\$ 1,621</b>	<b>\$ 553</b>	<b>\$ 40,810</b>
<b>Surplus (Deficit) from OPS</b>	<b>\$ (16,933)</b>	<b>\$ (2,665)</b>	<b>\$ (881)</b>	<b>\$ (738)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (347)</b>	<b>\$ (21,564)</b>
<b>ALLOCATED REVENUE</b>								
Local Property Taxes	15,402	-	91	-	-	-	-	15,493
Federal Operating/Pandemic	9,797	2,665	790	738	-	-	347	14,337
<b>SURPLUS (DEFICIT):</b>	<b>\$ 8,266</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,266</b>

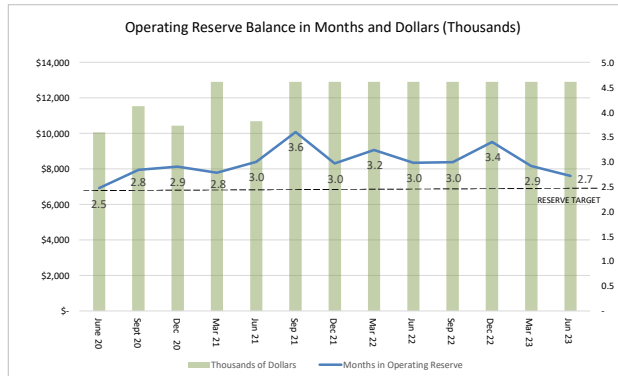
## Balance Sheet

For the Period Ended June 30, 2023

### Balance Sheet and Reserve

In Thousands of Dollars (which means add a comma and three zeros), With Prior Year Comparison.

	Q3 2022 6/30/2022	Q2 2023 3/31/2023	Q3 2023 6/30/2023
<b>ASSETS</b>			
Cash	\$ 9,744	\$ 22,255	\$ 21,884
Investments	19,659	19,706	19,653
Other Current Assets	25,458	21,053	25,670
Capital Assets	42,451	43,756	42,470
<b>Total Assets</b>	<b>97,311</b>	<b>106,770</b>	<b>109,677</b>
<b>LIABILITIES</b>	<b>5,727</b>	<b>7,346</b>	<b>8,919</b>
<b>TOTAL NET POSITION</b>	<b>\$ 91,584</b>	<b>\$ 99,424</b>	<b>\$ 100,758</b>
<b>RESERVES:</b>	<b>Balances</b>		
Capital	\$ 21,374	\$ 29,773	\$ 32,400
Insurance	\$ 500	\$ 500	\$ 500
Operating	\$ 12,905	\$ 12,905	\$ 12,905
<b>Months in Operating Reserve</b>	<b>2.8</b>	<b>2.9</b>	<b>2.7</b>



### Statement of Cash Flows (in Thousands of Dollars)

Historical Cash Flows	FY 2021			FY 2022				FY 2023		
	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2*	Quarter 3
<b>Beginning Balance:</b>	\$ 19,252	\$ 16,780	\$ 17,506	\$ 35,455	\$ 32,606	\$ 28,626	\$ 29,403	\$ 44,678	\$ 34,082	\$ 41,961
Cash from Operations	(3,755)	966	17,749	(5,079)	(3,775)	573	25,604	(5,186)	3,153	(205)
Cash from Capital	1,291	(240)	198	2,261	(90)	324	(3,163)	(5,510)	4,349	(166)
Cash from Investments	(8)	-	2	(31)	(115)	(120)	(7,166)	100	377	(53)
<b>Cash Flow:</b>	<b>\$ (2,472)</b>	<b>\$ 726</b>	<b>\$ 17,949</b>	<b>\$ (2,849)</b>	<b>\$ (3,980)</b>	<b>\$ 777</b>	<b>\$ 15,275</b>	<b>\$ (10,596)</b>	<b>\$ 7,879</b>	<b>\$ (424)</b>
<b>Ending Balance:</b>	<b>\$ 16,780</b>	<b>\$ 17,506</b>	<b>\$ 35,455</b>	<b>\$ 32,606</b>	<b>\$ 28,626</b>	<b>\$ 29,403</b>	<b>\$ 44,678</b>	<b>\$ 34,082</b>	<b>\$ 41,961</b>	<b>\$ 41,537</b>

#### Q3 cash flow was negative at \$0.4 million

The Statement of Cash Flows summarizes the amount of cash and cash equivalents entering and leaving AAATA during the reporting period. It measures how AAATA generates cash to fund its operating, capital, and investing needs. Typically negative cash flow is normal for all quarters except the 4th quarter, when property tax receipts generate positive cash flow.

\*FY2023 Q2 Cash from Operation and Cash from Capital have been restated. Ending Cash balance has not changed.

### Investments Summary

In Thousands of Dollars (which means add a comma and three zeros).

Investment Instrument	Date of Maturity	Interest Rate	Total as of 03/31/2023	Transactions	Total as of 06/30/2023
U.S. Treasury Notes	5/15/2023	0.13%	\$ 1,500	\$ (1,500)	\$ -
U.S. Agency Bond	11/6/2023	0.25%	2,000	-	2,000
U.S. Agency Bond	1/19/2024	0.23%	750	-	750
U.S. Agency Bond	4/8/2024	0.38%	1,000	-	1,000
U.S. Treasury Notes	6/30/2024	3.00%	2,000	-	2,000
U.S. Agency Bond	9/15/2024	2.88%	2,500	-	2,500
U.S. Agency Bond	9/23/2024	0.50%	2,000	-	2,000
U.S. Agency Bond	2/24/2025	3.75%	200	-	200
U.S. Agency Bond	3/28/2025	2.83%	2,500	-	2,500
U.S. Agency Bond	3/28/2025	3.10%	2,000	-	2,000
U.S. Agency Bond	6/27/2025	3.25%	2,000	-	2,000
U.S. Treasury Notes	11/24/2025	5.50%	-	1,800	1,800
U.S. Agency Bond	8/8/2025	4.10%	1,400	-	1,400
Money Market Funds	N/A	4.97%	330	(198)	132
Mark-to-Market Adjustment			(474)	(155)	(629)
<b>Total Investments:</b>			<b>\$ 19,706</b>	<b>\$ (53)</b>	<b>\$ 19,653</b>

Q3 2023 Investment Gain (year to date): \$27,013

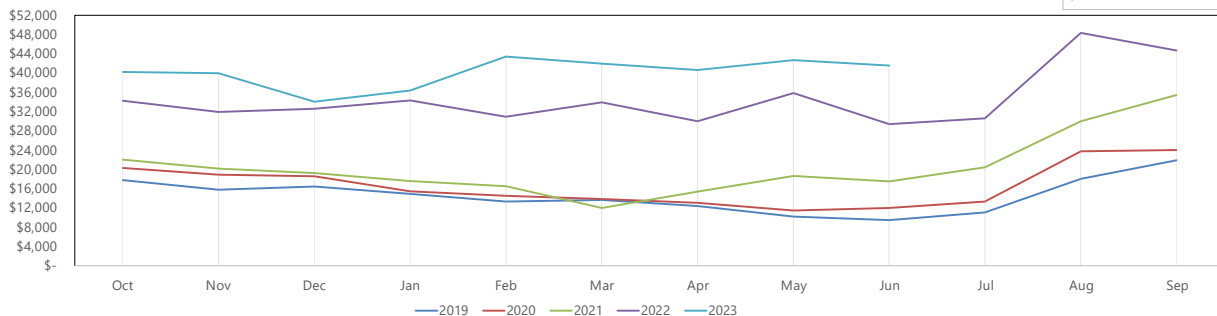
U.S. Treasury Bills, Notes, and Agency Bonds are short term bonds (several months to 10 years) backed by the Treasury Department of the U.S. Government. The rates shown for the current investments represent the gross yield-to-maturity rates (before the annual fee of .28%).

A FDIC-insured cash sweep account or accounts that have balances above the FDIC insurance threshold are used for day-to-day working capital.

### Cash and Investments History

Total Cash and Investments by Month and Year (2019 to 2023 YTD)

In Thousands of Dollars



Property tax revenues are posted in Q4 resulting in a peak in cash/investments.

## Proposal for New Environmental Policy

**Meeting: Board of Directors**

**Meeting Date: August 17, 2023**

<b>INFORMATION TYPE</b>
Decision Preparation
<b>RECOMMENDED ACTION(S)</b>
That the Board consider a proposal for a new environmental sustainability policy. Two options are being provided to the Board (see attachment 1).
<b>OPTION(S)</b>
Accept, defer, table, reject, or modify the proposed policy language.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
The Board previously asked a task force of members Simi Barr, Susan Pollay and Liz Gerber to provide recommendations on enhancing board policy regarding environmental sustainability.
<b>ISSUE SUMMARY</b>
<p>The task force is providing two alternative policy proposals to clarify the Board’s direction to the CEO regarding expectations for environmental impacts. The task force is asking the Board to discuss and perhaps choose and approve one version.</p> <p>The new policy language is conceived as a stand-alone Executively Limitation policy, to be number 2.11.</p>
<b>BACKGROUND</b>
Earlier in 2023 several board members expressed desire to provide more policy direction to staff on expectations for carbon neutrality and environmental impacts. A task force has worked with Rose Mercier and the CEO, and has discussed earlier versions of the proposal with the full Board in June and July.
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: TBD</li> <li>• Social: N/A</li> <li>• Environmental: Medium-High</li> <li>• Governance: Policy development is a Board responsibility.</li> </ul>
<b>ATTACHMENTS</b>
1. Two Options for Executive Limitations on Environmental Sustainability



## **Attachment 1 - Two Options for Executive Limitations on Environmental Sustainability**

The task force is providing two policy options; one that is narrowly focused on carbon neutrality and another that encompasses a broader concept of environmental benefits.

### **OPTION 1**

#### **2.11 - Carbon Neutrality**

*The CEO will not cause or allow organizational practices that are inconsistent with achieving carbon neutrality.*

### **OPTION 2**

#### **2.11 - Environmental Sustainability**

*The CEO will not cause or allow organizational practices or activities that are inconsistent with achieving environmental sustainability.*

*Further, without limiting the scope of the above statement by the following list, the CEO shall not:*

- 1. Operate without measures to minimize, reduce, and eliminate emissions including greenhouse gasses and air pollutants.*
- 2. Allow organizational operations that are inconsistent with the achievement of carbon neutrality.*
- 3. Operate without processes that minimize material and energy consumption and provide for proper disposal of waste.*
- 4. Allow operations which do not minimize harmful local ecological impact.*

### **The task force also recommends:**

- That this new policy be monitored annually in April by the Service Committee.
- That it be numbered as policy 2.11.
- That the Board delete Ends policy 1.2.2 which becomes redundant:  
*1.2.2. Public transportation options minimize energy use and pollution, and conserve natural resources.*

## Updated 2024 Business Plan

**Meeting: Board of Directors**

**Meeting Date: August 17, 2023**

<b>INFORMATION TYPE</b>
Other
<b>RECOMMENDED ACTION(S)</b>
Receive for information and provide feedback to CEO.
<b>ISSUE SUMMARY</b>
<p>Based on discussions at the July Board meeting, the CEO has updated the annual Business Plan to provide:</p> <ul style="list-style-type: none"> <li>• More context regarding ridership trends, and more clarity about preferred tactics and organization for specific initiatives,</li> <li>• Clarity that more aggressive marketing/advertising is anticipated but not yet scoped, and</li> <li>• Clarity that TheRide will not neglect low-income populations or our social Ends goals in pursuit of more affluent riders.</li> </ul> <p>The Business Plan provides the strategic connection between the Board’s goals (Ends policies) and the annual budget and provides much of the rationale and justification for the contents of the FY2024 budget.</p> <p>The CEO will present this update and welcomes additional feedback.</p>
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: The Business Plan is the strategic direction for the annual budget.</li> <li>• Social: Public comment on the Plan is welcome.</li> <li>• Environmental: N/A</li> <li>• Governance: The Business Plan is approved by the CEO as a part of their delegated authority for Mean.</li> </ul>
<b>ATTACHMENTS</b>
1. Updated 2024 Business Plan

## FY2024 Draft Operating and Capital Budget

**Meeting:** Board of Directors Meeting

**Meeting Date:** August 17, 2023

<b>INFORMATION TYPE:</b>
Decision Preparation
<b>RECOMMENDED ACTION(S):</b>
Receive for information a preview of the operating and capital budget for FY2024.
<b>ALTERNATIVE OPTION(S):</b>
Financial planning and budgeting is legally required, required by Board policy, and essential; there is no prudent alternative.
<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 a preview of the FY2024 Draft Operating and Capital Budget for consideration and comment to the Board of Directors. The budget being presented is balanced, which means that revenues are sufficient to cover expenses without deficits during the fiscal year. Preliminary discussions that occurred in July and August through committees and this Board meeting are intended to ensure budget accountability and transparency in anticipation of support for the recommended budget to be presented for Board adoption in September.
<b>BACKGROUND:</b>
AAATA staff developed the draft operating and capital budget for FY2024 to further Board Ends within Executive Limitations and provide 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 will be held at the Board meeting on August 17, 2023.
<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>
1. FY2024 Draft Operating and Capital Budget

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## CEO Report

**Meeting: Board of Directors**

**Meeting Date: August 17, 2023**

### INFORMATION TYPE

Other

### LONG-RANGE PLAN STATUS UPDATES

#### **YPSILANTI TRANSIT CENTER STAFFING**

TheRide opened its Information Window at the Ypsilanti Transit Center on Tuesday, August 1 to the public. Riders can now purchase passes and tokens and ask route questions to our Information Specialists. The Information Window is staffed Monday – Friday: 7:00 a.m. – 7:00 p.m. and Saturdays from 8:00 a.m. – 5:45 p.m. TheRide celebrated the opening with a table and handed out swag and answered questions.

#### **NEW YPSILANTI TRANSIT CENTER PLANNING**

TheRide received four (4) proposals in response to our April Request for Proposal to recruit a consulting firm for the planning, environmental study (NEPA), and design work. TheRide's evaluation team has completed the evaluation of the technical proposals and is now in the process to review the price proposal. The procurement process, including negotiating costs, modifications to the plan of work, and contract negotiations, could take another month before a consultant is ready to begin work on the project.

#### **2022 MILLAGE SERVICES**

The new service promised by the 2022 millage will begin as planned in August 2024. Planning-related preparations continue for the 2024 millage services. Service information will be available for public review in October 2023, with implementation of most services scheduled for August 2024.

#### **BUS PROPULSION**

Staff completed their visits to other transit agencies for Peer-to-Peer Development. Staff continues to work on this study and an updated recommendation on Propulsion Technology will be available later this year. The CEO is preparing proposals for the Board's considerations and anticipates presenting the information in October 2023.

#### **BLAKE TRANSIT CENTER EXPANSION**

TheRide continues to work with the Ann Arbor Housing Commission and City staff on the joint development of the old Y-Lot site adjacent to the BTC. Plans and agreements between the partners have not changed and the project is making steady if slow progress. A separate study led by the DDA to redesign 4<sup>th</sup> Avenue from Liberty St. to William St. was conducted. The goal is to make 4<sup>th</sup> Avenue more transit/pedestrian friendly along with the BTC expansion project. In addition to the public engagement conducted in April and May, the design team conducted a one-day curb line pilot at the BTC to test out various designs for bus bays along 4<sup>th</sup> Avenue. A concept for 4<sup>th</sup> Avenue is under development, and TheRide is ensuring various stakeholders, including drivers, customers, and other staff, among others, have an opportunity to provide input.

## OPERATIONAL UPDATES

### AUGUST SERVICE UPDATES

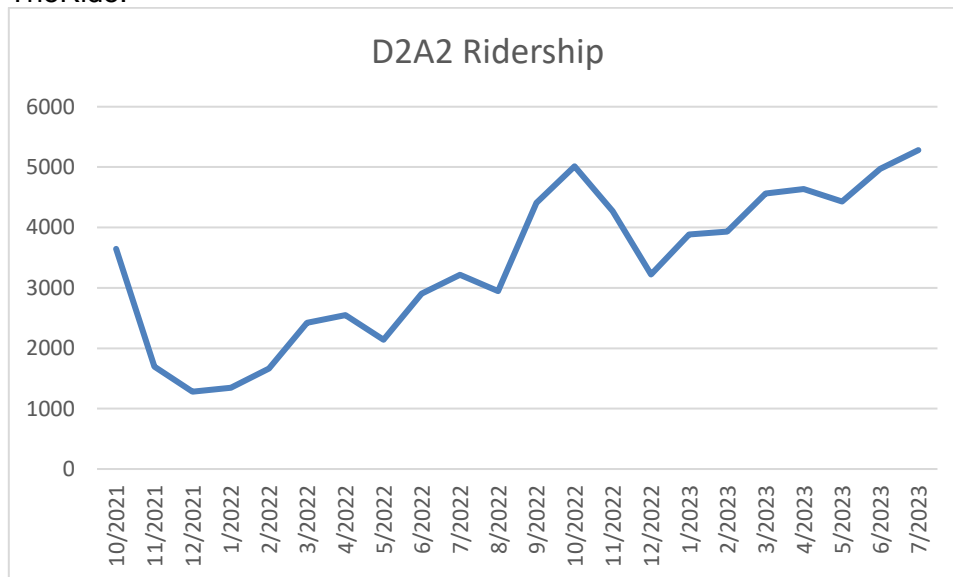
TheRide is making minor service adjustments starting Sunday, August 27. The service updates are being made to improve service reliability and accessibility of its routes. The routes with service updates are Route 4, 24, 34, 62 and 66. In addition, some boarding locations at the Blake Transit Center will be altered, though departure times will not change.

### FOOTBALLRIDE

TheRide attended a U of M Football kick-off meeting with community partners ahead of the 2023 season. TheRide will be providing FootballRide service to/from each home game and is encouraging mobile payment of passes.

### D2A2 (DETROIT TO ANN ARBOR) RIDERSHIP

D2A2, service that connects Detroit and Ann Arbor recently had record ridership in July 2023. Total ridership for that month reached 5,281. D2A2 is a service of the RTA in partnership with TheRide.



### NOVA BUSES

Nova Bus recently announced their decision to end bus production in the US by 2025. Sales of parts and service support will continue. TheRide is working to determine next steps. TheRide does not anticipate any service disruption because of this and are working on a transition plan accordingly.

### BUS MANUFACTURER INSTABILITY

In early August the upstart bus manufacturing company [Proterra filed for bankruptcy](#). Proterra is a relatively new company that specializes in battery electric buses and is not associated with any legacy bus manufacturer. Proterra has been compared with Tesla but for buses. Their bankruptcy may reflect rising interest rates and plateauing interest in their product. It is not yet clear whether the company will continue to exist, or if the bankruptcy will harm those agencies who have already bought the product (i.e. parts supply, mechanical supports, warranty, etc). TheRide did not buy any buses from Proterra so has no exposure.

This follows on the heels of NovaBus's decision to exist the US market and retreat to profitable territory in Canada. Executive staff are focusing on maintaining an adequate supply of diesel buses, or buses of any type. TheRide's average bus age is reasonable, and will should be able to tolerate some disruption to deliveries. However, longer delays in replacement of old buses

could push up maintenance costs and lead to bunching in future replacement budgets.

### **DOCKED BIKESHARE UPDATE/DISCONTINUATION**

The CEO is moving to formally discontinue a program that has not been operating since 2019 – the Ann Arbor docked bikeshare system (ie ArborBike). Although this is a Means, the CEO is notifying the Board in advance per policy 2.9.1.5 (ie no surprises clause). In addition, policy 2.7.5.5 forbids the CEO from making material changes to services that could be foreseen to cause “significant resistance” without some degree of public discussion. The CEO will be launching an expedited public involvement process for the public to allow an opportunity for public comment. Although he expects some disappointment, the CEO does not expect significant resistance since for-rent e-scooters and e-bikes have filled the first-mile/last-mile niche. Unless a viable funding and operating mechanism can be identified, the CEO intends to sell off the equipment to other operators.

**Background:** Around 2013 a group of local institutions worked to launch a docked bikeshare system in Ann Arbor. TheRide received a federal grant to purchase equipment for which TheRide assumed sole financial responsibility. Around 2018/2019 the initial operating arrangement for ArborBike collapsed due to a confluence of reasons including: lack of funding, lack of operational expertise, lack of ridership, inability to grow, difficulty in obtaining permits, lack of viable sponsors, and loss of the original institutional champion. The equipment was put in winter storage in late 2019 with plans to relaunch in 2020. The pandemic disrupted those plans, and the equipment has been in storage ever since. TheRide has received very few public requests for it suggesting little public interest and is paying about \$40,000/year in storage fees.

In the CEO’s professional opinion, there is no point in attempting to restart the docked bikeshare system as better options already exist (for-rent e-scooters and e-bikes) and there is no viable funding path apparent. The CEO has checked with the original institutional partners (UM, City of Ann Arbor, Ann Arbor DDA) and none have any serious interest in helping to pay for the system. In 2019 annual operating subsidy was expected to be around \$250,000 and would now be much higher.

TheRide has received some interest in transferring ownership (and the remaining grant requirement) to other communities that do use this older technology. We will also attempt to negotiate with the FTA. Unless the Board or the public raise serious objections, the CEO will proceed in this direction in the New Year.

### **STAFFING UPDATES**

The most recent MCO class was hired on August 1. The HR team and respective departments are excited about the increase in qualified applicants for recently posted Finance positions – Executive Administrative Assistant and Grants and Capital Planning Program Manager. Both positions are anticipated to be filled within the next 30 days. Cross departmental teams have begun to plan for the upcoming recruitments needed for the 2024 service expansion efforts.

### **EMPLOYEE ENGAGEMENT**

Human Resources conducted employee feedback sessions to further engage employees following the survey earlier this year. Sessions were held August 8 – 10.

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

The Local Advisory Committee met virtually in July. A report on TheRide’s Board of Directors was given by Board Chair, Kathleen Mozak. Staff also provided service updates.

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

Items discussed at this month’s Transportation Commission were: 1) A review and final confirmation of a traffic calming plan for Fulmer St (Miller Ave to Foss St). The plan was passed along to City Council for approval. AAATA does not operate service on this street. 2) An

update on the U-M Transportation Research Institute's (UMTRI's) Connected Streets Project by UMTRI Director Jim Sayer. The project is working to gather data for a potential traffic signal priority system that would coordinate signal preemption for emergency vehicles, school buses, and transit vehicles. Commissioners were informed that this project is separate from AAATA/MDOT's current traffic signal priority project, but that AAATA staff is consulting with UMTRI staff to figure out where coordination may be possible. 3) An update on a redesign of resurfacing/water main relocation projects for S Seventh St (Scio Church Rd to Lawton Elementary School) and Greenview Dr (Stadium Blvd to S Seventh St). The new designs incorporate expanded traffic calming and pedestrian safety elements. AAATA does not operate service on these streets. 4) An update on the City's Capital Improvement Program. Even years are considered 'modification' years, so the update was largely a review of last year's information. 5) Further high-level discussion of the City's crosswalk design guidelines – an update from a detailed presentation given in March.

### **STATE STREET DETOURS**

Staff are working with DDA staff to correct pavement striping at the State Street/Williams Street intersection in downtown Ann Arbor. Earlier this year the intersection had become impassable due to uncontrolled car traffic. Hopefully this will allow AAATA buses to return to normal State Street routing once unrelated construction detours are concluded.

### **WATS POLICY COMMITTEE UPDATE**

The committee did not meet in July or August and will resume meetings in September.

### **CORPORATE LEGAL COUNSEL PROCUREMENT**

The five-year contract with our outside legal counsel (Dykema) is reaching its end and a new contract is being procured. A competitive process is beginning conducted. The selection panel includes board members Sims, Barr, Allen, and Allemang, as well as the CEO.



# Building Our Future



## Corporate Business Plan FY 2024

ANN ARBOR AREA TRANSPORTATION AUTHORITY

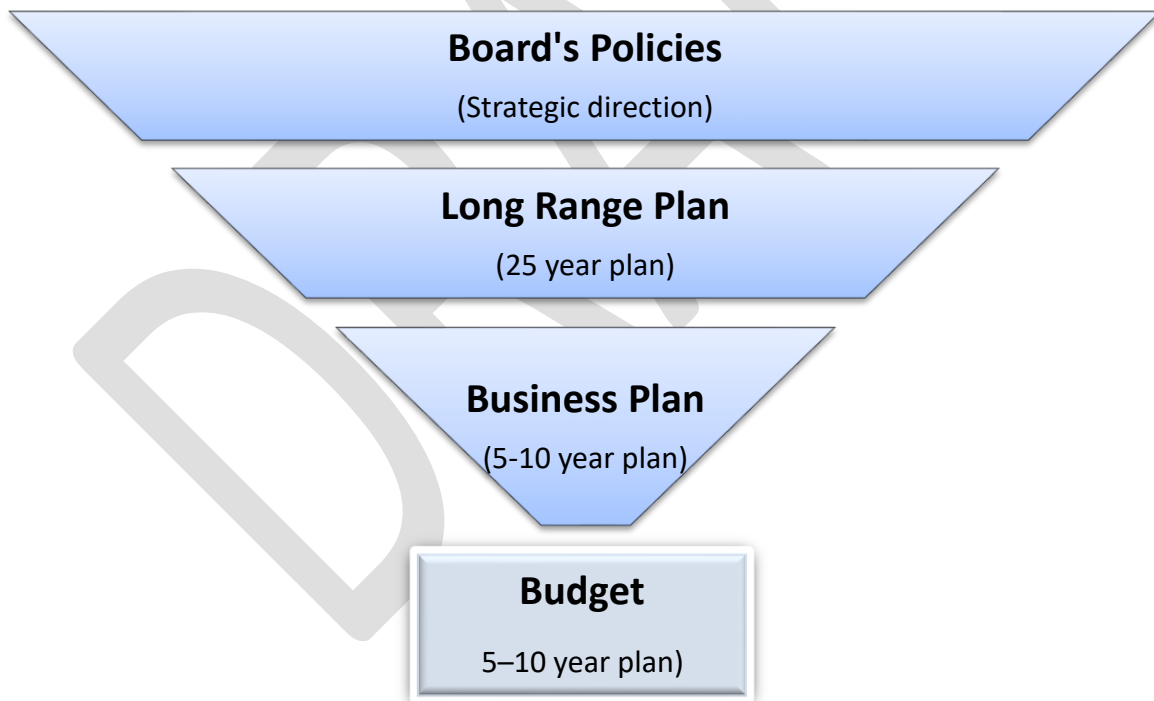


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# Introduction

TheRide's Board of Directors uses written policies to set the overall strategic direction for the agency. In past years, TheRide has engaged the public in developing a 25-year plan known as the Long-Range Plan whose intent is to achieve the Board set Ends policies. In Aug 2022, the Board approved the plan as a blueprint for the evolution of our services. The FY2024 Business Plan comprises of initiatives divided into a 5-year Operating work plan and a 10-year Capital work plan. The Business Plan 5 and 10 year timelines are deliberately shorter in order to narrow the focus on initiatives and better plan for resources. By transparently identifying proposed projects and initiatives, the Business Plan provides an opportunity for the Board, staff, and the public to have a dialogue about *priorities* before the budgeting process adds details. **Everyone is invited to provide feedback on these initial proposals and help build a better Business Plan.** The finalized Business Plan forms the foundation for building the detailed budget staff recommends to the Board later in the year.

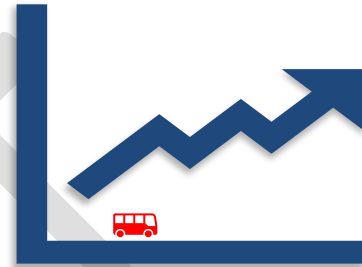


The strategic approach to organizing workplan initiatives is detailed in the appendices but can be summarized as identifying the initiatives that will best achieve our Board's goals, and organizing deadlines, workflow, and staff activities to best achieve those projects.

The CEO is focusing efforts on to growing ridership, and is organizing priorities and projects that fall into one of three categories:

1. **Attract New Riders & Increase Ridership**
2. **Excellence in Service Delivery**
3. **Continuous Improvement**

This Business Plan includes numerous priorities, projects and expenditures which are organized into a conceptual **5-year operating workplan** and **10-year capital plan**. Once finalized, these plans will form the core of the recommended FY 2024 Budget.



**The focal point of all agency operations is to increase ridership.**

The Business Plan clarifies TheRide's strategic goals (Ends policies) and outlines how it will achieve them within a **5-year operating plan** and a **10-year capital plan**. The operating workplan is shorter to allow a detailed focus on day-to-day operational aspects and more specifically new service improvements. Examples of initiatives in the operational workplan include increasing frequency of services and expanding service coverage. The capital project plan extends over a longer period since its focus is on infrastructure projects which may take longer to complete. Capital projects include transit center redevelopments, and the Bus Rapid Transit.

The second version of this document is a DRAFT piece shared with staff, the Board, and the public, availing them an opportunity to review projects, and provide feedback before the projects in this document are absorbed into the operating budget and the capital budget respectively.

Feedback on any of the initiatives in this document, can be sent to [tellus@theride.org](mailto:tellus@theride.org).

# Strategic Goals & Expectations

TheRide's Board of Directors uses written policies to set the strategic goals for TheRide (i.e., Ends policies). The Board's strategic goals define what TheRide is to achieve; for whom, and at what cost. The Board's strategic goals are provided below:

**1. AAATA exists so that an increasing proportion of residents, workers and visitors in the Ann Arbor-Ypsilanti Area utilize public transportation options that contribute to the Area's social, environmental, and economic vitality at a cost that demonstrates value and efficient stewardship of resources.**

**1.1. Residents in the area have equitable access to public transportation services that enables full participation in society.**

1.1.1. People with economic challenges have affordable public transportation options.

1.1.2. People with disabilities or mobility impairments, seniors, minors, and non-English speakers have equitable access to opportunities and destinations in the area.

**1.2. Public transportation positively impacts our environment.**

1.2.1. Public transportation options are increasingly chosen over use of a personal car.

1.2.2. Public transportation options minimize energy use and pollution, and conserve natural resources.

1.2.3. Public transportation options produce conditions favorable to more compact and walkable land development.

1.2.4. Relevant public policy is transit supportive.

**1.3. Public transportation positively impacts the economic prosperity of the area.**

1.3.1. Public transportation facilitates labor mobility.

1.3.2. Students can access education opportunities without need of a personal vehicle.

1.3.3. Visitors use public transportation in the area.

1.3.4. Public transportation connects the area to the Metro Detroit region.

**1.4. Passengers are highly satisfied with public transportation services.**

**1.5. Residents of the area recognize the positive contributions of public transportation to the area's quality of life.**

In addition to advancing the Board's goals, the CEO and staff must comply with the Board expectations regarding administrative and operational decisions (i.e., Executive Limitations policies). These policies ensure transparency, reporting, and fiduciary oversight

**TheRide's Board of Directors sets the ultimate strategic direction for the agency using written policies.**

by the Board. Examples of key Executive Limitations policies include:

- Ensure passengers and customers are well treated.
- Ensure staff are well treated and that TheRide is an attractive employer.
- Ensure that the Board, riders, and the public have opportunities to shape the future direction of the agency.
- Ensure transparency and accountability.
- Maintain the financial health of the organization. Do not risk fiscal jeopardy.
- Maintain assets of the organization in good condition.
- Compliance with all applicable laws. (Numerous other local, state, and federal laws also enable and constrain what TheRide can do.)

Within these expectations, staff are to use their professional judgment to recommend the best ways to achieve the Board's strategic goals.

# Increasing Ridership

The Board’s highest direction is:

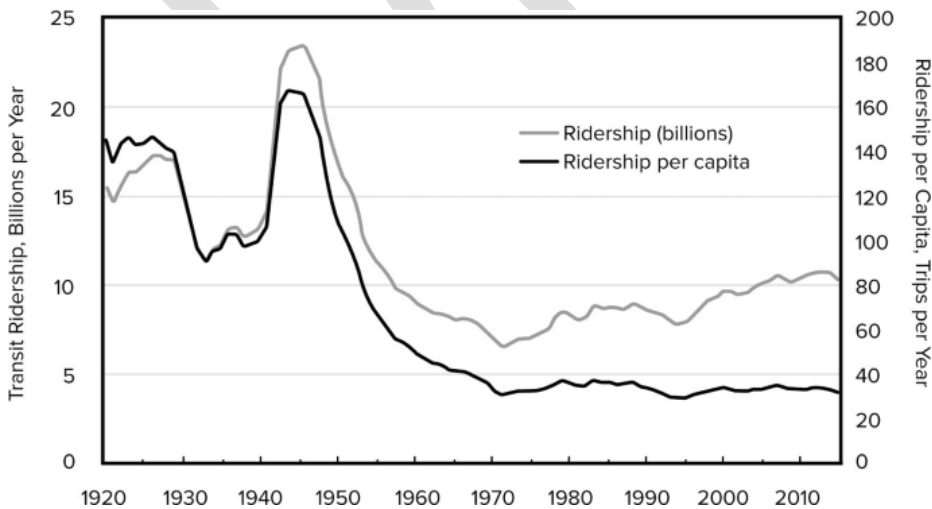
*“...an increasing proportion of residents...utilize public transportation...”.*

This element of the Board’s direction is emphasized by the CEO to help focus and prioritize the work of the agency. While care must be taken to ensure fairness, the act of increasing ridership will itself help to achieve many of the Board other objectives, such as social equity (greater access), environmental benefits (fewer drivers), and economic activity (labor mobility). Growing our ridership is the key to achieving the Board’s goals (i.e. Ends policies). Conversely it is hard to imagine progress without increasing ridership.

## History

Transit ridership peaked in the U.S. during World War II (see below) and then declined rapidly as cars, freeways, urban decline, and suburban sprawl became common. National trends began to level off in the early 21<sup>st</sup> century as cities began to regain population. However, the overall American preference for cars and the individual mobility they provide had become deeply rooted. Subsidies for cars are deeply entrenched (e.g. free parking, low gas taxes, road construction policies, etc) and have already reshaped American cities. Meanwhile, funding and public support for transit is relatively modest and far from enough to approach, for example, European levels of transit service.

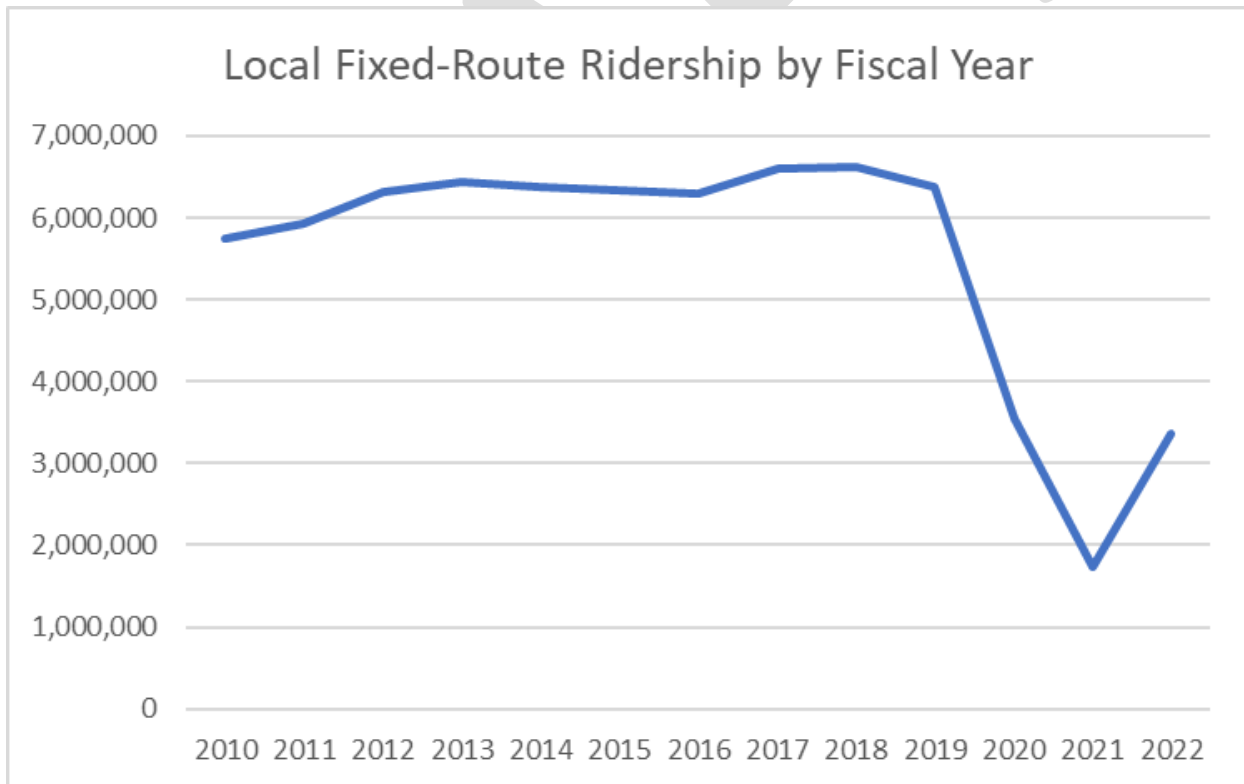
Figure 1: US National Transit Ridership, 1920-2010



Ridership trends in the Ann Arbor/Ypsilanti area have mirrored national patterns, albeit with higher ridership that comes from a large built-in somewhat-captive ridership market: university students.

After the implementation of new 5YTIP services in 2014-2017 there was a bump in increased ridership, which then plateaued (see below). The COVID-19 pandemic caused an unprecedented and massive dip in economic activity and travel of all sorts. Transit ridership and many other markets (e.g retail, air travel, office work) collapsed and are still recovering to pre-pandemic levels. Still, our region has the *highest transit ridership and market share (i.e. mode share) in southeast Michigan* outside of Highland Park. TheRide has also benefited from generous public taxpayer support and TheRide provides the highest amount of transit service in the region, far above norms for the mid-west United States.

Figure 2: TheRide's Historic Transit Ridership



TheRide's recent ridership performance can be seen in the graph below, which uses *ridership per capita* (total trips divided by population) to illustrate the proportionate rate of ridership for TheRide and our peer communities. Prior to the pandemic, TheRide already had a relatively high rate of ridership (24 rides/capita) for a midwestern US city. The COVID pandemic severely affected transit ridership for TheRide and our peer agencies, although Ann Arbor and Lansing are bouncing back faster, possibly due to the larger university student ridership.

Figure 3: Ridership per Capital, 2018-2022



**Source:** National Transit Database for FY 2018-2021. National peer data is currently available until FY 2021. FY 2022 numbers are collected directly from peer agencies and are preliminary.

It will not be easy to build ridership in a landscape so oriented to the automobile. It is likely that TheRide has already picked the low-hanging fruit for generating ridership, and *future increases in ridership may be more difficult, expensive, and will require sustained focus over time.*



### **Aligning Agency Activities with The Board's Goals**

A key purpose of the Business Plan is organize and align the agency's resources in the best manner to achieve the Board's goals (the Board has delegated this to the staff's professional judgment). It also increases transparency by allowing anyone to quickly learn about the agency's goals and how it intended to achieve them.

The CEO is using an overall goal of growing fixed-route ridership at the primary goal, towards which all other efforts are aligned. They are then bundling activities into three broad categories:

1. **Attract New Riders & Increase Ridership**
2. **Excellence in Service Delivery**
3. **Continuous Improvement**

All activities and efforts at TheRide must fit into one of these categories. All activities and initiatives are vetted, prioritized and organized into multi-year operation and capital work plans. The reality of limited resources forces prioritization and a concern with cost-effectiveness.

### **TheRide's Toolkit for Growing Ridership**

There are two broad approaches to building ridership that can help shape our work plan:

1. **Attract New Riders & Increase Ridership** – There are two broad ways to increase total trips:
  - a. **Encourage current riders to use transit more often.** As this group is a small minority of the total population and there are only so many trips each person can make, this approach has only modest potential to increase ridership. Serving the “transit dependent” market (i.e. low income or those unable/willing to drive) is a crucial social mission, but a limited tactic for large increases in ridership.
  - b. **Attract new users to transit,** especially the very large majority who are currently using cars (i.e. discretionary riders). Because of its size, a modest increase in transit use from this market can generate large amounts of ridership. The two most successful ways to attract discretionary riders are:
    - i. **Increase the frequency of transit services** (as it increase flexibility and independence). Although effective, this approach is expensive.
    - ii. **Increase latent demand for transit by removing subsidies for cars** and creating a transit-favorable culture. This approach is effective but often unpopular in practice.

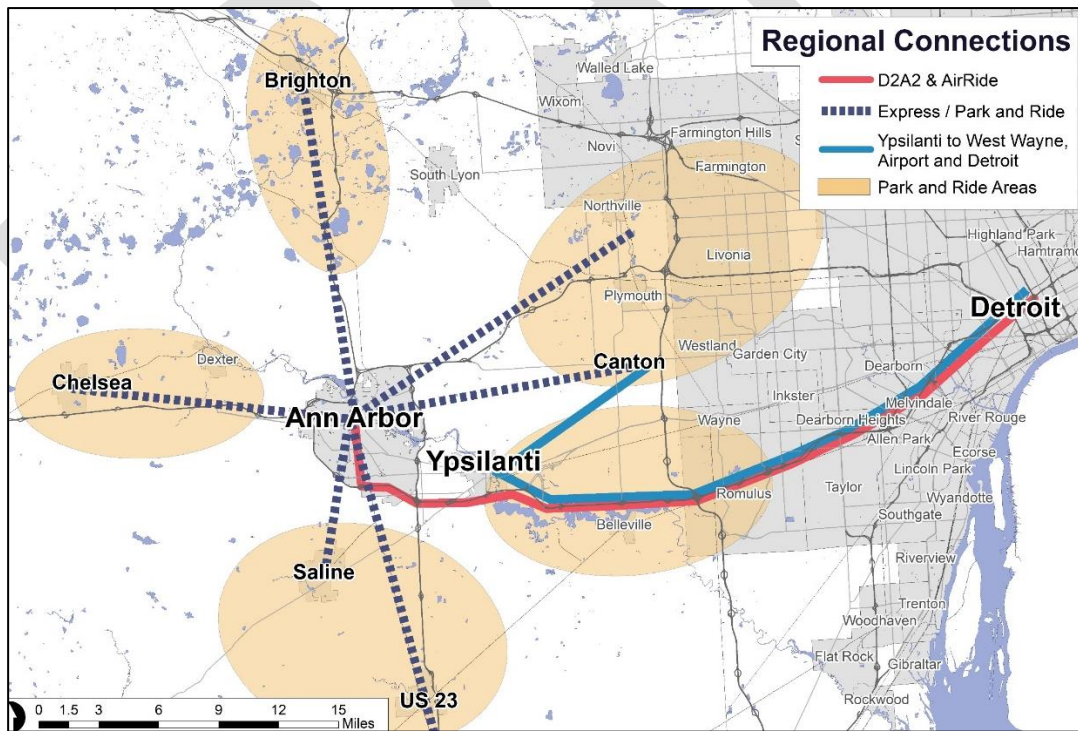
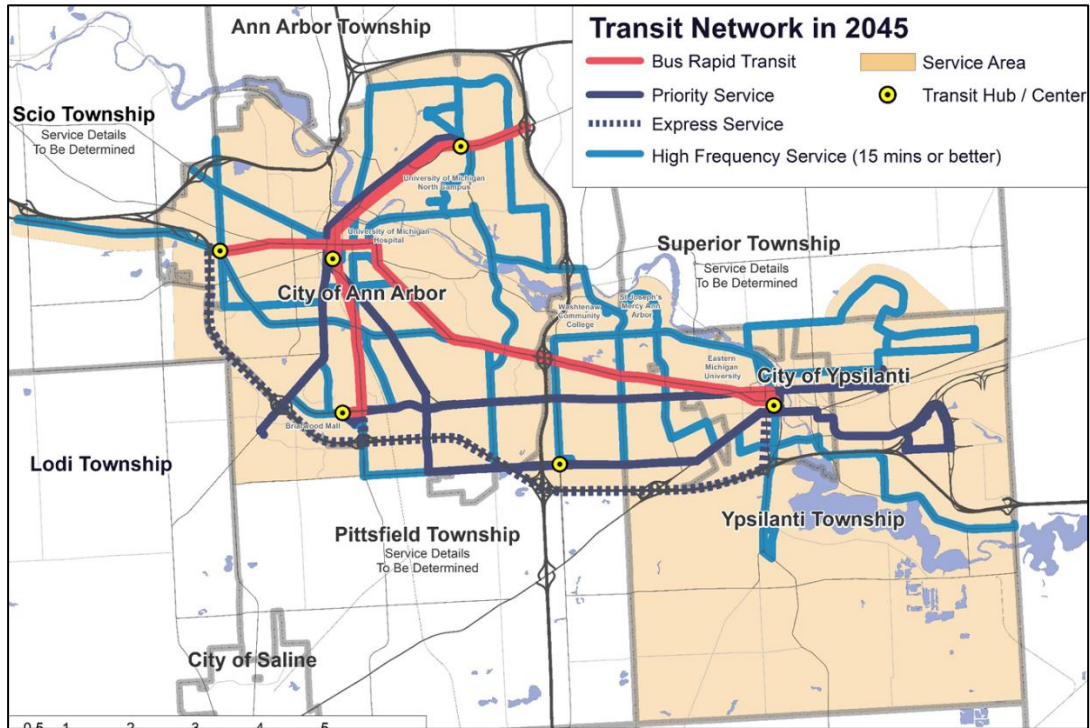
While there are many other worthy initiatives that will be discussed, they will be relatively low yield in building ridership compared with these two elements. These elements are also the most difficult to achieve and will require years of focused effort. Creating and maintaining that focus is a key goal of the CEO.

TheRide's strategy for changing our services in order to become more attractive to new riders has already been developed and was approved by the Board in mid-2022. Our long-range plan, ***TheRide2045***, details the vision to build a more attractive fixed-route transit system that can attract a growing proportion of the population, while still meeting goals for social equity<sup>1</sup>. It also identifies changes to outside policies that would increase demand for transit. The plan is too large to summarize in full here, but it details how, when, and where the **frequency of transit services will be increased**, as well as the optimum organization and resources needs.

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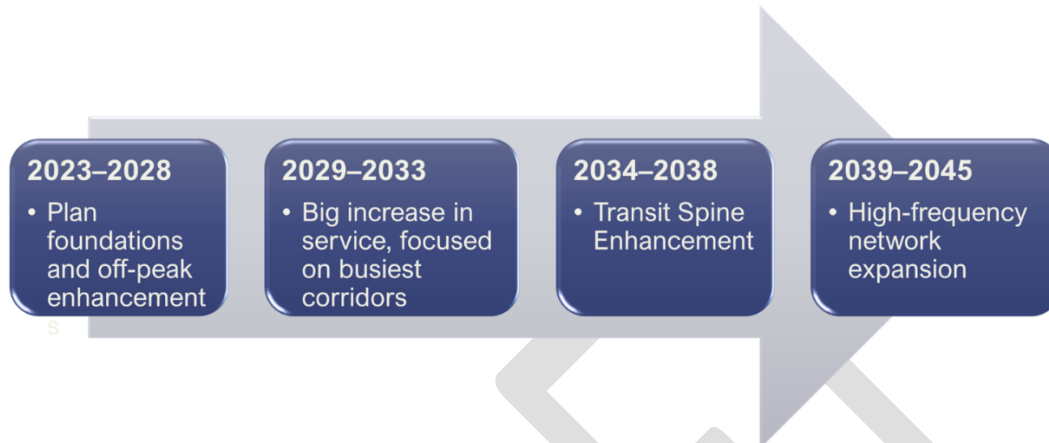
<sup>1</sup> TheRide2045 determined that it was more advantageous to intensify service within our existing urbanized service area, than to expand into low-density peripheral areas where the cost per passenger would be much higher.

Figure 4: Long-Range Plan Elements, Local and Regional



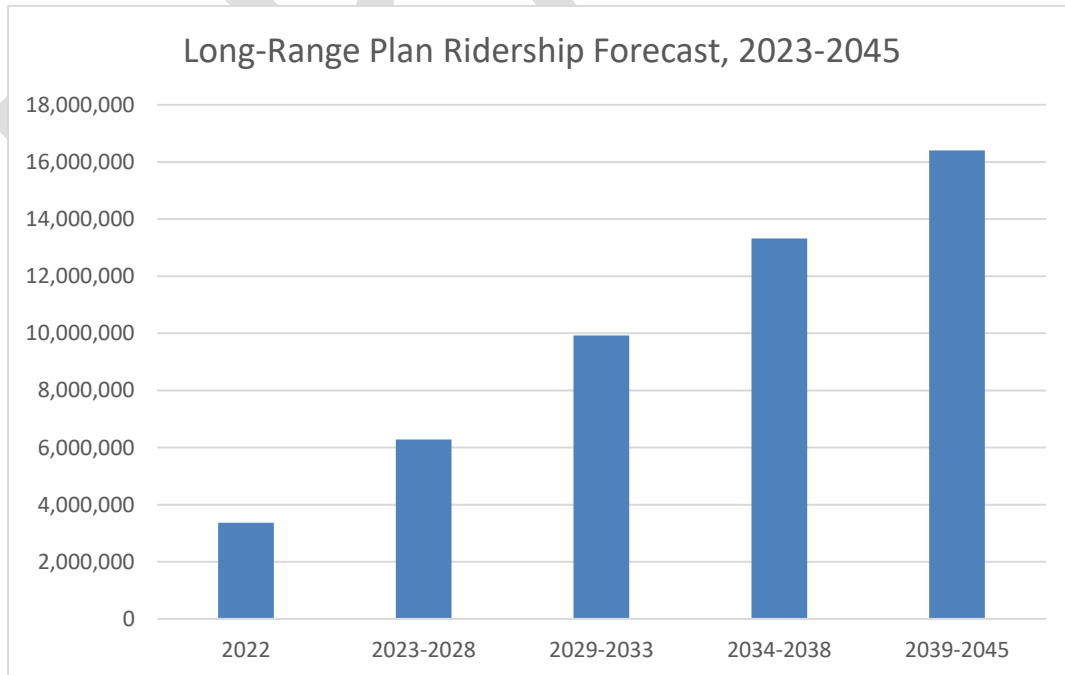
The long-range plan contains a detailed description of projects, staging and timelines. The overall timeline is illustrated in the figure below:

Figure 5: Long-Range Plan Timeline



The ultimate purpose of the TheRide2045 plan is to organize TheRide’s resources and efforts to best meet the long-term goal of the Board – growing ridership. The plan also includes ridership forecasts. The figure below illustrates plan forecast for ridership growth.

Figure 6: Ridership Forecast



2. **Excellence in Service Delivery** – Total ridership will not grow if we cannot *retain* the customers that we have worked hard to attract. To keep *customers satisfied* and coming back, we must invest in maintaining and increasing the quality of services (QOS) in attributes such as on-time performance, cleanliness, courtesy, etc.

Maintaining existing services drives most staff activities and consumes about 90% of the entire budget. Initiatives in this priority include

- a. Improving the quality of service by addressing on time performance, cleanliness, staff courtesy, and overall improvements of vehicles and facilities.
- b. Ensuring customer information is available and accessible
- c. Working to reduce FlexRide denials
- d. Optimizing fare collection technology

In addition to these direct tactics, there numerous supporting efforts within the organization that will be needed and must be included in a work plan.

3. **Continuous Improvements** - In addition to tactics that can directly grow ridership, TheRide must also take into account the numerous internal improvement opportunities for the organization and its employees that can support ridership growth by ensure the health of the organization. This includes operational improvements such as zero-emissions buses that will not directly impact ridership but are nevertheless still important. It also includes risk management and work necessary to comply with the Board's Executive Limitations policies.

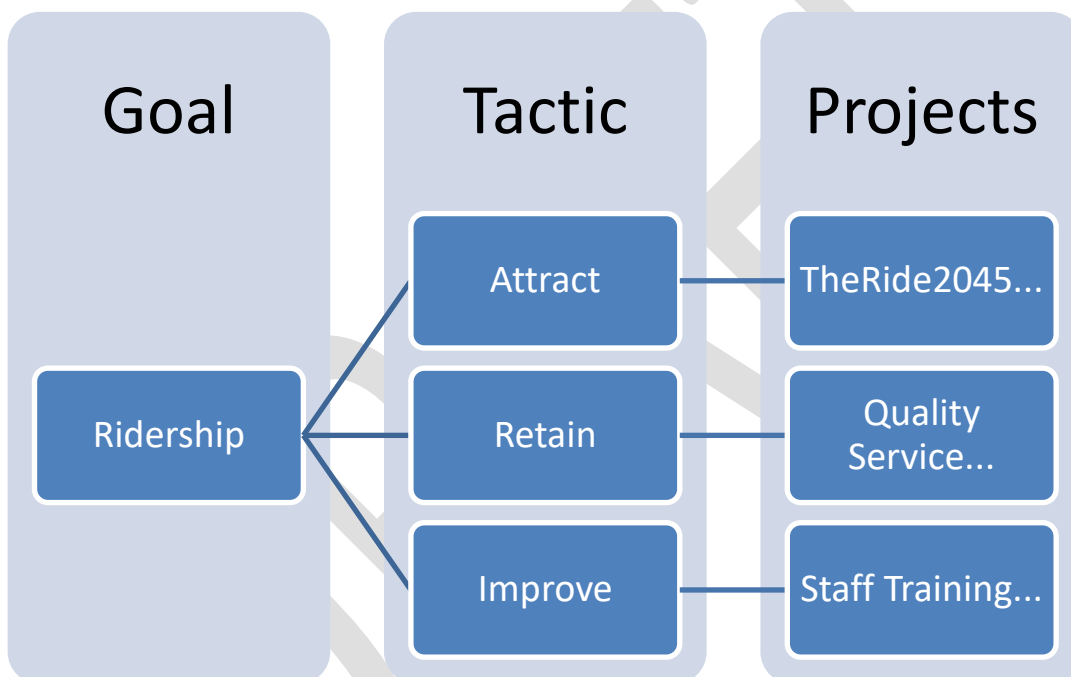
The CEO's job is to advance TheRide's mission (Ends) as quickly as possible while remaining cognizant of risks and costs (Executive Limitations). Staff use their professional judgment to evaluate and prioritize specific initiatives<sup>2</sup> and organize them into multi-year operating and capital plans (below). Some projects come in later years and are not represented in the Business Plan. Some ideas are discarded for various reasons. Those plans are then used to drive the development of annual budgets.

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<sup>2</sup> If the reader is interested in learning more about how the CEO and staff vet and assess individual initiatives and tactics, the thought processes and vetting criteria are described in the Appendix.

There are numerous strategies and tactics for growing ridership. Each can give rise to numerous projects and initiatives which can have complex inter-dependencies and different ROIs (returns on investment). The table below illustrates the broad range of general tactics (not projects) that can be pursued. There will be numerous projects in each category in the coming years. The table below illustrates the general tactics that staff will be pursuing over the next several years to increase ridership.

Figure 7: Illustration of Project Alignment



While there are numerous initiatives and projects that can impact ridership, the most important are simple fundamentals:

1. Increases the amount of service and frequency of service by implementing the long-range plan, TheRdie2045.
2. Delight the customer with excellent customer services.
3. Build demand by advocating for a less car-dependent society.

While conceptually simple, these are difficult strategies that require focused discipline over a long time.

Figure 8: Ridership Growth Tactics

Goal	Tactic		Line	
<b>1. Attract New Riders &amp; More Trips</b>	Implement LRP* New facilities More bus service	YTC, BTC, garage, Bus rapid transit, bus lanes, ...	1	
		<b>Higher frequency</b> , span, etc	2	
	Ridership growth Research	Learn from peers, best practices	3	
	New Services/Innovations	New services (TBD: regional PNR, TMA, NEMT, etc)	4	
	Fares	Optimize structure & pricing to attract	5	
		Increase bulk sales (schools, businesses, etc)	6	
	Advertising	More aggressive promotion/advertising	7	
	Advocacy	Land use: <b>higher density</b> , mixed use, ped/transit-oriented	8	
		<b>Increase cost of cars</b> : Parking, taxes, etc	9	
	Culture	Create pro-transit culture	10	
<b>2. Retain Riders with Excellence in Service Delivery</b>	Improve Quality of Service	<b>On-Board</b>	11	
		<b>Improve reliability/on-time performance, reduce denials</b>	12	
		<b>Cleanliness</b>	13	
		<b>Courtesy</b>	14	
		Improvements to stops, equipment, vehicles, amenities...	15	
	Information	Responsiveness (complaints, etc)	16	
		Hardcopy: New RideGuide (Fall 2023)	17	
		Real-time: New system, apps	18	
		Timely notification of changes	19	
	Fares	Streamline current sales (?)	20	
		Continue current bulk sales (ie MRide, AAPS, etc)	21	
		Fare collection technology upgrades (ie open payment, etc)	22	
	Internal Customer Excellence	(All internal dpt work)	23	
<b>3. Continuous Improvement</b>	People	Staffing	24	
		Alignment	25	
		Communications	26	
		Training	27	
		Performance	28	
		Legacy software	29	
	Technology	New systems	30	
		Numerous	31	
	Processes	Environmental Operations	Create sustainability plan	32
		ZEB decision	33	
		Facilities study	34	
		Remaining fleet study	35	

\* TheRide 2045 contains numerous projects, phases, and timelines. Consult the report document for full details.

## 5-Year Operating Work Plan

The Operating Work Plan itemizes major service improvements, operational changes, and staff activities to align with Board goals and optimize efforts. Plans for major infrastructure and construction projects (i.e., Capital Plan) are outlined separately in the next section. Every proposed initiative is cross referenced to illustrate which Board goal (i.e. Ends policy) it advances with blue citations such as [\(1.0, 2.3\)](#).

### 1: Attract New Riders & Increase Ridership

This section itemizes the new services, operational changes and key planning work initiatives that are expected for the next five years. All are part of the 2022 millage or long-range plan. FY2024 will include a great deal of detailed planning to prepare to initiate these new services in August 2024. *Only the 2024 projects will be approved via the annual budget. The additional years are for context.* Each project description starts with a title and the Board goal which the project advances.



#### **FY2024 projects**

**a. Ypsilanti Transit Center Staffing (Board goals advanced: [1.1, 1.4](#))**

As part of the 2022 millage TheRide will be restoring customer service agents to the Ypsilanti Transit Center. This project may be started in advance in FY 2023 depending on construction timelines.

**b. 30-minute frequencies- Weekend daytime routes ([1.1, 1.3, 1.4, 1.5](#))**

This initiative began in FY 2023 and will be complete in FY 2024. More buses will be added on the weekends to ensure that daytime service runs at a 30-minute frequency instead of a 60-minute frequency.

**c. Longer Service Hours ([1.1, 1.3, 1.4, 1.5](#))**

TheRide is currently working on extending service hours. On weekdays the hours of operations will be from 6:00AM to 11:30PM, Saturday from 7:00AM to 11:30PM and on Sunday 8:00AM to 9:00PM. This adjustments are expected to be completed by the end of FY 2024.



**d. Overnight On-Demand Expansion (1.3.1)**

TheRide is currently working on improving overnight services, holiday service and expanding overnight and holiday services to all of City of Ypsilanti, and Ypsilanti Twp north of Textile Road (matching the fixed route by end of FY 2024).

**e. Express Pilot on Washtenaw (1.0-1.5)**

The Express Pilot service will provide enhanced service along the Washtenaw corridor by reducing travel time by 30% and building ridership in preparation of the Washtenaw BRT. Planning and funding of this pilot is expected to commence in FY 2024.

**f. Accessibility Improvement, Response & Fixed Route Integration (1.1.2)**

TheRide will continue improvement to bus stops, integrate Fixed route, A-Ride and FlexRide. This work is continuous through the LRP lifecycle.

**g. Advocacy Agenda (Policy 1.0, 2.0)**

Many elements of the Long-Range Plan and TheRide's future plans rely on decisions made by others outside of the agency, including municipal councils, legislatures, and congress. Working with the Board's efforts on Ownership linkage, staff will work to establish a clear advocacy agenda and take steps towards

**Beyond FY2024 projects**

**h. Fare collection Modernization and integration (1.4)**

To better serve customers, TheRide will enhance fare collection systems, fare structure, expand real-time information and work on integrating with local providers / first and last mile solutions. This work is expected to begin in FY 2026.

**i. Express Pilot on North-South Corridor (1.0-1.5)**

An express route from Eisenhower/State to the Plymouth Road Park and Ride lot is expected to be introduced with the intent of starting to build momentum for the north-south BRT in FY 2028.

**j. Priority Routes: Main-Nixon/Plymouth and Packard-Ellsworth (1.0-1.5)**

These priority routes are intended to provide higher frequency service to higher demand areas and facilitate faster trips for longer travel patterns not well covered by the BRT routes. The priority routes are somewhat enhanced by transit priority features with frequency ranging from 15 to 20 minutes during peak periods. Planning is expected to begin in FY 2027. The service is expected to begin in FY 2028.

**k. 30-Minute Frequencies - Evenings (All Routes, Days, Times) (1.1, 1.3, 1.4, 1.5)**

To make transit options more reliable and attractive, ALL routes, during the day and night,

weekday and weekends are currently having their frequency adjusted to run at 30-minute intervals. This work will continue into FY 2028.

**I. Enhance On-Demand Service, Expand Coverage (1.1, 1.3, 1.5)**

Beginning FY 2028 through FY 2033, TheRide will increase On Demand Service resources with the aim of expanding coverage and reducing wait times.

**2: Excellence in Service Delivery**

During the pandemic we had to reduce services. For FY2024 TheRide is proposing to maintain all current transit and related services at full levels. We are also proposing to keep all fares the same as in FY2023. About 90% of TheRide’s resources are used to operate transit services, and most of our staff are focused on this daily mission. Continuing these services and rebuilding ridership in a post-pandemic period of inflation, volatility, labor shortages, and other challenges is no small effort. The Business Plan does not detail the numerous efforts needed to maintain services, although the capital plan includes investments necessary to maintain assets, facilities, equipment, and the fleet.



### **3: Continuous Improvements**

One of TheRide's business principles<sup>3</sup> is 'Excellence,' which the agency defines 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 doing and being better. This section itemizes internal efforts to improve staff engagement, customer experience, and environmental objectives.

#### **FY 2024 Projects**

**a. Team and Staff Development (1.0, 2.0, 2.2)**

TheRide is an agency and an institution but is also a team.

The staff are key to identifying and implementing opportunities for the future. We will continue to invest in our staff through various training opportunities (easier post pandemic), work to engage and inspire staff, and improve cross-department collaboration. An essential pre-condition is the ability to fully fill in key vacant positions. This work has started and will continue into FY 2025



**b. Customer Satisfaction Brainstorming (1.0)**

In many ways, public transit is a retail industry. We need to attract and retain our customers with quality services and experiences. With the Long-Range Plan detailed how we will *attract* new riders, the CEO would like to develop a process for re-engaging staff, the community, and the Board to identify the best ways to improve the customer experience and *retain* riders. This work will start in FY 2024 and continue into FY 2025

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<sup>3</sup> A list of TheRide's values and business principles is provided in Appendix 1.

**Sustainability Planning (1.0, 2.1, 2.4, 2.7)**

As part of our strategic goals, TheRide is working to plan for reducing and then eliminating emissions from our own operations. In addition to ongoing work on zero-emission buses (see capital plan below), there are two additional forthcoming studies that will address other aspects of our operations:



**c. Zero emissions support Fleet and A-Ride Study (1.2.2)**

A Zero emissions study for the support fleet and A-Ride vehicles is currently being conducted and will continue into FY24. These studies will inform us of the next steps.

**d. Zero emissions facility studies (1.2.2)**

A Zero emissions facility study is scheduled to take place in FY 2025. The studies will inform on the next steps.

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Figure 9: 5-Year Operational Work Plan

Major initiatives		Applicable Ends & Exec. Limitations	FY24	FY25	FY26	FY27	FY28
Attract new riders	Ypsilanti Transit Center Staffing	1.1, 1.4					
	30-minute frequencies- Weekend daytime routes	1.1, 1.3, 1.4, 1.5					
	Longer Service Hours	1.1, 1.3, 1.4, 1.5					
	Overnight On-Demand Expansion	1.3.1, 2.0					
	Express Pilot on Washtenaw	1.0-1.5					
	Accessibility Improvement & Response and Fixed Route Integration	1.1.2					
	Fare collection Modernization and integration	1.4					
	Express Pilot on North-South Corridor	1.0-1.5					
	Priority Service: Main-Nixon/Plymouth	1.0-1.5					
	Priority Service: Packard-Ellsworth	1.0-1.5					
	30-Minute Frequencies - Evenings (All Routes, Days, Times)	1.1, 1.3, 1.4, 1.5					
	Enhance On-Demand Service, Expand Coverage	1.1, 1.3, 1.5					
Cont. Improvement	Team and Staff Development	1.0, 2.0, 2.2					
	Customer Satisfaction Brainstorming	1.0					
	Advocacy Agenda (wrong place)	1.0, 2.0					
	Zero emissions A-Ride fleet studies	1.2.2					
	Zero emissions facilities studies	1.2.2					
Timeline pending funding, staff capacity and collaboration with key stakeholders.							

Environmentally friendly projects	<b>S</b>	Studies	<b>C</b>	Year of commissioning
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# 10-Year Capital Plan (Conceptual)

The Long-Range Plan illustrates how TheRide will need to implemented major capital infrastructure projects in order to meet the growing needs of the communities we serve.

## 1: Attract New Riders & Increase Ridership

TheRide2045 lays out numerous new facilities and major construction projects over the next 20 years. This section itemizes the major capital projects (i.e., construction, infrastructure, equipment, etc.) that are expected for the next five years. All are part of the 2022 millage or long-range plan. FY2024 will include planning to prepare these projects for construction (YTC, BTC), or consideration, funding or approval (i.e., garage, BRT). *Only the 2024 projects will be approved via the annual budget. The additional years are for context.* Each project description starts with a title and the Board goal which the project advances.

### FY 2024 projects

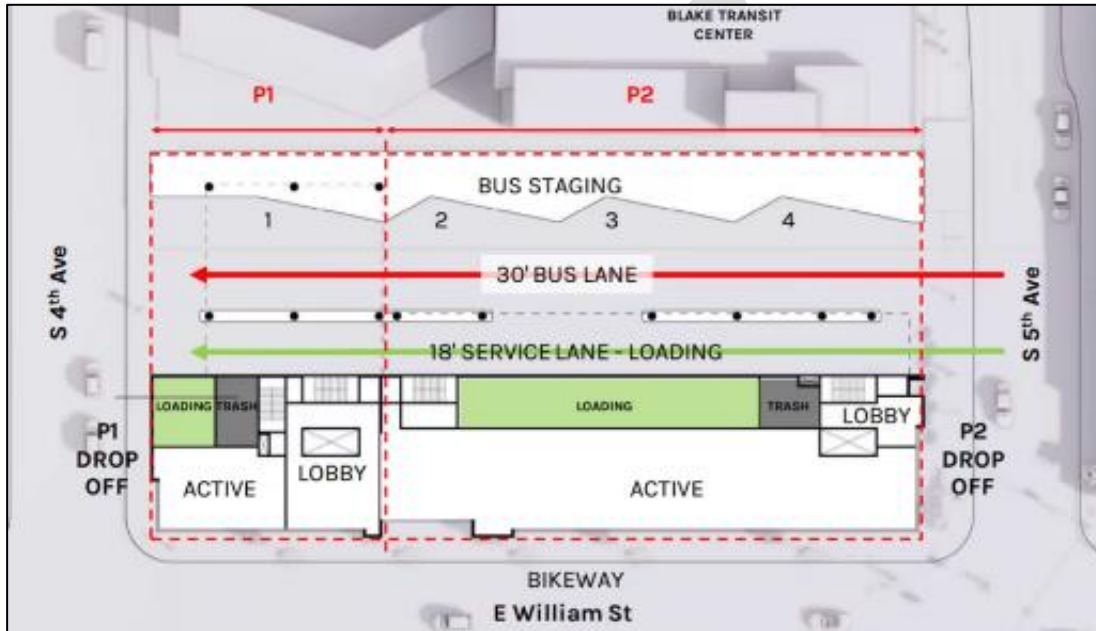
#### a. Ypsilanti Transit Center Redevelopment (1.1, 1.4, 1.5, 2.5.2, 2.10)

The current facility has outlived its useful life; increased demand for service and planned increase in service levels make it necessary to develop plans for a new transit center. This project includes planning, development, and construction of a new transit center in the City of Ypsilanti and is expected to begin operations in FY 2027.



**b. Blake Transit Center Expansion & Redesign (1.0, 1.4, 1.5, 2.5.2, 2.10)**

TheRide intends to nearly double its service hours by 2045. The transit centers must be designed to efficiently accommodate the increased service. The BTC expansion and redesign is expected to take place through FY 2026, when the new facility will officially be open for operations.



**c. New Bus Garage (1.0, 2.4.2, 2.4.3, 2.10)**

The new garage is anticipated to increase capacity for the fleet by 100 buses. It will also be critical in supporting the transition to zero-emissions vehicles with respect to different charging/refueling and maintenance requirements. The new bus garage is expected to be commissioned in FY 2031.



**d. Washtenaw BRT planning & funding (1.0-1.5, 2.10)**

The Washtenaw Avenue corridor provides the highest and most continuous ridership between downtown Ann Arbor and downtown Ypsilanti. The Washtenaw BRT will run between downtown Ypsilanti and Maple/Jackson in Ann Arbor, roughly spanning the service area from east to west. The planning and funding of the first phase of this BRT (BTC – YTC) is expected to take place between FY 2024 to FY 2029.



**Projects beyond FY 2024**

**e. Transit hubs and priority infrastructure (1.0, 2.10)**

Four transit hubs will be developed outside of the downtown cores to facilitate better connectivity between peripheral areas that have high demand, are projected to have significant growth in demand, and are located at logical connection points between numerous routes..

- State & Eisenhower area
- Jackson & Maple area
- Carpenter & Ellsworth area
- Nixon & Plymouth area



## **2: Excellence in Service Delivery**

TheRide's first priorities are to its existing customers. This section itemizes the capital costs and investments necessary to maintain the existing facilities, fleet, and other assets owned by TheRide. Keeping existing assets in a state-of-good-repair is a federal requirement and helps avoid over-spending on new projects or a backlog of deferred maintenance (see Board policy 2.7.3 regarding asset protection). Initiatives under this priority category include:



### **FY 2024 projects**

#### **a. Vehicle Replacements (1.4, 2.4.3, 2.7.3)**

To maintain service levels and avoid additional maintenance costs, TheRide plans to replace large transit buses, cutaway buses, mobility fleet and support vehicles through the LRP lifecycle.

#### **b. Equipment Replacements (1.4, 2.4.3, 2.7.3)**

TheRide has vehicle refresh schedules that call for the replacement of bus components to include engines, transmissions, hybrid drives, batteries, seats, and other parts necessary to maintain the fleet in a good state of repair.

#### **c. Existing Facilities (1.4, 2.2.1, 2.4.3, 2.7.3)**

Improvement of existing facilities include the rehabilitation of the Dawn Gabay Operations Center, the Blake Transit Center, the Ypsilanti Transit Center, the Park and Ride Lots as well as improve the ergonomic functionality for staff in these facilities.

### **3: Continuous Improvement**

Every organization needs to upgrade and improve technology systems, clean propulsion, and basic infrastructure. This section itemizes various internal improvements to systems, processes, or technology that can improve TheRide or our performance. It also includes important improvements for riders (i.e., bus stops, bus lanes) or the environment (zero-emissions buses).

**a. Technology upgrades: (1.4, 2.0, 2.7)**

Technology upgrades include investments in switches, firewalls, better storage systems, and network monitoring software and the Transit Signal Priority project.

**b. Bus Stop Improvements: (1.1.2, 1.4)**

Focused on improving accessibility for people with disabilities, TheRide is working on improving bus stop infrastructure such as concrete landing pads, safe pedestrian paths, shelters, and other amenities. Pending funding and issuance of permits TheRide targets to make 30 to 40 bus stops near sidewalks accessible each year.

**c. Bus Lane Improvements: (1.0, 1.4, 2.10)**

Pending funding and successful collaboration with stakeholders, TheRide has hopes to create and improve bus lanes in order make transit more attractive (relative to other modes) and efficient. Fully dedicated bus lanes will require the collaboration of the municipal, County and State partners in changing the streetscape.

**d. Zero Emissions Bus Fleet (1.2.2)**

A propulsion study is being conducted in FY 2023 to determine the best zero emission propulsion option. Per the Long-Range Plan it is expected that TheRide will have a 100% zero emissions fleet by FY 2038.

**e. IT Studies (2.0, 2.7)**

The IT department is currently conducting a study to inform on technological software and hardware that needs upgrades. This study will continue into FY 2024 after which obsolete or at-risk IT infrastructure will be upgraded or replaced.



*Figure 10: 10-Year Capital Plan*

Building our Future.

	Major initiatives	Applicable Ends & Exec Limitations	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
<b>Service Delivery</b>	Vehicle Replacement	1.4, 2.4.3, 2.7.3										
	Equipment Replacement	1.4, 2.4.3, 2.7.3										
	Rehab facilities	1.4, 2.2.1, 2.4.3, 2.7.3										
<b>Attract new riders</b>	YTC Redevelopment	1.1, 1.4, 1.5, 2.5.2, 2.10				C						
	BTC Expansion & Redesign	1.0, 1.4, 1.5, 2.5.2, 2.10			C							
	New Bus Garage	1.0, 2.4.2, 2.4.3, 2.10								C		
	Washtenaw BRT	1.0-1.5, 2.10										C
	Transit hubs & priority infrastructure	1.0, 2.10										
<b>Cont. Improv.</b>	Technology Upgrades	1.4, 2.0, 2.7										
	Bus Stop Improvements	1.1.2, 1.4										
	Bus Lane Improvements	1.0, 1.4, 2.10										
	Zero Emissions Buses	1.2.2										
	IT studies	2.0, 2.7		S								
Timeline pending funding, staff capacity and collaboration with key stakeholders.												
	Environmentally friendly projects		C		Year of commissioning		S		Studies			

# FY2024 Annual Budget Preparation

The Business Plan is the first part of an annual process of ***aligning*** expenditures to best achieve the Board’s goals. The Business Plan allows staff, the public and the Board of Directors to review and discuss the largest component of the upcoming budget in a transparent conceptual way (without all the detailed financial figures). This keeps the focus on Big Picture issues and the goals the Board has set and helps to avoid distracting minutia. Once the CEO feels they have received the advice and feedback they need, staff can begin preparing the detailed recommended budget, confident that most major questions have hopefully already been asked, answered, and accommodated. Hopefully this will allow the later discussion and approval of the budget to become a routine confirmation of decisions that have already been discussed.

**The Business Plan allows staff, the public and the Board of Directors to review and discuss the largest component of the upcoming budget in a transparent conceptual way (without all the detailed financial figures).**



## Board Expectations for the Budget and Strategic Planning

This approach is heavily influenced by Policy Governance and the Board’s written policies. Key policies include:

1. The CEO and staff present a recommended budget. The Board deliberates and approves the final budget (policy 3.2.7).
2. Policy Governance delegates almost all operational decisions to the professional staff intentionally so that the Board can focus its attention on the Outcomes.
3. The Board gives instruction with one voice via written policy when describing (in advance) how a budget should be prepared, most of which are described in policy 2.4: Financial Planning and Budgeting. Key expectations from the Board include:

## Building our Future.

- a. All budget items must be focused on advancing the Ends or complying with other policies.
- b. Staff cannot recommend a budget that risks fiscal jeopardy, causes deficit spending, or funds ongoing operations via debt or unclear means.
- c. The staff's recommended budget must include: a strategic multi-year context, projections of revenues and expenses, separation of operation and capital expenses, clear long-term funding needs, and clear assumptions.
- d. Staff generally present a high-level budget to help focus on the key strategic decisions. Since Means are already delegated to the CEO (policy 4.3.3), they do not typically present a line-item budget. Please let us know if granular details are required.
- e. Several other Executive Limitation policies affect the structure and content of the budget, for example by requiring staff be kept safe (2.2), construction projects be clearly defined (2.10), financial activities be correct (2.5), assets maintained (2.7.3), public input (2.7.5.5), and that risks be addressed prudently (2.0) and clearly (2.9.1.5).

These are the expectations the Board has created for staff regarding budgeting. When the recommended budget is presented for approval (September) the Board also receives a Monitoring Report for policy 2.4: Financial Planning and Budgeting. Acceptance of the monitoring report suggests compliance with the Board's expectations, after which the Budget is generally approved. However, the Board does have the ability, by vote, to change any element of the recommended budget. The Business Planning process is an attempt to learn of any significant concerns with the emerging budget so that changes can be incorporated early on.

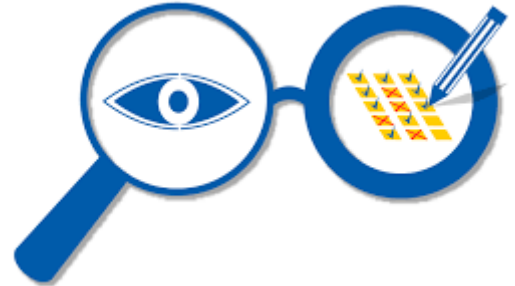
Budget planning will take place in June through August. During this period, a draft budget will be developed, and discussions held at staff and Board level to improve it. The final budget will be ready for Board approval before the end of September 2023.

TheRide staff generally present a high-level budget to focus discussion on major decisions and strategy. We do not generally present line-item budgets, especially since Means are already delegated to the CEO and staff (policy 4.3.3). If Board members or the public have questions

about granular expenditures or specific operational decisions, we hope they will be raised early in the process so they can be addressed early.

## Performance Monitoring

To assess the effectiveness of initiatives in the Corporate Business Plan and their alignment to the needs of our Communities through set Board policies, TheRide uses a two-tier method of monitoring progress and operational performance:



**Monitoring Reports** – The Board requires that the CEO report on compliance with every Policy. Monitoring Reports provide detailed interpretations of Board policies and evidence of compliance. These reports are provided at least annually and more frequently at the Board’s request.

**Operational Reports** – The CEO and staff provide a variety of detailed reports on specific aspects of TheRide’s internal workings.

- Quarterly financial reports provide information on the financial health of the authority.
- Quarterly service reports provide specific performance measures on operations.
- Monthly CEO updates provide information on specific projects at the public Board meetings. These updates most often include status updates of the projects identified in this Business Plan.

All of these reports and status updates are available on TheRide.org website.

## Conclusion

As TheRide focuses on implementing the many initiatives and projects we have promised to our communities, the annual Business Plan is a tool to help us align our resources to achieve our goals. The CEO encourages and welcomes feedback on the Business Plan to help further focus agency efforts, and to expedite the upcoming annual budgeting process.

Feedback on any of the initiatives in this document, can be sent to [tellus@theride.org](mailto:tellus@theride.org).

## **Appendix**

These appendices provide more information about staff's process for identifying and proposing initiatives and projects that are best suited to advancing the Board's goals.



## Strategic Planning Methodology

Strategic planning has three main pieces: an envisioned future state, a sound understanding of the current situation, and a plan for how to get from the current state to the desired future state. The Long-Range Plan has done extensive work to define these three states. Let's look at each piece separately.

**Envisioning a Future State:** TheRide's future state is defined in the Board's End policies, feedback from the Communities we serve and staff insight. Having consensus on a clear, defined future state gives TheRide a target toward which it can align its efforts, judge options, and measure progress.

**Understanding Current Status:** A shared understanding of the current situation and context allows TheRide to take steady aim at the targeted future. The current state of the organization is organized into strengths, weaknesses, opportunities and threats/challenges and that information detailed in the SWOT analysis table in Appendix 2A. To determine the position of the agency in relation to the external environment i.e., political, economic, social, technological, legal, and environmental (PESTLE) aspects, a PESTLE analysis was conducted, and the details documented in Appendix 2B. The results in these two analyses are updated annually during each Business Planning process to reveal areas that the agency is performing well, and where new capabilities and capacities need to be acquired.

**Filling in the gap:** A gap analysis identifies opportunities and gaps between the current state and the desired future. It informs on the key drivers for change and the order of prioritizing agency initiatives.

Based on that insight, a strategic action plan is developed to bridge the gap between the current and the desired state. The work done during the Long-Range Planning process has been instrumental in addressing major gaps. See Appendix 2C for the Gap analysis. The Business Plan is updated annually and during this time emergent gaps may arise. Such gaps are prioritized using the strategic planning criteria in Appendix 3 which include



alignment with TheRide’s goals, tradeoffs, and affordability

## Values and Business Principles

In addition to aligning with the Boards direction, staff collaboratively developed values and business principles to inform on how they would engage with each other and how they conduct business respectfully. Below are those values and business principles.

<p><b>VALUES:</b> (How TheRide’s employees engage with each other)</p>	 <p><b>RESPECT:</b> Treating one another with dignity</p>	 <p><b>COMPASSION:</b> Understanding, sharing in and being sensitive to the situations of others.</p>	 <p><b>INTEGRITY:</b> Having a moral or ethical conviction to always do what is right.</p>
<p><b>BUSINESS PRINCIPLES</b> (How TheRide’s employees get the work done)</p>	 <p><b>TEAMWORK:</b> Collaborating for a greater good</p>	 <p><b>SAFETY:</b> Keeping yourself and others away from harm.</p>	 <p><b>EXCELLENCE:</b> Continuously renewing our commitment to perform well beyond set standards</p>

## SWOT Analysis

This analysis provides a current state assessment of the positive and negative forces that impact the organization from an internal (within the organization) and external (outside the organization) perspectives.

		INTERNAL	EXTERNAL
<b>Helpful</b>	<b><u>STRENGTHS</u></b> <b>(Agency Capabilities)</b>		<b><u>OPPORTUNITIES</u></b> <b>(External opportunities that the agency can impact)</b>
		<ul style="list-style-type: none"> <li>• Presence of a guiding vision (The Long-Range Plan)                             <ul style="list-style-type: none"> <li>- Provide focus and help prioritize resources.</li> <li>- Speed up implementation by starting with a realistic plan.                                     <ul style="list-style-type: none"> <li>- Help communicate the value of public transit.</li> </ul> </li> </ul> </li> <li>• Strong credibility &amp; support by the Communities we serve.                             <ul style="list-style-type: none"> <li>- Strong relationships with partners.</li> <li>- History of successful collaborations.</li> <li>- A tradition of excellence in service delivery and business decisions.</li> <li>- High rider satisfaction.</li> </ul> </li> <li>• Existing resources &amp; assets in reasonable condition.                             <ul style="list-style-type: none"> <li>- Existing technology allows for effective virtual/hybrid running of business.</li> <li>- Relatively stable funding.</li> <li>- Physical assets and equipment are adequate and in fair shape.</li> </ul> </li> <li>• Engaged Board and staff.                             <ul style="list-style-type: none"> <li>- Strong commitment to our Communities, especially underserved populations.</li> <li>- Rapidly modernizing internal processes, clarifying roles, &amp; direction.</li> <li>- Willingness to listen &amp; strive to improve.</li> </ul> </li> <li>• Good interdepartmental coordination</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to study environmentally friendly transit options.</li> <li>• Demographics, economic and societal trends are changing. Hence creating an opportunity to tailor services to meet emerging demands.                             <ul style="list-style-type: none"> <li>- The population is growing and aging.</li> <li>- Urban areas are growing more compact and need additional mass transit.</li> <li>- Mobility needs are growing in suburban and rural areas.</li> <li>- More transit-supportive land development could make accessing destinations easier.</li> </ul> </li> <li>• Potential to expand services and funding.                             <ul style="list-style-type: none"> <li>- Could seek additional funding/resources via grants, partnerships, other sources.</li> <li>- Could expand Authority membership/change enabling legislation.</li> </ul> </li> <li>• Advocate for outside decisions that support TheRide’s desired outcomes.                             <ul style="list-style-type: none"> <li>- Influence outside decision-makers (land development, housing, transportation policy, etc.)</li> <li>- Assume a leadership position in coordinating alternative transportation.</li> </ul> </li> <li>• The approved millage will help maintain operations and prevent a financial deficit in the near future.</li> </ul>

SWOT ANALYSIS continued...

		INTERNAL	EXTERNAL
		WEAKNESSES (Areas of improvement within the organization)	THREATS (External challenges to agency success)
<b>Weak areas</b>		<ul style="list-style-type: none"> <li>• Insufficient facility capacity                             <ul style="list-style-type: none"> <li>- The bus fleet cannot grow because the garage is full</li> <li>- Space at the terminals is limited.</li> </ul> </li> <li>• Reduced fare revenues.                             <ul style="list-style-type: none"> <li>- Working from home and alternative learning options have led to a decline in ridership.</li> </ul> </li> <li>• Limited ability to influence outside decisions (RTA, local land development)</li> </ul>	<ul style="list-style-type: none"> <li>• Dominant car culture.</li> <li>• Remote working &amp; online learning options may reduce ridership.</li> <li>• Constrained funding and resources limit opportunities.                             <ul style="list-style-type: none"> <li>- Many travel needs lie outside our geographic service area and taxing authority.</li> <li>- Resource-constrained partners &amp; a sometimes zero-sum environment.</li> <li>- Insufficient facility capacity (garage and terminals) limits service growth.</li> <li>- Possible loss of autonomy or funding to the RTA.</li> </ul> </li> <li>• Increased operational costs                             <ul style="list-style-type: none"> <li>- Increasing construction and fuel costs.</li> <li>- Growing demand for expensive premium services.</li> <li>- Traffic congestion slows buses and makes them less reliable.</li> <li>- Labor shortages (technical and professional staff)</li> <li>- Economic inequality, A2/Ypsi disparities and affordability.</li> </ul> </li> <li>• Outside pressures/demands can divert TheRide’s attention.</li> </ul>

**Key takeaways from the SWOT analysis.**

1. The Long-Range Plan provides a strategic direction on how to organize, leverage, and maximize resources and innovative technologies in order to provide our Communities with the best transit options.
2. Remote and hybrid working and learning options have negatively impacted ridership. However, changing demographics, economic and societal trends create emerging demands and opportunities to grow ridership.
3. Advocacy of outside decisions such as land development, housing, and other transit supportive policies will be instrumental in achieving TheRide’s desired outcomes (to include increasing ridership).

## PESTLE analysis

Awareness of external factors and their impact on the agency allows us to plan realistically. TheRide achieves this by conducting a Political, Economic, Social, Technological, Legal/Governance and Environmental (PESTLE) analysis. Here is a list of external factors and how they impact TheRide.

Political	<ul style="list-style-type: none"> <li>• Changes at the federal level have led to transit favorable actions.</li> <li>• RTA prioritization has TheRide competing for resources with other agencies.</li> <li>• Federal regulations and FTA reviews promote safe, non-discriminatory, and financially responsible operations.</li> </ul>
Economical	<ul style="list-style-type: none"> <li>• Additional federal funding options have enabled AAATA to continue providing services and plans for capital projects.</li> <li>• The current government may repurpose unused earmarks which in turn provides more funding for transportation infrastructure.</li> <li>• Increased inflation leads to increased costs.</li> <li>• The millage win may help take care of structural deficits.</li> </ul>
Social	<ul style="list-style-type: none"> <li>• AAATA has a positive public image.</li> <li>• Presence of pro and anti- development cultures in our Communities.</li> <li>• There's disparity in demographics and income in Ypsilanti vs. Ann Arbor.</li> <li>• Demands from local interests must be prioritized to ensure TheRide's resources are utilized in a manner that shows efficient stewardship.</li> </ul>
Technological	<ul style="list-style-type: none"> <li>• Adaptation of the public to remote working, virtual commerce, etc., impacts travel patterns and ridership.</li> <li>• Opportunities to advance customer experience and operational efficiency via technology platforms.</li> <li>• Opportunity to improve remote worker experience.</li> <li>• Remote and hybrid working creates opportunities to increase and sustain cyber-security measures.</li> </ul>
Legal / Governance	<ul style="list-style-type: none"> <li>• AAATA surpasses ADA compliance requirements except for bus stops.</li> <li>• AAATA complies with Title VI equitable accessibility provisions.</li> <li>• The Board sets governing policies that serve the interest of our Communities and compliance to these policies is monitored periodically.</li> <li>• AAATA is currently compliant with laws and regulations governing the transit industry.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Our Communities are supportive of ecologically conscious decisions.</li> <li>• The federal government is considering funding clean energy transit options.</li> <li>• There is an opportunity to study and implement zero-emissions fleet and facilities</li> </ul>

### Key takeaways from the PESTLE analysis.

- A. Increasing operation costs and increasing demands from local interests create a need to prioritize initiatives to ensure efficient stewardship of available resources.
- B. Remote working, online schooling, virtual commerce, and telemedicine has negatively

impacted ridership. TheRide is working on initiatives to retain riders as well as attract new ones.

## Gap analysis

The Ride’s Board determines the desired results through its ends policies and staff conducts a current state assessment through the SWOT and PESTLE analyses. Comparing current and end states helps identify gaps and inform on how resources can be prioritized to achieve desired results.

Desired End State (Policy)	Current State	Gap	Mitigation
<b>Increase ridership (1.0)</b>	-Low ridership (compared to pre-pandemic years)	Low ridership	Retain and attract ridership by making transit more reliable through implementation of the LRP
<b>Ensure efficient stewardship of resources (Policy 1.0)</b>	-New millage was passed in Aug 2022 -Declining fare revenues due to reduced ridership -Increased cost of operations due to inflation	The new millage will address structural deficits however increased operational costs and reducing fare revenues still leave TheRide in need of more funding options.	Make use of all possible grants and funding opportunities
<b>Equitable accessibility (Policy 1.1)</b>	TheRide complies with most equitable accessibility regulations but there’s room to provide more equitable opportunities and results for customers and the traveling public.	Unclear on opportunities to improve equity within the agency and with customers	Conduct a study to better understand how TheRide can improve equity opportunities and results for our customers and the travelling public.
<b>Positively impact the environment (Policy 1.2)</b>	TheRide is currently studying zero emissions options.	Zero emissions technology is unclear	Understand and implement sustainable zero emissions technology
<b>Increase service frequency and connectivity (Policy 1.3)</b>	Insufficient facility capacity at terminals and garage making it challenging to expand services	Potential to expand space, fleet and consequently services.	Implement the Long-Range Plan -Increase facility capacity, -expand terminal space, -grow fleet size
<b>Increased customer satisfaction (Policy 1.4)</b>	Currently have high customer satisfaction however, due to reduced ridership, TheRide would like to find ways to retain and attract new ridership	Opportunity to attract and retain ridership	Campaign to rebuild ridership, improve service comfort and reliability by replacing aging vehicles, continuing safety practices
<b>Support and credibility in the Community (1.5)</b>	TheRide enjoys support from our Communities. Aug millage 2022 Passed.	N/A	N/A

### KEY TAKEAWAYS from the GAP analysis.

1. Implementation of the Long-Range Plan will not only provide for better transit options but also further the desired end results.

## Strategic Planning Criteria

The Board's policies outline desired outcomes/goals and operational expectations. It is up to the CEO and staff to recommend initiatives, projects, and expenditures that will make progress in achieving the goals identified by the Board. Staff seek public and stakeholder input, as well as advice from the Board, as they develop these recommendations. To be effective stewards of resources, TheRide prioritizes initiatives by considering the following.

1. **Organizational Alignment:** Does the initiative help to advance the Board's desired outcomes? Does it mesh with what we do, for whom and at what cost? Are we focusing our energy on future goals, or reacting and spreading ourselves too thin? Are they in line with our values and business principles?
2. **Roles:** Is the initiative within TheRide's legal mandate, or is it the responsibility of another group? Do we have direct control, or can we only influence others? Is the idea more appropriate for another organization? Is partnering a possibility?
3. **Risks:** What risks does the initiative pose now or in the future? Are the risks acceptable?
4. **Priority:** Broadly TheRide puts a priority on maintaining existing services ahead of new initiatives that add value or cause expansion. Where does this idea fall?
5. **Tradeoffs and Affordability:** Is this a beneficial use of limited funding or time (cost/benefit, ROI, etc.)? What trade-offs are implicit or not immediately obvious?
6. **Capacity:** Does TheRide have the expertise or resources to pursue the initiative now or in the future?
7. **Sequence and Readiness:** How ready is the initiative to proceed? Do other steps logically need to come first? Is there a risk of proceeding too soon? What are the impacts of deferral? Is this urgent to us and our goals, or someone else?
8. **Precedent and Commitment:** Will initially small steps create a larger, unavoidable commitment later on? Will a precedent set in one case require greater commitment to treat everyone the same later?
9. **Public Commitment:** Have we committed to this project publicly? Within what timeframe? Are other external stakeholders involved in the execution of this project and

to what extent?

10. **External impact and influence vs. internal capacity and capabilities:** The Strengths, Weaknesses, Opportunities and Challenges/Threats (SWOT) analysis detailed in Appendix 2A; and the Political, Environmental, Social, Technological, Legal/Governance and Economical factors (PESTLE) analysis detailed in Appendix 2B Priorities and Initiatives allow the agency to make and prioritize decisions based on a reasonable balance between internal capacity and external influences.





**TheRide**

# OPERATING & CAPITAL BUDGET FOR FY2024

Version 1.0

*Draft Budget*

*Fiscal Year 2024*

Building  
Our  
Future

# 2024

ANN ARBOR AREA TRANSPORTATION AUTHORITY

The award, presented to TheRide for its *FY2022 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

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**October 01, 2021**

*Christopher P. Morill*

**Executive Director**

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# Reader's Guide

In addition to introductory information about TheRide and a letter from the CEO and CFO, this document contains six sections describing the FY2024 Draft Operating and Capital Budget:

- The **Executive Summary** provides a high-level summary of the budget.
- 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 FY2024 and presents financial forecasts for subsequent years.
- **Impacts of the 2024 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 2024, 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 the 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.

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# 1. About TheRide

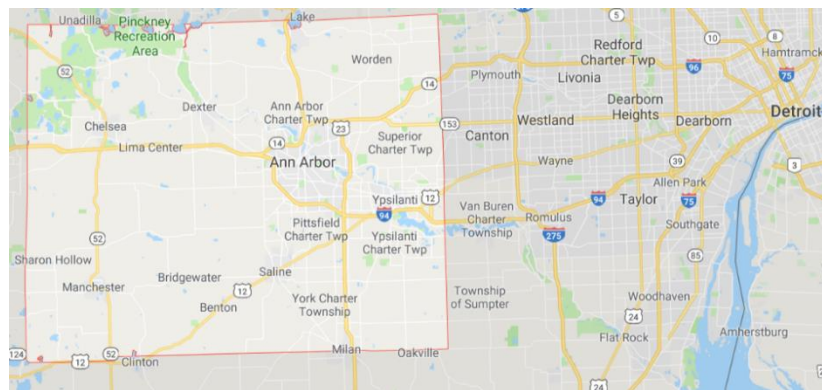


The Ann Arbor Area Transportation Authority (AAATA, or TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

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 335,000 hours of revenue service, driving more than 6.6 million revenue miles, and carries more than 4.5 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.

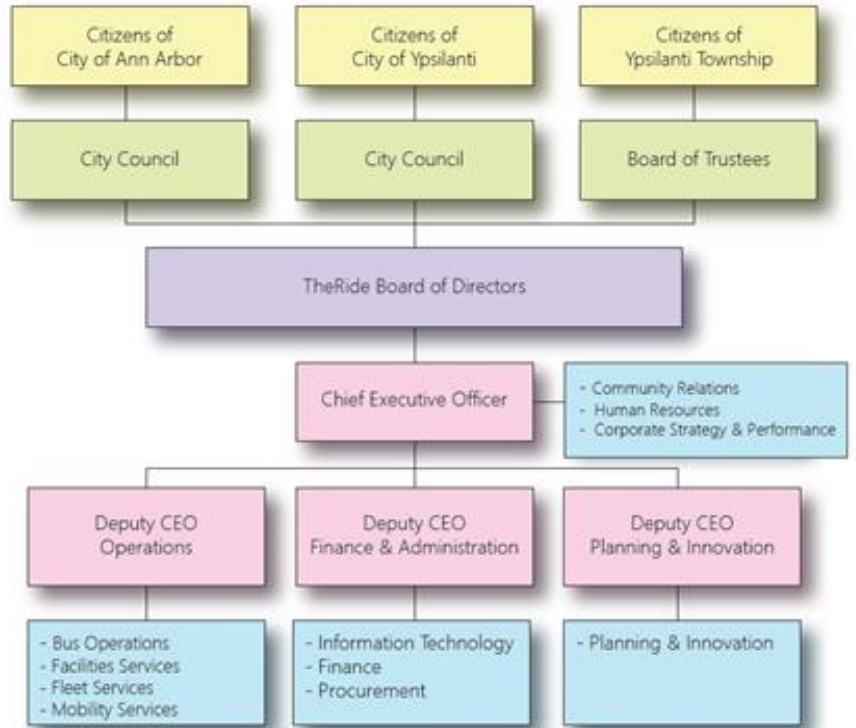
TheRide operates from three facilities. The Dawn Gabay Operations Center is the headquarters, and houses administration offices, a maintenance facility, and a bus garage. Passenger terminals are located in downtown Ann Arbor (Blake Transit Center) and Ypsilanti (Ypsilanti Transit Center) and include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

**Board of Directors**

Kathleen Mozak, Chair  
 Michael Allemang, Treasurer  
 Jesse Miller, Secretary  
 Chris Allen, Board Member  
 Simi Barr, Board Member  
 Rich Chang, Board Member  
 Elizabeth Gerber, Board Member  
 Susan Pollay, Board Member  
 Monica Ross-Williams, Board Member  
 Kyra Sims, Board Member

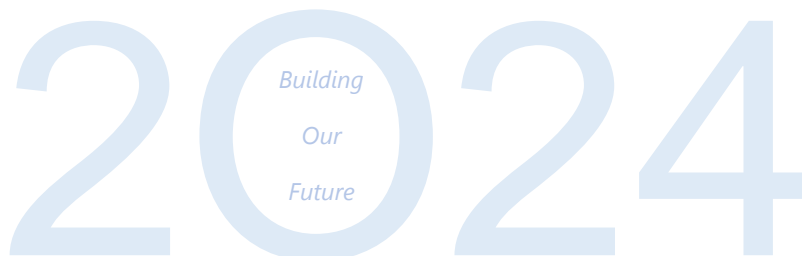
**Executive Team**

Matt Carpenter, Chief Executive Officer  
 Dina Reed, Deputy CEO, Finance & Administration  
 George Brooks, Deputy CEO, Operations  
 Forest Yang, Deputy CEO, Planning & Innovation



**Senior Management Staff**

Mike Blackston, Manager of Information Technology  
 Troy Lundquist, Manager of Fleet Services  
 Gail Roose, Manager of Facilities Services  
 Michelle Whitlow, Mgr. of Procurement & DBE Liaison  
 Samantha Potter, Int. Manager, Comm. Relations  
 Monica Boote, Manager of Human Resources  
 Vivi Nguyen, 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**

August 11, 2023

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to provide the Draft FY2024 Operating and Capital Budget (the budget).

In 2024, TheRide will continue focusing on growing ridership by providing a range of transportation services and expanding frequency and hours of service, with assistance of federal relief funding. The budget supports the strategic priorities of attracting, retaining, and growing ridership, excellence in service delivery, 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.

A handwritten signature in black ink, appearing to read 'Matt Carpenter'.

Matt Carpenter  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Dina Reed'.

Dina Reed  
Deputy CEO, Finance & Administration

## 3. Executive Summary

The FY2024 Draft Operating and Capital 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 (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.

In addition to advancing the Board's goals, the CEO and staff must comply with the Board expectations regarding administrative and operational decisions (i.e., Executive Limitations policies). These policies ensure transparency, reporting, and fiduciary oversight by the Board. Examples of key Executive Limitations policies include:

- Ensure passengers and customers are well treated.
- Ensure staff are well treated and that TheRide is an attractive employer.
- Ensure that the Board, riders, and the public have opportunities to shape the future direction of the agency.
- Ensure transparency and accountability.
- Maintain the financial health of the organization.
- Do not risk fiscal jeopardy.
- Maintain assets of the organization in good condition.
- Compliance with all applicable laws. (Numerous other local, state, and federal laws also enable and constrain what TheRide can do.)

The Corporate Business Plan (the business plan) clarifies the strategic objectives and outlines what will be achieved within a 5-year operating plan and a 10-year capital plan. The operating workplan is shorter to allow a detailed focus on day-to-day operational aspects and more specifically new service improvements. Aligned with the business plan, the budget provides funding to support the following organizational objectives:

- Attract New Riders & Increase Ridership
- Excellence in Service Delivery
- Continuous Improvement

This presentation of the budget illustrates initial assumptions of revenues and expenses needed to maintain current service levels (a base budget) and initiatives to further the Ends policies.

### The Operating Budget

#### Operating Budget Initiatives

The most significant initiatives impacting the operating budget this year are the implementation of services promised in the 2022 millage proposal (the millage). In August 2022 the communities we serve supported a new millage that addressed funding challenges faced by the agency for years, which were exacerbated by impacts of the pandemic. The millage also included funding for the first phase of the Long-Range Plan approved in 2022, which includes expanded services to begin in August 2024. The following millage initiatives aimed to **attract new riders and increase ridership** are being implemented throughout the next fiscal year and are funded in the budget:



- a. [Ypsilanti Transit Center Staffing \(Board goals advanced: 1.1, 1.4\)](#)  
As part of the 2022 millage TheRide will be restoring customer service agents to the Ypsilanti Transit Center. This project may be started in advance in FY 2023 depending on construction timelines.
- b. [30-minute frequencies – Weekend daytime routes \(1.1, 1.3, 1.4, 1.5\)](#)  
This initiative began in FY 2023 and will be complete in FY 2024. More buses will be added on the weekends to ensure that daytime service runs at a 30-minute frequency instead of a 60-minute frequency.
- c. [Longer Service Hours \(1.1, 1.3, 1.4, 1.5\)](#) – The Ride is currently working on extending service hours. On weekdays the hours of operations will be from 6:00AM to 11:30PM, Saturday from 7:00AM to 11:30PM and on Sunday 8:00AM to 9:00PM. These adjustments are expected to be completed by the end of FY 2024.
- d. [Overnight On-Demand Expansion \(1.3.1\)](#) – TheRide is currently working on improving overnight services, holiday service and expanding overnight and holiday services to all of City of Ypsilanti, and Ypsilanti Twp north of Textile Road (matching the fixed route by end of FY 2024).
- e. [Express Pilot on Washtenaw \(1.0-1.5\)](#) – The Express Pilot service will provide enhanced service along the Washtenaw corridor by reducing travel time by 30% and building ridership in preparation of the Washtenaw BRT. Planning and funding of this pilot is expected to commence in FY 2024.
- f. [Accessibility Improvement, Response & Fixed Route Integration \(1.1.2\)](#) – TheRide will continue improvement to bus stops, integrating Fixed route, A-Ride and FlexRide. This work is continuous through the LRP lifecycle.
- g. [Advocacy Agenda \(Policy 1.0, 2.0\)](#) – Many elements of the Long-Range Plan and TheRide’s plans rely on decisions made by others outside of the agency, including municipal councils, legislatures, and congress. Working with the Board’s efforts on Ownership linkage, staff will work to establish a clear advocacy agenda.

The budget provides appropriate funding to provide **excellence in service delivery**. In addition to the expansion of service initiatives, the ride will maintain all current transit and related services at full levels. We are also proposing to keep all fares the same as in FY2023. About 90% of TheRide’s staff and other resources are used to focus on the daily mission of operating transit services, including operations and maintenance of facilities and equipment. Continuing these services and rebuilding ridership in a post-pandemic period of inflation, volatility, labor shortages, and other challenges is no small effort and should be acknowledged.

The budget includes funding for investing in **continuous improvements**. The following initiatives are being implemented throughout the next fiscal year and are funded in the budget:

- a. [Team and Staff Development \(1.0, 2.0, 2.2\)](#) – TheRide is an agency and an institution but is also a team. The staff are key to identifying and implementing opportunities for the future. We will continue to invest in our staff through various training opportunities (easier post pandemic), work to engage and inspire staff, and improve cross-department collaboration. An essential pre-condition is the ability to fully fill in key vacant positions. This work has started and will continue into FY 2025.
- b. [Customer Satisfaction Brainstorming \(1.0\)](#) – With the Long-Range Plan detailed how we will attract new riders, the CEO would like to develop a process for re-engaging staff, the community, and the Board to identify the best ways to improve the customer experience and retain riders. This work will start in FY 2024 and continue into FY 2025
- c. [Sustainability Planning \(1.0, 2.1, 2.4, 2.7\)](#) – TheRide is working to plan for reducing and then eliminating emissions from our own operations. In addition to ongoing work on zero-emission buses (see capital plan below), there are two additional forthcoming studies that will address other aspects of our operations.

- d. [Zero emissions support Fleet and A-Ride Study \(1.2.2\)](#)  
A Zero emissions study for the support fleet and A-Ride vehicles is currently being conducted and will continue into FY24. These studies will inform us of the next steps.
- e. [Zero emissions facility studies \(1.2.2\)](#)  
The Zero emissions facility study is scheduled to take place in FY 2025. The studies will provide information to develop next steps.

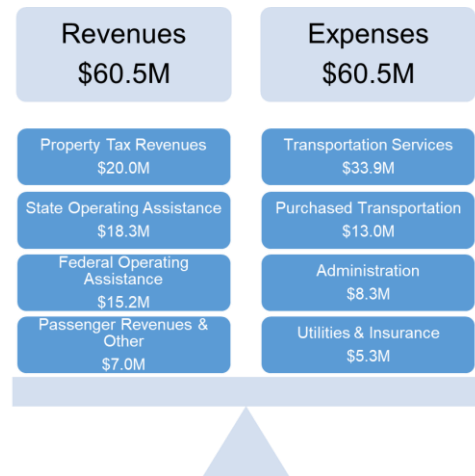
Some additional initiatives, with much less significant cost impacts may be recommended as part of the budget presented in September, as funding allows. All initiatives are provided in the context of organizational priorities, available resources, and align with the business plan.

### Operating Budget Summary

This balanced budget provides funding to execute on the TheRide’s highest priorities. Direct funding for transportation services makeup approximately 78 percent of total expenditures.

Key assumptions include:

- Operating full-service levels.
- Funding for millage services:
  - Accelerates funding for Ypsilanti Transit Center customer service center.
  - Accelerates funding for approved millage positions required to maintain current services.
  - Includes funding to phase in operations staff in to prepare to deliver services on time.
  - Includes funding for startup contract costs to prepare to deliver services on time.
- Anticipates no fare changes.



The budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses. Use of pandemic relief funds will be slowed in FY2023 to allow more funding to be available for accelerating and phasing in millage service expansions in FY2024. As presented in previous projections, pandemic relief funds will be exhausted by the second quarter of FY2024, resulting in a significant decrease in that revenue line in the budget for the fiscal year.

The budget includes approximately \$3 million of expenses for preparation and initial startup costs for the expansion of services approved in the millage, which are planned to begin in August of 2024. Part of the additional expenses include beginning the Washtenaw Express service earlier than planned, which will be funded by the discretionary grant received for that service for two years. Another portion of the increase is the requirement to add operations staff to be prepared to begin service in August, and the actual service to run in August and September 2024. The latter does not have a funding source until the millage funding arrives, which will not be available until October 1, 2024 (FY2025). As a result, the draft budget assumes the use of federal pandemic relief fund for operations.

## The Capital Budget

### Capital Budget Initiatives

The most significant initiatives impacting the capital budget this year are commitments to maintain fleet and facilities in a state of good repair and initial planning and design for major capital projects included in the approved Long-Range Plan approved in 2022. The following initiatives aimed to **attract new riders and increase ridership** are being implemented throughout the next fiscal year and are funded in the budget:

- a. **Ypsilanti Transit Center Redevelopment (1.1, 1.4, 1.5, 2.5.2, 2.10)** – The current facility has outlived its useful life; increased demand for service and planned increase in service levels make it necessary to develop plans for a new transit center. This project includes planning, development, and construction of a new transit center in the City of Ypsilanti and is expected to begin operations in FY 2027.
- b. **Blake Transit Center Expansion & Redesign (1.0, 1.4, 1.5, 2.5.2, 2.10)** – TheRide intends to nearly double its service hours by 2045. The transit centers must be designed to efficiently accommodate the increased service. The BTC expansion and redesign is expected to take place through FY 2026, when the new facility will officially be open for operations.
- c. **New Bus Garage (1.0, 2.4.2, 2.4.3, 2.10)** – The new garage is anticipated to increase capacity for the fleet by 100 buses. It will also be critical in supporting the transition to zero-emissions vehicles with respect to different charging/refueling and maintenance requirements. The new bus garage is expected to be commissioned in FY 2031.
- d. **Washtenaw BRT planning & funding (1.0-1.5, 2.10)** – The Washtenaw Avenue corridor provides the highest and most continuous ridership between downtown Ann Arbor and downtown Ypsilanti. The Washtenaw BRT will run between downtown Ypsilanti and Maple/Jackson in Ann Arbor, roughly spanning the service area from east to west. The planning and funding of the first phase of this BRT (BTC – YTC) is expected to take place between FY 2024 to FY 2029.

The budget provides for capital costs and investments necessary to maintain the existing facilities, fleet, and other assets owned by TheRide. Keeping existing assets in a state-of-good-repair is a federal requirement and helps avoid over-spending on new projects or a backlog of deferred maintenance (see Board policy 2.7.3 regarding asset protection). The following initiatives aimed to **excellence in service delivery** are being implemented throughout the next fiscal year and are funded in the budget:

- a. **Vehicle Replacements (1.4, 2.4.3, 2.7.3)** – To maintain service levels and avoid additional maintenance costs, TheRide plans to replace large transit buses, cutaway buses, mobility fleet and support vehicles through the LRP lifecycle.
- b. **Equipment Replacements (1.4, 2.4.3, 2.7.3)** – TheRide has vehicle refresh schedules that call for the replacement of bus components to include engines, transmissions, hybrid drives, batteries, seats, and other parts necessary to maintain the fleet in a good state of repair.
- c. **Existing Facilities (1.4, 2.2.1, 2.4.3, 2.7.3)** – Improvement of existing facilities include the rehabilitation of the Dawn Gabay Operations Center, the Blake Transit Center, the Ypsilanti Transit Center, the Park and Ride Lots as well as improve the ergonomic functionality for staff in these facilities.

The budget provides for capital costs and investments necessary to upgrade and improve technology systems, clean propulsion, and basic infrastructure. Initiatives focus on opportunities to execute various internal improvements to systems, processes, or technology designed to improve TheRide's internal performance. It also includes important improvements for riders (i.e., bus stops, bus lanes) or the

environment (zero-emissions buses). The following initiatives aimed to **continuous improvement** are being implemented throughout the next fiscal year and are funded in the budget:

- a. **Technology upgrades: (1.4, 2.0, 2.7)** – Technology upgrades include investments in switches, firewalls, better storage systems, and network monitoring software and the Transit Signal Priority project.
- b. **Bus Stop Improvements: (1.1.2, 1.4)** – Focused on improving accessibility for people with disabilities, TheRide is working on improving bus stop infrastructure such as concrete landing pads, safe pedestrian paths, shelters, and other amenities. Pending funding and issuance of permits TheRide targets to make 30 to 40 bus stops near sidewalks accessible each year.
- c. **Bus Lane Improvements: (1.0, 1.4, 2.10)** – Pending funding and successful collaboration with stakeholders, TheRide has hopes to create and improve bus lanes in order make transit more attractive (relative to other modes) and efficient. Fully dedicated bus lanes will require the collaboration of the municipal, County and State partners in changing the streetscape.
- d. **Zero Emissions Bus Fleet (1.2.2)** – A propulsion study is being conducted in FY 2023 to determine the best zero emission propulsion option. Per the Long-Range Plan it is expected that TheRide will have a 100% zero emissions fleet by FY 2038.
- e. **IT Studies (2.0, 2.7)** – The IT department is currently conducting a study to inform on technological software and hardware that needs upgrades. This study will continue into FY 2024 after which obsolete or at-risk IT infrastructure will be upgraded or replaced.

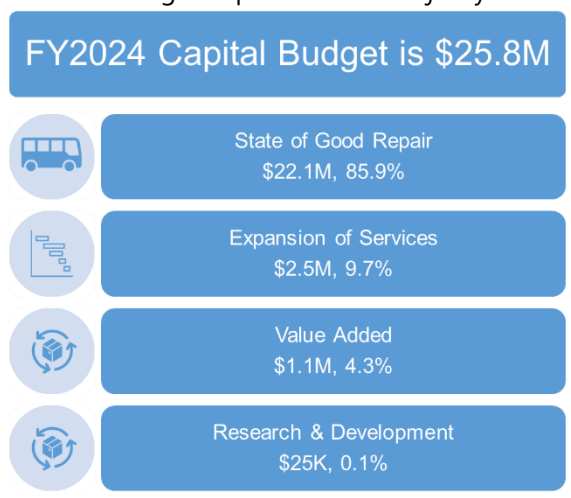
### Capital Budget Summary

This balanced budget provides funding to execute on the TheRide’s highest priorities. A majority of the budget is focused on state of good repair for buses and facilities, specifically:

- Linehaul buses and support vehicles
- Replacing the roof and HVAC system at the Dawn Gabay Operations Center
- Emergency generator at the Dawn Gabay Operations Center

Expansion of services and value-added projects are described in the Capital Budget Initiatives section.

Funding for the capital budget is 99 percent federal and state grant funding.



### The Budget Recap

TheRide is financially stable and is expected to remain so through FY2024 and the projection period. TheRide expects FY2023 revenues and expenses to be materially consistent with the approved budget. The reserve balance remains strong, as federal pandemic relief funds will support full operational service, millage initiatives, excellence in service delivery and continuous improvement this fiscal year.

The assumptions in the Recommended FY2024 Budget represent the staff’s best attempts to make financial projections using the economic inputs available to us from industry, local, state, and federal leaders. There is always some uncertainty in the budget, particularly the impact of inflation, workforce

challenges, and impacts of state and local funding. The following are key risks monitored closely throughout the fiscal year:

- 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.
- 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.
- Purchased transportation costs may vary depending on the costs for FlexRide, GoldRide and NightRide services.

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2024 will bolster the organization against the risks of uncertainty ahead. The following are key strengths that may mitigate risks:

- No known risks of service cuts or lay-offs in 2024
- 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

The FY2024 Draft Operating and Capital 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 (Ends policies) and is aligned with TheRide's Corporate Business Plan. This presentation of the draft budget illustrates initial assumptions of revenues and expenses needed to provide transportation services to the communities we serve and includes funding for initiatives prioritized in the business plan. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and five and ten-year projections. Updated assumptions may be incorporated into the recommended budget, which will be presented in September, but it is not expected that updates will be materially different than described in the draft budget. The outlook for the budget is stable, and is supported approved millages through 2028, and the use of federal relief funds in the near term to provide transportation services to our communities.

# 4. Introduction

## Budget Introduction

The FY2024 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.

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. In FY2022 we were focused on recovery, but significant financial and operational uncertainty continued throughout the fiscal year. The labor market was slow to recover and service levels were reduced for a portion of the year. Financial markets have been volatile with levels of inflation that haven't been realized in decades. 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 capital funding for transportation agencies, who rely on public funding.

In the wake of the unpredictable impacts of the coronavirus pandemic, the additional funding provided stability for our agency. However, those funds were only temporary, and we still needed to secure sustainable funding for operations post-pandemic. In August 2022 the communities we serve supported a new millage that addressed the funding challenges faced by the agency for years, which were exacerbated by impacts of the pandemic. The millage also included funding for the first phase of the Long-Range Plan approved in 2022, which includes expanded services to begin in August 2024. The approved millage was approved for 2024 through 2028. Fiscal year 2025 will be the first full year of all service expansion initiatives approved in the millage, and services are supported through fiscal year 2029. This funding provides continued restoration of ridership through growth in service opportunities and investing in organizational efficiencies.

As a result, the FY2024 Corporate Business Plan (the business plan) focuses on initiatives targeted to increase ridership, provide excellence in service delivery, and support continuous improvements. The business plan clarifies TheRide's strategic goals (Ends policies) and outlines how it will achieve them within a 5-year operating and 10-year capital plan. The operating workplan is shorter to allow a detailed focus on day-to-day operational aspects and new improvements. Examples of initiatives in the operational workplan include increasing frequency of services and expanding service coverage. The capital project plan extends over a longer period since its focus is on infrastructure projects which may take longer to complete. Capital projects include transit center redevelopments, and the Bus Rapid Transit.

The budget is the financial roadmap for the fiscal year and aligns financial resources to achieve the Board's goals. While the business plan focuses on the big picture, the budget allocates financial resources to ensure plans have the resources to be achieved. Development of the budget considers impacts of economic and industry conditions and the impact on financial and operational plans. Initiatives in the business plan and the budget are evaluated and prioritized to maximize financial and operational resources.

This presentation of the FY2024 Draft Budget illustrates initial assumptions of revenues and expenses needed to provide transportation services to the communities we serve and includes funding for initiatives prioritized in the business plan. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and five and ten-year projections. The budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses and will be exhausted in fiscal year 2024. 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.

In summary, the budget provides reasonably conservative assumptions to maintain current services and fund initiatives important to advance the Board's 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 FY2024 Draft 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 provide critical transportation services to our communities.

As with previous budgets and noted above, the budget is guided by a strategic business plan— [Building Our Future](#), which outlines the strategic priorities. This plan is aligned with the Board of Directors' expectations—increasing ridership, excellence in service delivery, and continuous improvement (See *Board's Ends Policies*, in the [Board Policy Manual](#)).

The budget presents a balanced financial plan to maintain and expand transportation services.

Highlights of the FY2024 Draft Operating and Capital Budget are:

- Overall operating expenses are **\$60,454,781** and **\$25,756,000** 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
- Funds the priorities from the Corporate Business Plan, *Building Our Future*
- 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 operations center
  - Planning and design work Ypsilanti Transit Center and the Blake Transit Center renovations



## Corporate Strategic Plans

The FY2024 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-2023, the dominant issues are pandemic recovery impacts on ridership, labor shortages and record levels of economic inflation. The pandemic has ended, and society is normalizing with post-pandemic trends that are different than before. Our communities have reopened; normal economic and social activities are restored and TheRide is positioned to grow. The budget includes funding for full schedules of transportation services, and initiatives referenced in the FY2024 Corporate Business Plan.

## Financial Executive Limitations Policies

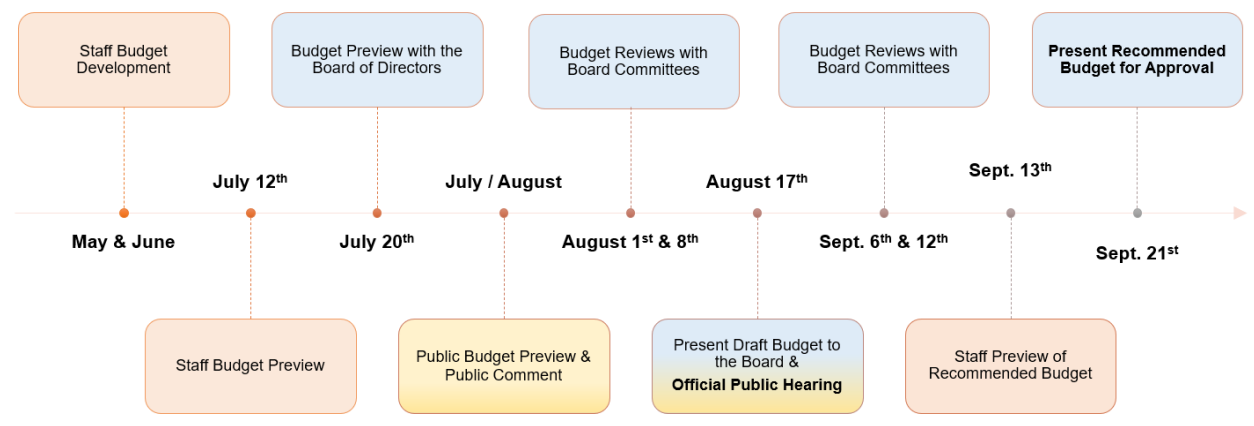
TheRide’s Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on the [website](#). Many of the policies have a direct effect on shaping the annual budget. For example, the Board has set clear limitations upon Financial Planning 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 August 7th, through budget adoption on September 21st.
- **August:** An updated draft budget will be provided to the Board of Directors at its August 17<sup>th</sup> meeting. The public input period began in July, and an official public hearing, as required by state law, will be held in conjunction with the August 17<sup>th</sup> Board meeting.
- **September:** The recommended budget will be presented to the Board of Directors for adoption and The Michigan Uniform Budgeting and Accounting Act of 1968 requires Board adoption prior to any expenditures be incurred on October 1, the first day of the new fiscal year.
- **October:** Fiscal Year 2024 will begin October 1, 2023, with the newly adopted budget.

# 5. The State of TheRide

## Financial Condition

TheRide is financially stable and is expected to remain so through FY2024 and the projection period. TheRide expects FY2023 revenues and expenses to be materially consistent with the approved budget. The reserve balance remains strong, as federal pandemic relief funds will support ongoing operations and service recovery. This funding also supports revenue losses, pandemic-related costs, and allows 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 2024
- 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 2022 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 were implemented in FY2022 and continue to be refined. Significant staffing challenges in the Finance Department in FY2023 have evolved into an opportunity for financial controls to be evaluated with new perspectives, and in FY2024 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 FY2024 will bolster the organization against the risks of uncertain funding ahead. The effect of the FY2024 Operating Budget on the fund balance is discussed in the [Impacts of the 2024 Budget](#).

## New Millage Provides Longer-Term Financial Stability

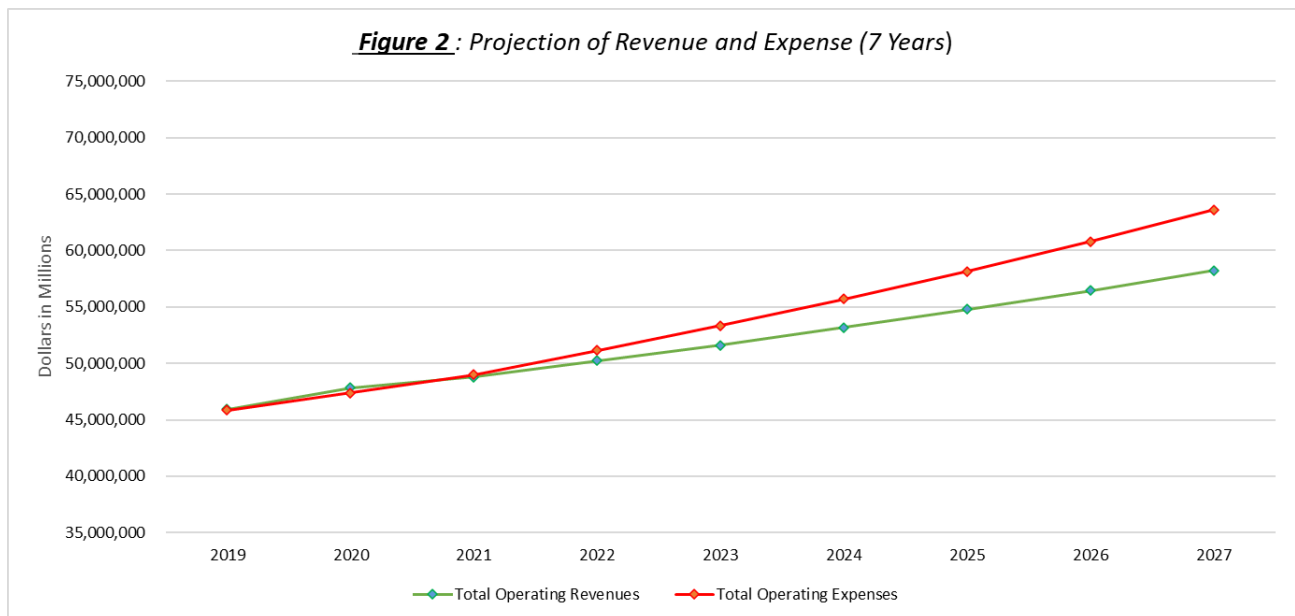
Before the pandemic, TheRide faced financial challenges. In 2019, budget forecasting showed deficits starting in FY2021 because expenses were growing faster than revenue. Audited financials from 2015-

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.

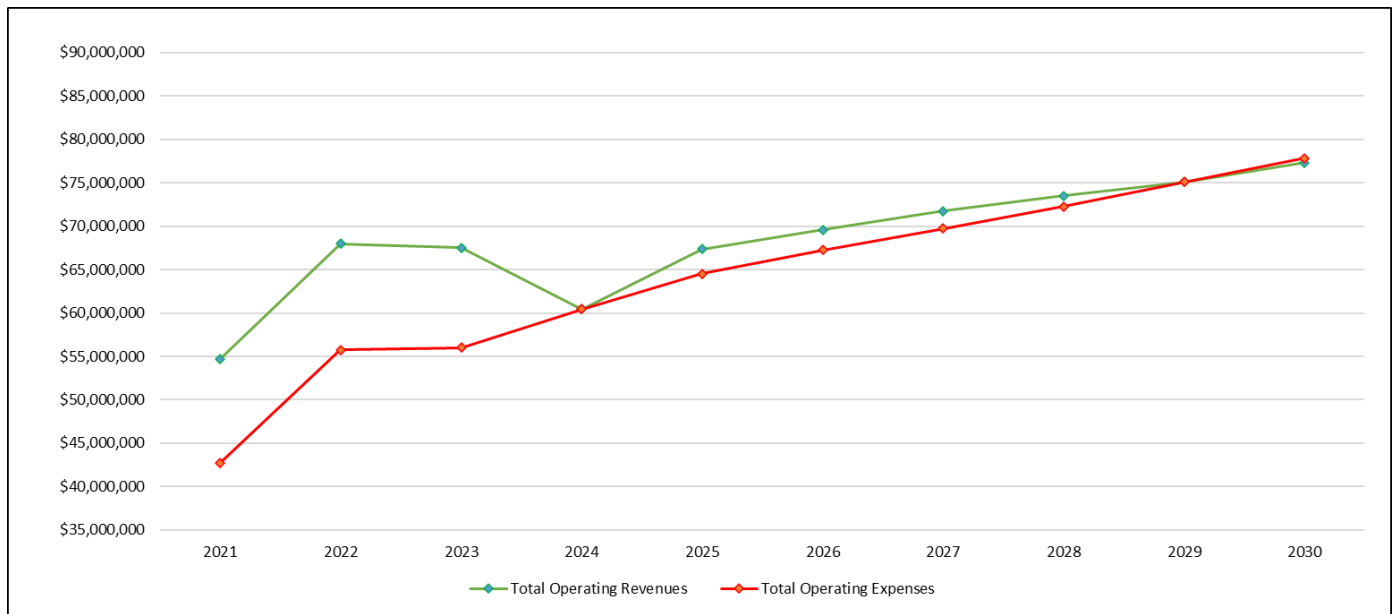
The need to re-focus and address the structural deficit became two-fold as time marched us toward the expiration of the 2018 millage for property tax funding set to expire in 2023. As the emergency of the pandemic began to stabilize, TheRide prioritized attention on recovery and the future. Efforts to 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 provide 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. The budget will grow through the projection period due to service expansions funded by the millage. Surpluses in the first few years of the millage cycle will help fund operating reserves as the budget grows, as required by the Board. 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 over the last couple of years, with this success 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 2024 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 *Building Our Future* 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 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.

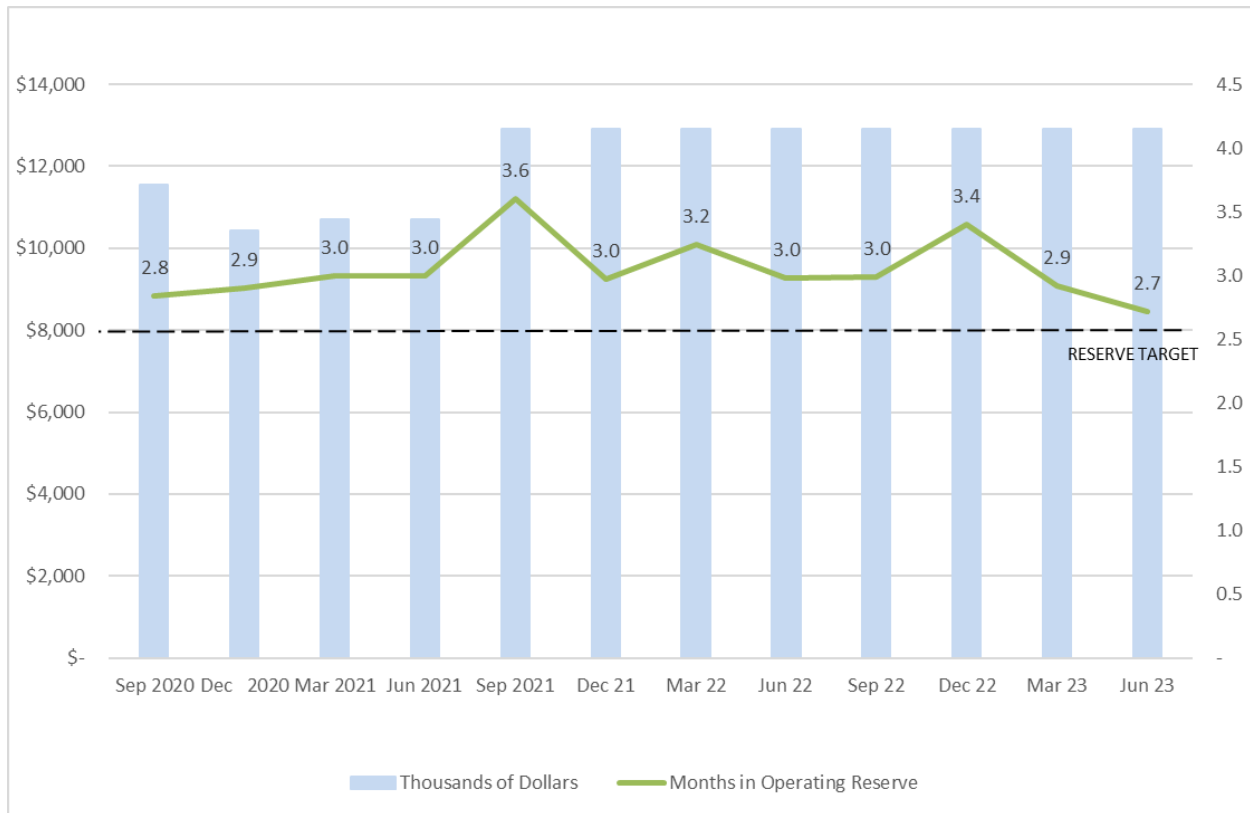
Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Through Board adoption, TheRide established the following reserves and target levels in 2021:

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

### **Operating Reserve**

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 2024 Budget](#) section.

**Figure 4: Historical Operating Reserve Balances in Months and Dollars (Thousands)**



### **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 FY2024 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](#).

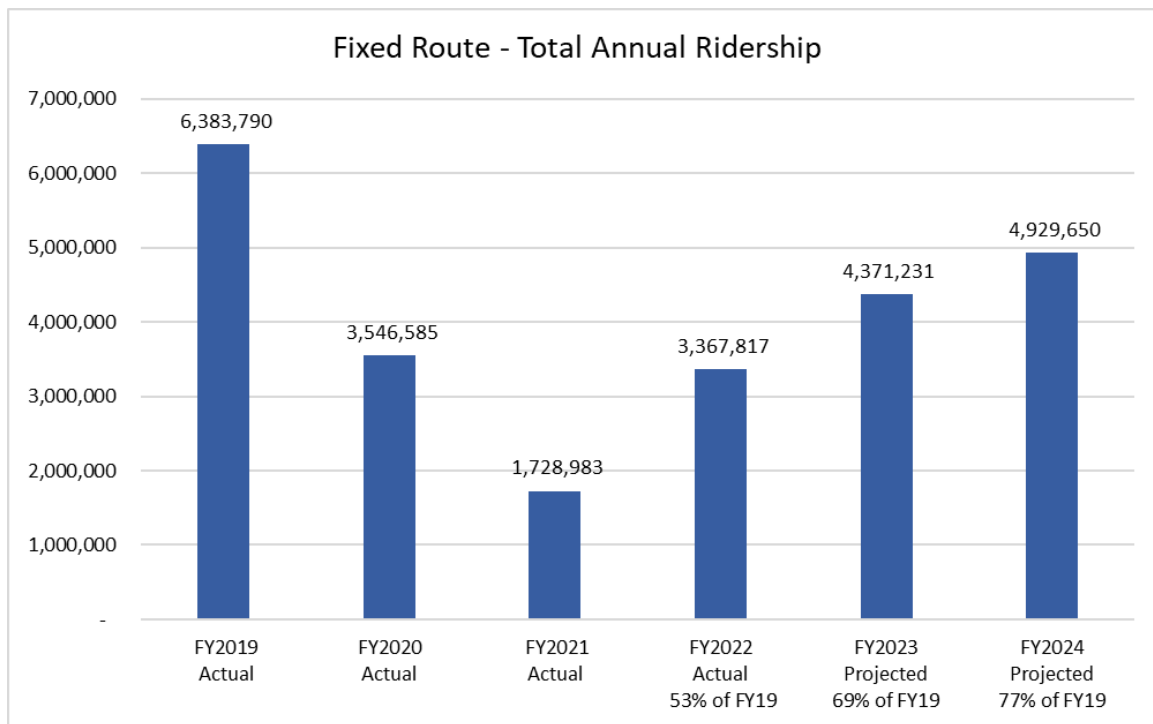
Fixed-route ridership represents approximately 96% all ridership for services offered by TheRide and is the most compared metric for mid and large-sized public transportation agencies. The significance of the ridership as a percentage of total also makes it the primary driver for budget projections of 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 2024, total annual fixed route ridership is projected to reach 77% 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.

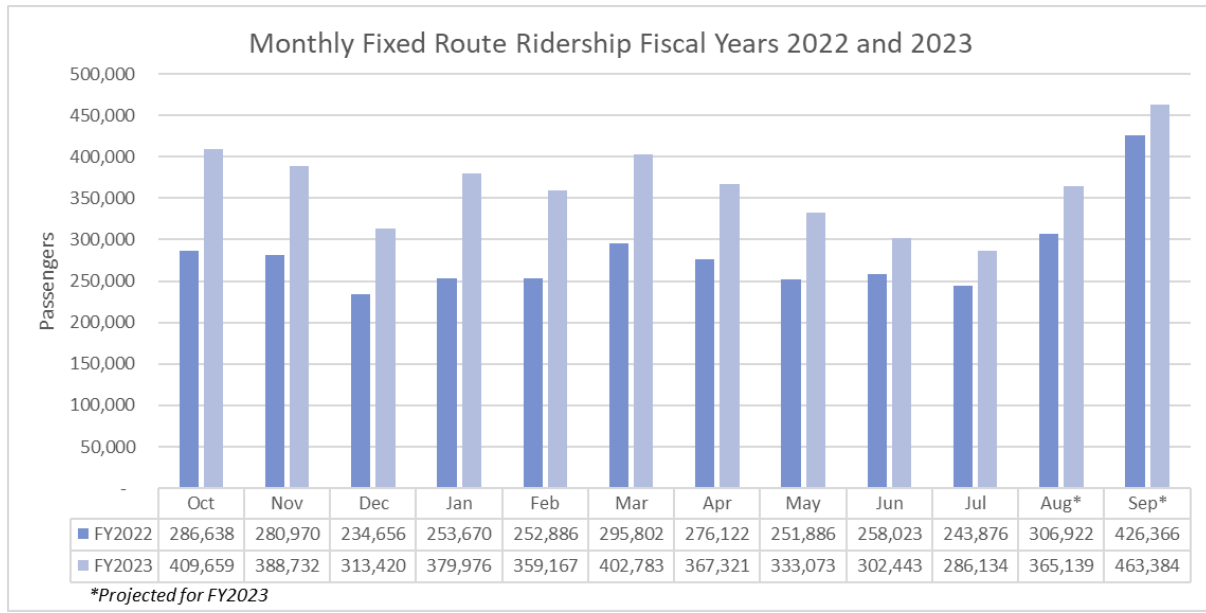
As shown in Figure 6, ridership has grown in every month compared to the prior year and appears to have stabilized. Projections into the fall of fiscal year 2023 demonstrate conservative assumptions in growth compared to prior months.

**Figure 5: Annual Fixed Route Ridership**





**Figure 6: Monthly Fixed Route Ridership**



### D2A2 Services and Ridership

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.

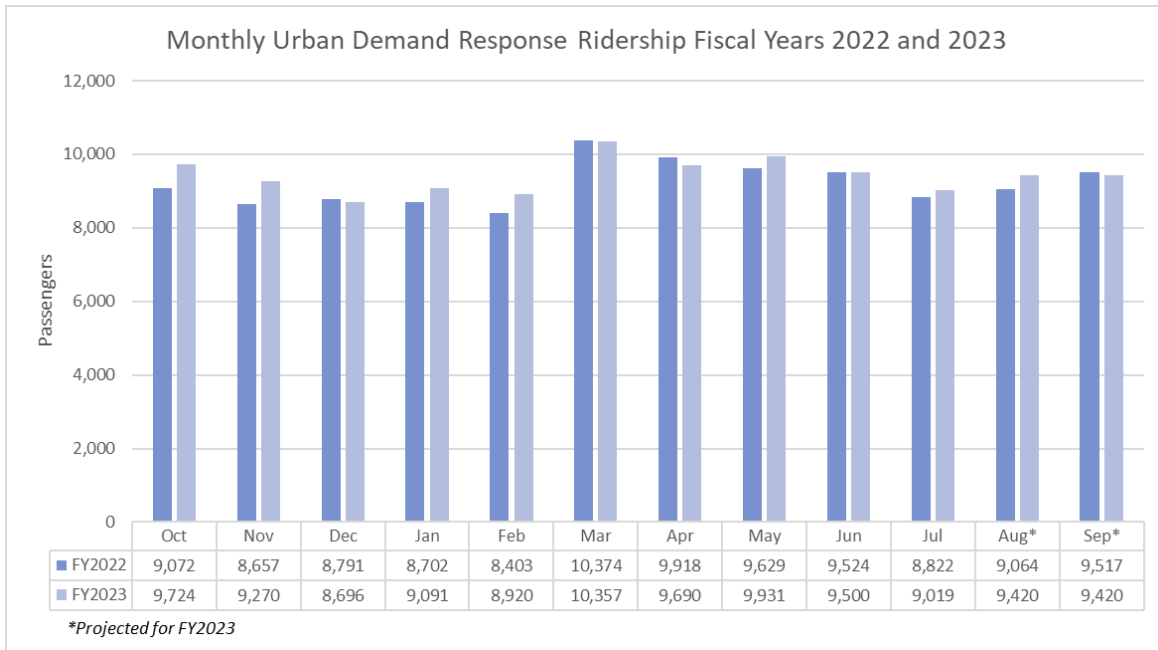
D2A2 resumed operations in October 2021. The D2A2 service is a partnership between TheRide and the RTA. D2A2 is funded through a state grant with the RTA and operated by TheRide. The RTA receives the grant and provides the revenue to TheRide. TheRide provides the services through contracted services 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 (service discontinued in June 2022).

Total ridership for urban demand response services is projected to be 2.3% higher in fiscal year 2023 than the prior year, with 113,038 passengers compared to 110,473 in fiscal year 2022. Urban demand response ridership is projected to reach 53.6% of pre-pandemic ridership levels in fiscal year 2023. A comparison of total ridership for all demand response services combined are shown in Figure 7.

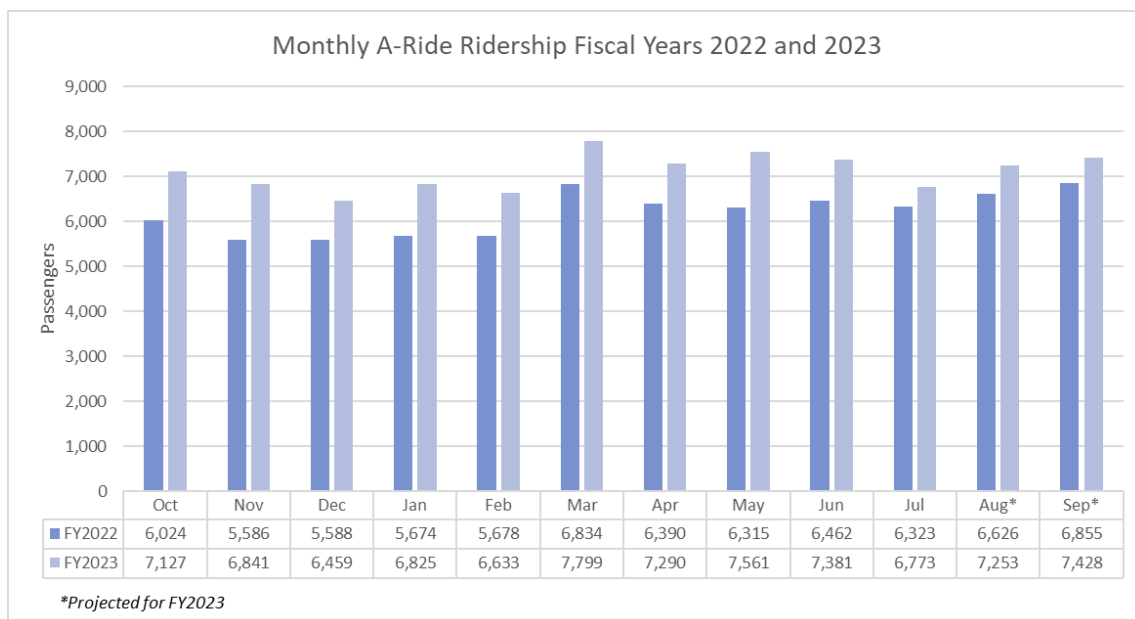
**Figure 7: Urban Demand Response Ridership**



**A-Ride 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.

**Figure 8: A-Ride Ridership**



# 6. 2024 Budget

## Budget Overview

The following sections outline the FY2024 Operating and Capital Budget (the budget). The initiatives outlined in this budget help advance the priorities identified in the *Building Our Future*. This budget also provides multi-year forecasts and context.

Highlights of the FY2024 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
- 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 2024 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

In fiscal year 2024, TheRide anticipates operating full-service levels and expanding services as described in the millage plan. Ridership is continuously increasing year over year and progressively returning to pre-pandemic levels. Total ridership is anticipated to be approximately 77% of pre-pandemic levels and there is an additional slight increase in ridership of 1.5% due to the start-up of expanded services.

The following tables present vehicle revenue hours (hours in service) and ridership, with comparisons between FY2022 actual performance and projections for 2023 and 2024, which are the basis for assumptions in the budget.

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

Service Hours	Actual FY2022	Projected FY2023	Budget FY2024	% Change (2024 vs. 2023)
Local Fixed Route	247,668	270,000	278,408	3.1%
D2A2	13,486	14,214	16,155	13.7%
Urban Demand Response	52,651	49,830	55,952	12.3%
<b>Total Service Hours</b>	<b>313,805</b>	<b>334,044</b>	<b>350,515</b>	<b>4.9%</b>

Note: Urban Demand Response includes A-Ride, GoldRide, HolidayRide, NightRide, FlexRide and MyRide (service discontinued in June 2022). D2A2 service started in FY2020.

**Figure 10: Projected Ridership**

Ridership	Pre-Pandemic Actual FY19	Actual FY2022	Projected FY2023	Budget FY2024	% Change (2024 vs. 2023)
Local Fixed Route	6,383,790	3,367,817	4,371,231	4,929,650	12.8%
D2A2	-	27,243	58,908	91,347	55.1%
Urban Demand Response	210,841	110,473	113,038	123,401	9.2%
<b>Total Passenger Trips</b>	<b>6,623,701</b>	<b>3,505,533</b>	<b>4,543,177</b>	<b>5,144,398</b>	<b>13.2%</b>
<b>Ridership % of Pre-Pandemic</b>		<b>52.9%</b>	<b>68.6%</b>	<b>76.5%</b>	
<b>Service Expansion Impact of Total Passenger Trips</b>				<b>1.5%</b>	

Note: Urban Demand Response includes A-Ride, GoldRide, HolidayRide, NightRide, FlexRide and MyRide (service discontinued in June 2022). D2A2 service started in FY2020.

### Operating Budget

The following tables and charts illustrate the elements of the FY2023 Operating Budget. While 2023 has brought significant challenges related to record levels of inflation, staff has worked diligently to keep costs manageable. Overall operating expenses are increasing by 8% compared to FY2023 budget due to spendings for service expansion.

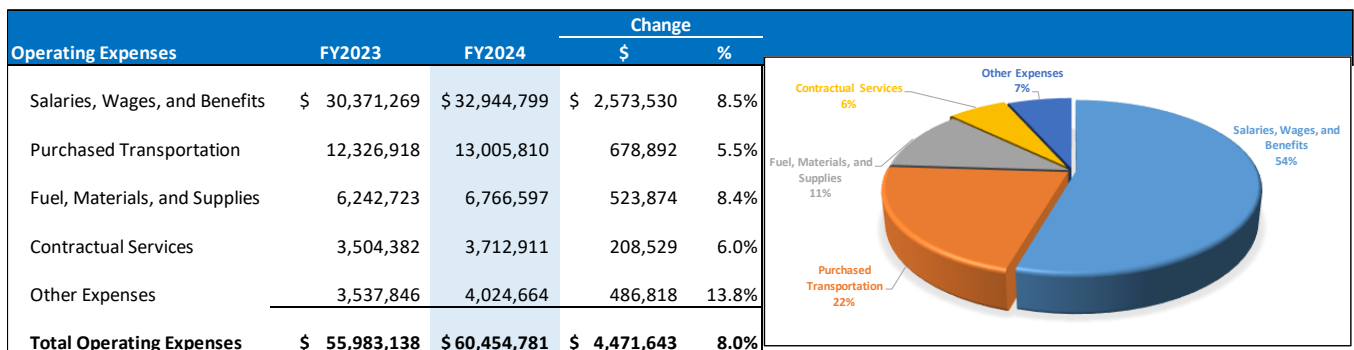
Operating revenues are 10.4% lower than FY2023 budget as we are coming to the end of our pandemic relief fund. The operating budget relies on pandemic relief funds as a source of revenue source to fund the service expansion for which the approved millage won't be received until FY2025. Additionally, property tax revenues remain stable and a significant portion of operating revenues.

The operating budget is expected to be balanced and not produce any surplus or deficit in FY2024. Further details 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 11, FY2024 Operating Expenses are budgeted at **\$60,454,781**, 8.0% higher than FY2023.

**Figure 11: FY2024 Operating Expenses (with FY2023 Comparison)**

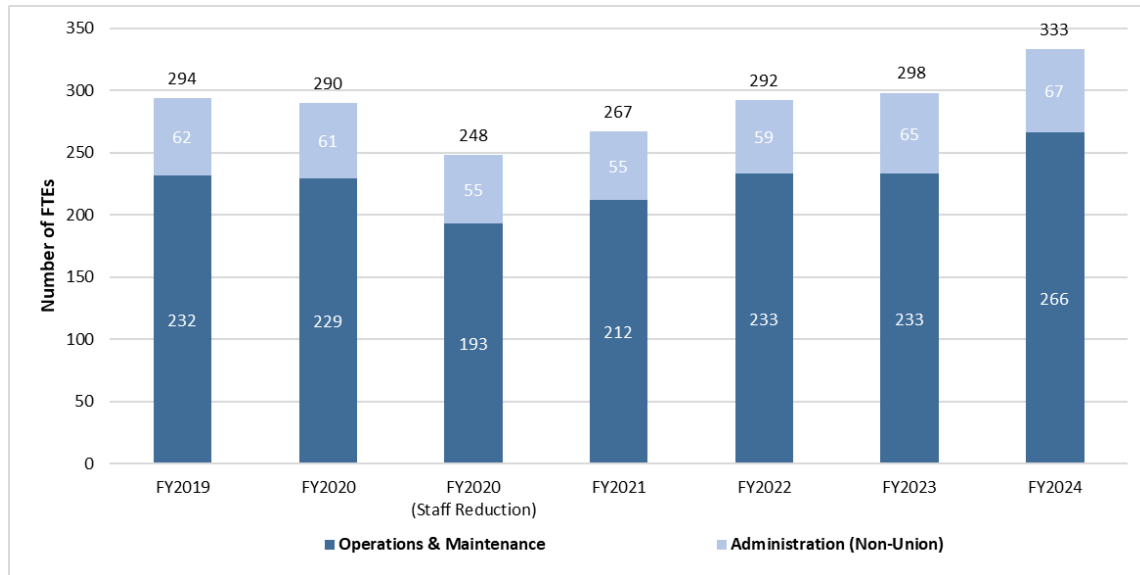


Descriptions of expenses and key budget assumptions are as follows:

- Fixed route services will be maintained as planned in the previous year with expansions of services phasing in throughout the year. Expenses related to the Washtenaw express bus expansion are phased into the budget beginning in the second quarter of the fiscal year. Expenses for the additional expansion of services beginning in August 2024 are phased into the budget beginning in the third quarter of the fiscal year.
- Salaries, wages, and benefits include contractual pay rate increases for bargaining unit employees and a projected 3.0% annual increase for non-union employees (still under review). Fringe benefits rates are consistent with prior years, as no major program changes have been implemented. Benefits expenses are increasing by 10.3% due to increased budgeted salaries due to planned increases in overall staffing levels and supported by the approved millage. The total number of budgeted full-time employees increases from 298 in FY2023 to 333 in FY2024 due primarily to staff needed to provide the new service expansions.

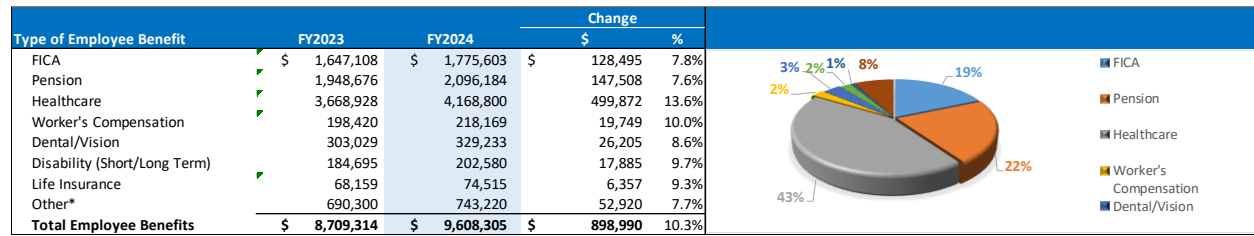
Figure 12 illustrates staffing levels from FY2019 to FY2024. The significant reduction in FY2020 was a result of workforce reductions due to the pandemic. Operations staffing levels were partially restored in FY2021 as some services were temporarily provided with in-house staff. In FY2022 budgeted staffing levels are restored to pre-pandemic levels to meet service requirements. For FY2024, there are a net of 35 new positions incorporated into the budget as supported by the millage plan.

**Figure 12: Full Time Employee (FTE) Staffing Levels FY2019 to FY2024**



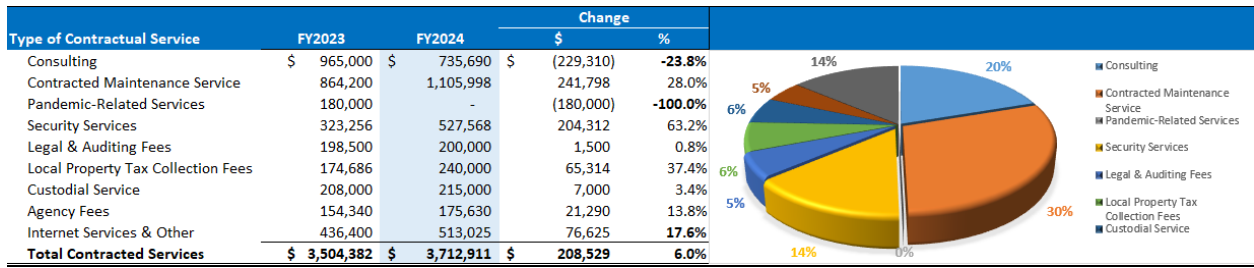
- Employee benefits costs are estimated based on historical actual costs and adjusted for anticipated inflationary rates. Figure 13 provides a comparison of the detailed employee benefits expenses and key assumptions. For most of the employee benefits and payroll taxes, increases are consistent with overall increases of salaries and wages. Assumptions and explanations for significant changes in the budget are described in this section.

**Figure 13: Employee Benefits Summary**



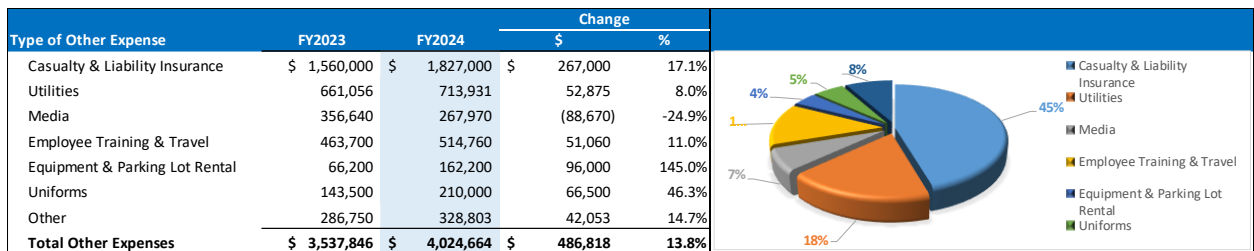
- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based on statutory rates. Social security and Medicare rates are unchanged since 2022, 6.20% for earning up to \$147,000 and 1.45% respectively. FY2024 assumptions are budgeted consistent with the prior year.
- Pension expense 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 13.6% when compared to the 2023 budget due to additional FTE from the approved millage.
- 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 5.5% higher than FY2023. Inflationary impacts on contracted rates account for 3.8% and the new expansion of services account for 1.7% of the increase. FY2024 will be the final contract year for the current service provider for NightRide, FlexRide and GoldRide services. We are currently reviewing a request by the service provider to increase rates for the final year of the contract due to inflationary pressures. No decisions have been made and the budget assumes rates under the current contract agreement. This is an emergent issue that will be followed throughout the budget process, but the overall risk to the budget is expected to be manageable.
- Fuel, materials, and supplies expenses, as shown in Figure 11, are up 8.4%. The main driver is increased cost of repair parts, which is currently estimated to increase by \$548k compared to budget, however the FY2023 budget is less than current year projections as we may have underestimate the inflationary impacts of parts for this year. Also, Diesel and Gasoline is expected to be \$287k lower than last year’s budget, partially offsetting various other small increases. The FY2023 budget was developed during a time of high fuel prices. Fuel prices have come down and stabilized during 2023, resulting in savings.
- Contractual services expenses are 6.0% higher than FY2023 primarily due to increased contracted maintenance service for vehicles. Large repairs are required to be outsourced and inflation have increased the cost for both maintenance fees and parts.

**Figure 14: Contractual Services Summary**



- Consulting expenses fluctuate each year due to removal of funding of prior year initiatives that are completed and additions of new annual initiatives. Contractual services Project initiatives are aligned with the corporate business plan and Board Ends.
- Agency Fees are expenses for public education and engagement that are performed by an outside firm. Projected expenses for FY2024 are \$175,630, or 16.8%, higher than prior year budget due FY2023 projects that were not completed during the year moving into FY204.
- Pandemic-related services included funding for cleaning, media, vehicle maintenance, mobile ticketing, etc. These expenses were reimbursed through federal pandemic relief funding and the program ended in FY2023.
- *Other expenses* are projected to increase by 13.8%, primarily due to additional investment in parking lot rental fees and increased insurance premiums. Variances in other expenses are illustrated in Figure 15 and described in further detail below.

**Figure 15: Other Expenses Summary**



- Higher casualty and liability insurance premiums are mainly due to change in fleet mix in FY2024 and general market increases. Through discussions with our insurance broker and softening of increases in the market, we were able to achieve rates that are consistent with the FY2023 expenses without taking additional insurance risk or increasing deductibles. The cost assumption is based on insurance rates that went into effect on August 1, 2023.
- Media expenses appear lower than the prior fiscal year. As assumptions are finalized, we anticipate media expenses to be comparable with FY2023.
- Employee training and travel is increasing primarily to provide additional training on software systems critical to improving organizational efficiency and effectiveness. There has been

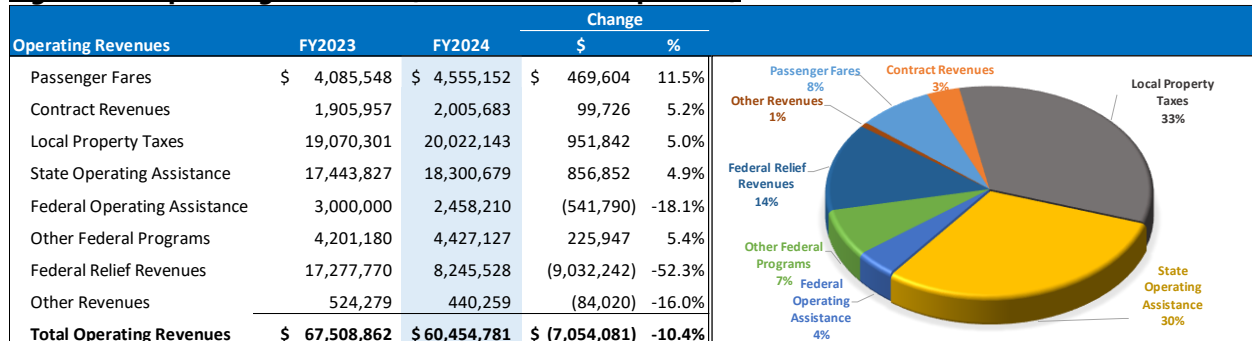
significant turnover in staff over the past several years and new staff need to be properly trained to fully leverage previous investments in software systems. These are also timely initiatives due to recent or anticipated software upgrades that will provide better functionality and assist in fully utilizing software and systems to implement process improvements.

- Equipment & parking lot rental expenses are increasing by \$96,000 or 145% due to new initiative to add self-contained toilet systems at the Glacier Way and Green Road Parking lot.
- Uniforms are budgeted to increase by 46.3% when compared to the 2023 budget due to planned increases in overall staffing levels supported by the approved millage.
- Per Board Policy 3.8.3, the Board is to develop its cost of governance budget by June 30 each year. The FY2024 cost of governance budget is included in Other Expenses. This amount increased to \$50,000 in FY2024 from \$35,000 in prior year budget to provide funding for more engagement on legislative issues, governance education and recruitment as well as, board policies review.

## Operating Revenues

As illustrated in Figure 16, FY2022 Operating Revenues are budgeted at **\$60,545,781**, a 10.4% decrease from the FY2023 budget year.

**Figure 16: Operating Revenues (with FY2023 Comparison)**



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 *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 FY2024 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 increased by 11.5%, is driven by current ridership projections, primarily in Fixed Route service. Fixed Route ridership is expected to increase in FY2024 from FY2023 actual ridership. Ridership is continuously increasing year over year and progressively returning to pre-pandemic levels. Total ridership is anticipated to be approximately 77% of pre-pandemic levels and there is an additional slight increase in ridership of 1.5% due to the start-up of expanded services.
- Contract Revenues: TheRide enters into purchase-of-service agreements with Pittsfield, Scio, and Superior Townships to provide fixed-route and/or demand-response services in their communities. An additional contract with the Ann Arbor Downtown Development Authority supports getDowntown program operations. Pass-through contract revenue for nonurban service provided by People’s Express and Western-Washtenaw Area Value Express (WAVE) is associated with state-led rural programs and offset by both agencies’ operating expenses without a net impact on TheRide’s budget.

Contract revenue has increased 5.2% due to higher contributions expected from our purchase-of-service agreements with Pittsfield, Scio, and Superior Townships resulting from the millage plan.

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	1.9323	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.

- Local property tax collections are expected to increase by approximately 5.0%, which is based on the increase in assessed property values from FY2022 to FY2023. Impacts from the approved millage increases will be realized in FY2025.
- State operating assistance: revenue is projected to increase in FY2024 by 4.9% due to a slight increase in the projected reimbursement rate based on historical performance. The budgeted state operating assistance reimbursement rate is 29.2% 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 fund the service expansion. The estimated use of federal pandemic relief funds is \$8.2 million in FY2024.

## Contingencies

There is always 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. The following are revenues and expenses that are monitored closely throughout the fiscal year due to either the magnitude of impact they have on the budget or based on indicators that are more volatile and 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
- Purchased transportation costs may vary depending on the negotiation of the FlexRide, GoldRide and NightRide contract.

The assumptions in the Recommended FY2024 Budget represent the staff's best attempts to make financial projections using the economic inputs available to us from industry, local, state, and federal leaders. State law allows adopted budgets to be amended, offering adequate flexibility to accommodate changing budgetary needs as the year progresses.

*Figure 17*, below, illustrates the details of the adopted FY2024 budget, along with comparisons to previous years.

**Figure 17: FY2024 Recommended Operating Budget Detail (with Prior Year Comparisons)**

**TheRide  
FY2024 Operating Budget**

	FY2022		FY2023		FY2024		Budget Variance	
	Actual		Budget		Budget		\$	%
<b>OPERATING REVENUES</b>								
Passenger Revenue	\$	2,993,557	\$	4,085,548	\$	4,555,152	\$	469,604 11.5%
Local Property Tax Revenue		19,598,022		19,070,301		20,022,143		951,842 5.0%
POSA & Other Governmental Partners		1,272,546		1,905,957		2,005,683		99,726 5.2%
State Operating Assistance		15,264,462		17,443,827		18,300,679		856,852 4.9%
Federal Operating Assistance		2,531,589		3,000,000		2,458,210		(541,790) -18.1%
Other Federal Programs		1,252,030		4,201,180		4,427,127		225,947 5.4%
Pandemic Relief Funds		18,398,909		17,277,770		8,245,528		(9,032,242) -52.3%
Advertising, Interest, and Other		449,199		524,279		440,259		(84,020) -16.0%
<b>TOTAL REVENUES</b>	<b>\$</b>	<b>61,760,314</b>	<b>\$</b>	<b>67,508,862</b>	<b>\$</b>	<b>60,454,781</b>	<b>\$</b>	<b>(7,054,081) -10.4%</b>
<b>OPERATING EXPENSES</b>								
Salaries, Wages and Benefits	\$	27,738,438	\$	30,371,269	\$	32,944,799	\$	2,573,530 8.5%
Purchased Transportation		11,584,568		12,326,918		13,005,810		678,892 5.5%
Diesel Fuel and Gasoline		2,860,719		3,480,000		3,195,626		(284,374) -8.2%
Materials and Supplies		2,561,138		2,762,723		3,570,971		808,248 29.3%
Contracted Services		3,515,454		3,504,382		3,712,911		208,529 6.0%
Utilities		671,415		661,056		713,931		52,875 8.0%
Casualty & Liability Insurance		1,483,929		1,560,000		1,827,000		267,000 17.1%
Other Expenses		468,908		1,316,790		1,483,733		166,943 12.7%
<b>TOTAL EXPENSES</b>	<b>\$</b>	<b>50,884,569</b>	<b>\$</b>	<b>55,983,138</b>	<b>\$</b>	<b>60,454,781</b>	<b>\$</b>	<b>4,471,643 8.0%</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$</b>	<b>10,875,745</b>	<b>\$</b>	<b>11,525,724</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(11,525,724) -100.0%</b>
Operating Reserve Transfer	\$	-	\$	-	\$	-	\$	- 0.0%
Capital Reserve Transfer		(10,875,745)		(11,525,724)		-		11,525,724 -100.0%
<b>OPERATING BALANCE</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

**Basis of Budgeting**

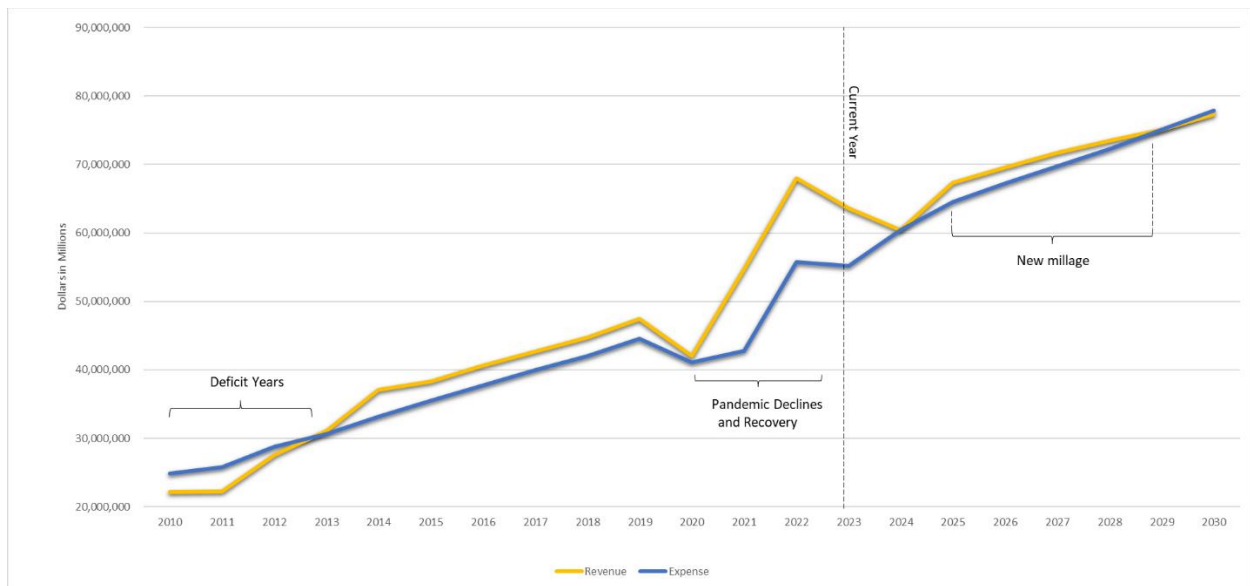
The 2024 operating and capital budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and to produce the financial statements. The only difference between the financial statements and the budget is that depreciation expense 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 FY2024 budget and 6-year forecast for subsequent years is detailed in *Figure 19*, below.

*Figure 18*, below, compares historic (12-year actuals), FY2023 projected actuals, and forecasted financials to provide context for the FY2024 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 18: 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.

*Figure 19* details projected operating revenue and expense projections for the next seven years.

**Figure 19: FY2024 Operating Budget (with 6 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	\$ 4,555,152	\$ 5,155,016	\$ 5,386,240	\$ 5,549,287	\$ 5,690,755	\$ 5,878,711	\$ 5,930,267
Contract Revenues	1,806,389	1,721,873	1,905,957	2,005,683	2,184,474	2,228,200	2,272,790	2,318,263	2,364,667	2,435,607
Local Property Taxes**	16,265,739	19,258,842	19,070,301	20,022,143	35,335,660	36,352,958	37,398,368	38,087,002	38,395,195	39,584,551
State Operating Assistance	12,062,516	16,914,298	17,443,827	18,300,679	19,588,361	20,411,223	21,153,061	21,913,323	22,777,803	23,617,949
Federal Operating Assistance	3,000,000	3,000,000	3,000,000	2,458,210	-	-	-	-	-	-
Other Federal Programs	2,075,700	3,878,890	4,201,180	4,427,127	4,639,915	4,756,957	4,882,298	5,016,571	5,160,460	5,234,414
CARES/CRRSAA/ARP	17,100,314	18,653,477	17,277,770	8,245,528	-	-	-	-	-	-
Other Revenues	303,000	391,000	524,279	440,259	463,136	463,137	475,054	487,302	499,890	513,458
<b>Total Operating Revenues</b>	<b>54,701,892</b>	<b>\$ 67,984,103</b>	<b>\$ 67,508,862</b>	<b>\$ 60,454,781</b>	<b>\$ 67,366,562</b>	<b>\$ 69,598,715</b>	<b>\$ 71,730,858</b>	<b>\$ 73,513,216</b>	<b>\$ 75,076,726</b>	<b>\$ 77,316,246</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	\$ 32,944,799	\$ 35,881,202	\$ 37,489,976	\$ 38,793,527	\$ 40,149,241	\$ 41,555,635	\$ 42,991,219
Purchased Transportation	5,722,139	14,704,408	12,326,918	13,005,810	13,234,002	13,925,340	14,630,383	15,331,126	16,069,928	16,893,363
Fuel, Material, Supplies	4,481,434	5,436,300	6,242,723	6,766,597	7,651,952	7,881,360	8,117,668	8,361,084	8,611,820	8,870,203
Contracted Services	3,116,121	3,596,874	3,504,382	3,712,911	3,662,062	3,760,809	3,862,518	3,967,278	4,326,182	4,436,547
Other Expenses	2,685,346	3,407,068	3,537,846	4,024,664	4,102,159	4,208,076	4,316,378	4,427,920	4,544,296	4,663,436
Millage Initiatives	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 42,763,292</b>	<b>\$ 55,765,851</b>	<b>\$ 55,983,138</b>	<b>\$ 60,454,781</b>	<b>\$ 64,531,377</b>	<b>\$ 67,265,561</b>	<b>\$ 69,720,474</b>	<b>\$ 72,236,649</b>	<b>\$ 75,107,861</b>	<b>\$ 77,854,768</b>
<b>Surplus (Deficit)</b>	<b>11,938,600</b>	<b>\$ 12,218,252</b>	<b>\$ 11,525,724</b>	<b>\$ -</b>	<b>\$ 2,835,185</b>	<b>\$ 2,333,154</b>	<b>\$ 2,010,384</b>	<b>\$ 1,276,567</b>	<b>\$ (31,135)</b>	<b>\$ (538,522)</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 prioritize and plan for 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 FY2024. The remaining nine years are planning estimates 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 FY2024 and beyond until FY2032. 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 20: Capital Plan Projects and Funding Sources**

CAPITAL PROJECTS	FY2024 Budget	FY2024-FY2032 Program
State of Good Repair	\$22,114,000	\$98,925,294
Value Added	\$1,120,000	\$23,007,639
Research & Development	\$25,000	\$200,750
Expansion	\$2,497,000	\$209,067,920
<b>TOTAL EXPENSES</b>	<b>\$25,756,000</b>	<b>\$331,201,603</b>
FUNDING SOURCES	FY2024 Budget	FY2024-FY2032 Program
State & Federal Grants	\$25,431,000	\$166,320,015
Federal Earmark	\$300,000	\$0
Local Capital Reserve	\$25,000	\$27,500,521
Unidentified Funding	\$0	\$137,381,067
<b>TOTAL REVENUE</b>	<b>\$25,756,000</b>	<b>\$331,201,603</b>
UNIDENTIFIED FUNDING PORTION	FY2024 Budget	FY2024-FY2032 Program
Unidentified Funding %	0%	41%

The detailed 10-year Capital Plan incorporates projects identified in the Board-approved Long-Range Plan. Detailed projects and funding are provided in Figure 21.

**Figure 21: 10-Year Capital Plan**

(\$ in thousands)		FY24 Budget	FY25-32 Program									
Category	Project Description	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total	
<b>STATE OF GOOD REPAIR</b>	Vehicles	7,745,000	7,977,350	8,216,671	8,463,171	8,717,066	8,978,578	9,247,935	9,525,373	9,811,134	79,671,143	
	Equipment	434,570	447,427	460,580	474,037	487,808	502,443	517,516	533,041	545,164	4,681,423	
	Existing Facilities	13,499,150	3,590,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	35,416,150	
	Information Technology	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>22,113,720</b>	<b>12,214,777</b>	<b>11,567,250</b>	<b>11,827,208</b>	<b>12,094,874</b>	<b>12,371,020</b>	<b>12,655,451</b>	<b>12,948,415</b>	<b>13,246,299</b>	<b>122,388,716</b>	
<b>VALUE ADDED</b>	Technology Upgrades [ITS, Smart Card]	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	370,000	327,639	310,000	310,000	310,000	310,000	310,000	310,000	310,000	2,862,639	
	Transit Priority	600,000	1,250,000	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>1,120,000</b>	<b>3,727,639</b>	<b>3,460,000</b>	<b>3,460,000</b>	<b>3,490,000</b>	<b>2,460,000</b>	<b>2,460,000</b>	<b>2,460,000</b>	<b>1,490,000</b>	<b>23,592,639</b>	
<b>RESEARCH &amp; DEVELOPMENT</b>	Emergent R&D	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>25,750</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	1,235,000	1,091,600	981,333	396,550	-	-	-	-	-	3,234,483
		Construction	-	-	5,150,000	12,360,000	-	-	-	-	-	17,510,000
		<b>YTC Subtotal</b>	<b>1,235,000</b>	<b>2,091,600</b>	<b>6,131,333</b>	<b>12,756,550</b>	-	-	-	-	-	<b>21,744,483</b>
	<b>Blake Transit Center</b>	Planning, NEPA, & Design	220,000	180,000	-	-	-	-	-	-	-	400,000
		Construction Contribution	-	-	1,020,627	2,832,500	1,121,670	-	-	-	-	4,974,797
		<b>BTC Subtotal</b>	<b>220,000</b>	<b>180,000</b>	<b>1,020,627</b>	<b>2,832,500</b>	<b>1,121,670</b>	-	-	-	-	<b>5,374,797</b>
	<b>Bus Rapid Transit</b>	Planning, NEPA, & Design	100,000	412,000	515,000	257,500	4,120,000	3,244,500	360,500	500,000	515,000	9,509,500
		Construction & Vehicles	-	-	-	-	-	7,931,000	20,600,000	27,550,000	23,690,000	56,081,000
		<b>BRT Subtotal</b>	<b>100,000</b>	<b>412,000</b>	<b>515,000</b>	<b>257,500</b>	<b>4,120,000</b>	<b>11,175,500</b>	<b>20,960,500</b>	<b>28,050,000</b>	<b>24,205,000</b>	<b>65,590,500</b>
	<b>Bus Garage</b>	Land Acquisition	-	-	1,545,000	-	-	-	-	-	-	1,545,000
		Planning, NEPA, & Design	350,000	824,000	824,000	3,090,000	3,605,000	-	-	-	-	8,743,000
		Construction	-	-	-	-	-	25,750,000	30,900,000	10,000,000	-	66,650,000
		<b>Garage Subtotal</b>	<b>350,000</b>	<b>824,000</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>76,938,000</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	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	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>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>	
	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>2,497,000</b>	<b>4,053,500</b>	<b>10,645,720</b>	<b>19,791,450</b>	<b>10,371,070</b>	<b>42,706,890</b>	<b>55,778,620</b>	<b>38,746,000</b>	<b>26,974,670</b>	<b>187,239,920</b>	
<b>EXPENSE TOTAL</b>		<b>25,755,720</b>	<b>20,020,916</b>	<b>25,697,970</b>	<b>35,103,658</b>	<b>25,980,944</b>	<b>57,563,660</b>	<b>70,919,071</b>	<b>54,179,415</b>	<b>41,735,969</b>	<b>365,243,323</b>	

Funding Sources	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total
<b>FORECASTED:</b>										
5307 Federal + State Match	18,577,650	14,645,470	15,143,035	16,042,956	14,644,650	19,838,927	17,108,460	17,475,927	14,307,503	150,220,338
5339 Federal + State Match	4,536,080	1,187,137	1,210,879	1,235,097	1,259,799	1,284,995	1,310,695	1,336,909	1,363,647	18,097,458
CMAQ Federal + State Match	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
STBG Flex Federal + State Match	300,000	277,639	310,000	310,000	110,000	-	-	-	-	1,542,869
State Initiatives (TSP)	600,000	220,000	-	-	-	-	-	-	-	970,000
Federal Earmark	-	-	-	-	-	-	-	-	-	300,000
Local Capital Reserve	25,000	1,205,000	7,176,960	2,827,675	7,957,860	17,500,754	25,000	25,000	25,000	36,793,249
<b>UNIDENTIFIED:</b>										
Other	-	700,000	-	12,756,550	-	16,850,004	50,302,376	33,082,137	23,690,000	137,381,067
<b>REVENUE TOTAL</b>	<b>25,755,720</b>	<b>20,020,916</b>	<b>25,697,970</b>	<b>35,103,658</b>	<b>25,980,944</b>	<b>57,563,660</b>	<b>70,919,071</b>	<b>54,179,415</b>	<b>41,735,969</b>	<b>365,243,323</b>

## FY2024 Draft Capital Budget

The table below lists the approved capital investments for FY2024 only. Details for each project can be found in *Appendix 8.2*.

**Figure 22: FY2024 Capital Plan**

Category	Project Description	FY2024
State of Good Repair	Vehicles	\$7,745,000
	Equipment	\$435,000
	Existing Facilities	\$13,499,000
	IT Hardware and Software Replacement	\$435,000
	<b>Sub-total</b>	<b>\$22,114,000</b>
Value Added	Technology Upgrades	\$150,000
	Bus Stop Improvements	\$370,000
	Bus Lane Improvements & Other	\$600,000
	<b>Sub-total</b>	<b>\$1,120,000</b>
Research and Development	Emergent R&D Projects	\$25,000
	<b>Sub-total</b>	<b>\$25,000</b>
Expansion	Ypsilanti Transit Center	\$1,235,000
	Blake Transit Center	\$220,000
	Bus Rapid Transit	\$100,000
	Bus Garage	\$350,000
	Information Technology	\$530,000
	Support Vehicles	\$62,000
	<b>Sub-total</b>	<b>\$2,497,000</b>
<b>Capital Costs Total</b>		<b>\$25,756,000</b>

Approved capital projects and funding sources for FY2024 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 FY2024. Additional information is available in the *State and Federal Grants Primer*, see the *Appendix (page 51)*.



**Figure 23: Capital Funding Sources**

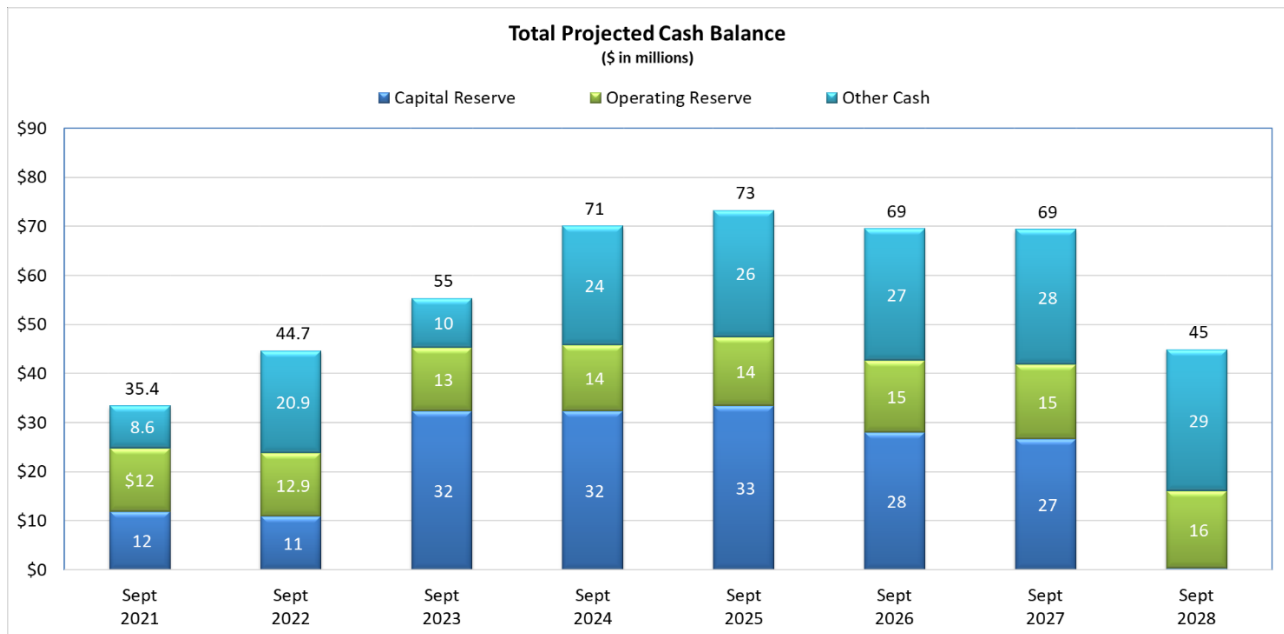
Sources of Capital Funds	FY2024
<p><b>Local Capital Reserve/Share</b> TheRide’s own cash and investments budgeted for research and development projects in FY2024. A capital reserve was established in FY2021 with local funds as a result of additional pandemic relief that has been and will be received.</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>	\$240,000
<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>	\$600,000
<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>	\$5,026,000
<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>	\$14,862,000
<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>	\$0
<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>	\$3,629,000
<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>	\$1,374,000
<p><b>Federal Earmark</b></p>	\$0
<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>\$25,756,000</b>

# 7. Impacts of 2024 Budget

## Projected Cash Balances

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 FY2023 to FY2028 (September) with the historical cash balance as of the end of FY2021 and FY2022. 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 24: 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 \$12.6 million to support a \$60.5 million budget as adopted for FY2024. This target level is expected to be maintained through FY2028 and beyond.

**Figure 25: Projected Operating Reserve Balance in Months and Dollars (Millions)**



**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	Total
Capital Reserve Funding (from Operating Surplus)	\$ 11,939	\$ 10,876	\$ 8,266	\$ -	\$ 2,235	\$ 1,833	\$ 1,510	\$ 677	\$ 37,336
Use of Capital Reserve for Capital Projects	-	-	25	25	1,205	7,177	2,828	26,076	37,335
Remaining Capital Reserve	\$ 11,939	\$ 22,814	\$ 31,055	\$ 31,030	\$ 32,061	\$ 26,717	\$ 25,399	\$ 0	\$ 0

## 8. Appendices

## 8.1 FY2024 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.

- 1. 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 FY2024 and significant capital costs in the future, although the planning work in the FY2024 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):** \$1,100,000 to support formal NEPA studies (environmental impact studies) and schematic designs 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 but has faced challenges with the rising costs of materials and construction. TheRide staff is requesting \$150,000 the planning and design in FY2024 and continue to conduct work in support of this effort. The Housing Commission 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 \$4.83 million to support construction.
- 2. Bus Rapid Transit – Washtenaw Avenue: TheRide's** long-range plan, TheRide 2045, recommends major enhancements to the fixed-route network, built around two bus rapid transit (BRT) lines, a north-south BRT and Washtenaw Avenue/E Huron Street BRT. The first of these, Washtenaw Avenue/E Huron Street, is programmed to begin by 2033. Planning and environmental studies take a significant amount of lead time for BRT, so TheRide staff is requesting \$100,000 to officially kickoff the project and begin the process to evaluate alternatives.
- 3. Bus Maintenance and Storage Facility:** \$350,000 request to begin the assessment of needs, facility programming, design criteria, and site selection process of a new storage and maintenance facility. Additional capacity for bus storage and maintenance provides the backbone of support for the TheRide 2045. Operational enhancements planned over the next 20+ years will only be achievable if a new facility is built before the Washtenaw Avenue BRT begins operation. FY2024 work will lead directly into the conceptual design and formal environmental documentation processes in FY2025.

**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. FY2024 projects:

**1. Vehicle Replacement:**

- **Large Bus Replacement:** Ten 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 10 clean-diesel replacement buses will be purchased under the current Nova Bus contract. Budget: \$7,015,000 (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 FY2024 in accordance with fleet replacement plans. Budget: \$600,000 (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: \$130,000 (Policies 2.1, 2.4, 2.7).

**2. 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: \$329,000 (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: \$106,000 (Policies 2.2, 2.4, 2.7).

**3. Existing Facilities:**

- **Facility Rehabilitation:** Funding is budgeted to address priority maintenance issues at The Dawn Gabay Operations Center (DGO), the Blake Transit Center (BTC), the Ypsilanti Transit Center (YTC), and TheRide’s park-and-ride lots. A backlog of maintenance needs at the DGO 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 from prior years. Budget: \$13,20,900 (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).

#### 4. Information Technology:

- **IT Hardware and Software Replacements:** Capital funds are budgeted for the replacement of obsolete or at-risk computers, servers, software, fare collection equipment, and other technology infrastructure aboard buses and in facilities. Budget: \$435,000 (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:

1. **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: \$150,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7).
2. **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: \$370,000 (Policies 2.1, 2.4, 2.7, 2.10).
3. **Bus Lane Improvements:** Creating bus lanes and other features to make transit more attractive (relative to other modes) will help increase demand and make transit more efficient. Budget: \$370,000 (Policies 2.1, 2.4, 2.7, 2.10).
4. **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 2024. 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).

## 8.2 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)	FY2024 BUDGETED EXPENSE
FlexRide	Golden Limousine	8/26/2024	TBD	\$ 2,044,691
Public Transit Buses	Nova Bus*	10/1/2023	TBD	\$ 7,015,000
Gasoline and Diesel Fuel	Multiple Providers	10/1/2023	\$ 3,100,000	\$ 3,100,000
Small/Medium Bus Replacements	New	10/1/2023	\$ 600,000	\$ 600,000
Fleetwide Seating Transition	New	10/1/2023	\$ 350,000	\$ 350,000
Planning and Engineering for Capital Projects	New	10/1/2023	\$ 600,000	\$ 200,000
Washtenaw BRT Planning	New	10/1/2023	\$ 500,000	\$ 150,000
Bus Garage Planning	New	10/1/2023	\$ 50,000	\$ 100,000

*\*Procurement strategy being identified for future bus orders*



## 8.3 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 FY2024. The FY2024 fares are the basis for budget assumptions.

<b>Table 8.3 - FARES</b>			
<b>FIXED ROUTE FARES</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</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	\$3.00	\$3.00	\$3.00
Reduced Day Pass	\$1.50	\$1.50	\$1.50
30 Day Pass	\$45.00	\$45.00	\$45.00
30 Day Value Pass (Senior)	\$22.50	\$22.50	\$22.50
30 Day Value Pass (Income Elig.)	\$22.50	\$22.50	\$22.50
30 Day Value Pass (Disability)	\$22.50	\$22.50	\$22.50
30 Day Value Pass (Student)	\$22.50	\$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>FY2022</b>	<b>FY2023</b>	<b>FY2024</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)	\$0.00	\$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)	\$0.00	\$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>A-RIDE FARES</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</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>D2A2 FARES</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2023</b>
<b>Advance Reservation</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>Walk-On Fares</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>FY2022</b>	<b>FY2023</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

## 8.4 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.

## 8.5 Adopting Resolution

Resolution xx/2024

APPROVAL OF FY2024 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 FY2024 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 FY2024 to the Federal Transit Administration (FTA) as part of the annual application for FY2024 federal funding, and

**WHEREAS**, the AAATA is required to submit the capital program and operating budget for FY2024 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY2024 state funding, which is amended by this resolution.

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby approves the FY2024 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **\$60,454,781** for operations, and
- **\$25,756,000** 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 FY2021-FY2024 TIP, of which FY2024 and beyond are subject to amendment in future years.

\_\_\_\_\_  
Kathleen M. Mozak, Chair

\_\_\_\_\_  
Jesse Miller, Secretary

Date

Date

## 8.6 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.

# Draft Budget

## FY2024 Operating & Capital Budget

Dina Reed  
Deputy CEO, Finance and Administration  
[dreed@theride.org](mailto:dreed@theride.org)

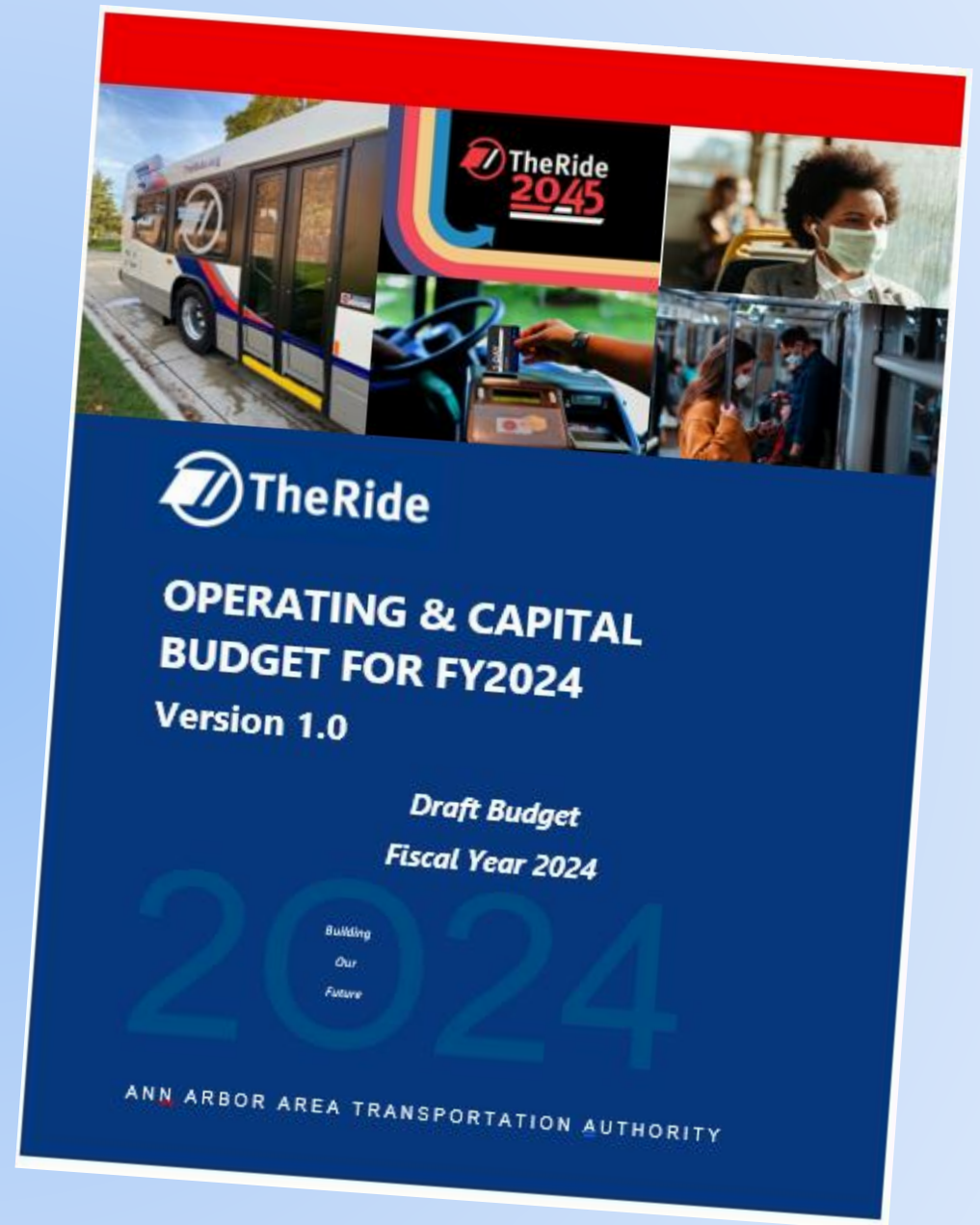


# Agenda

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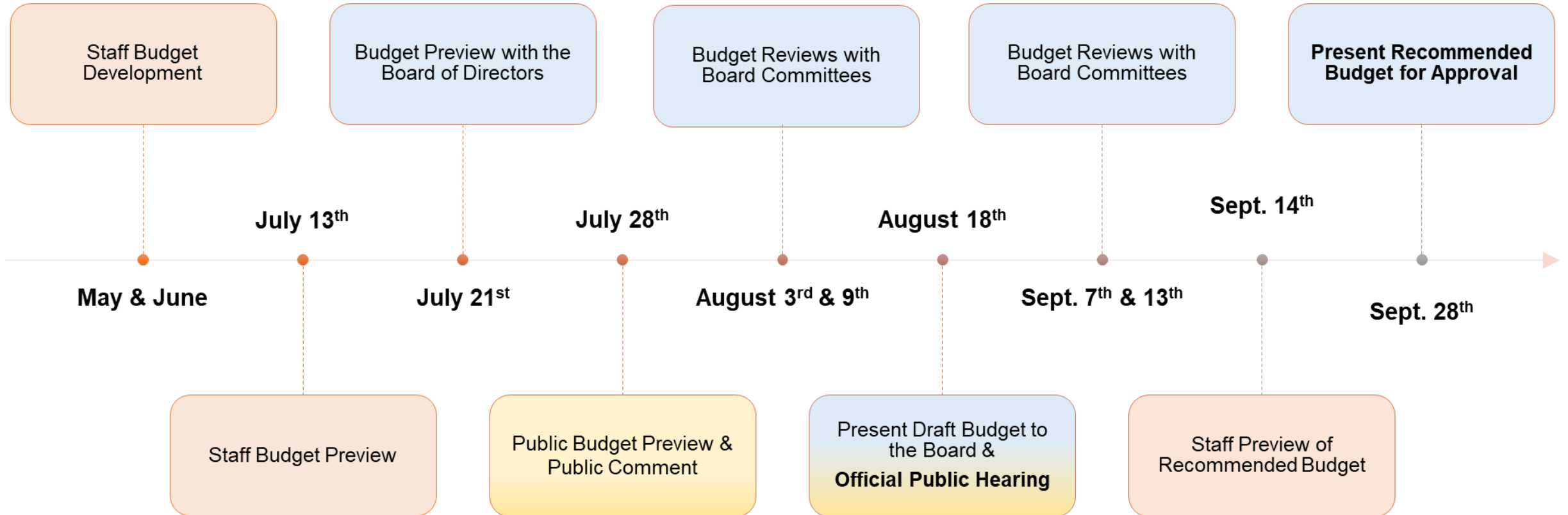
- Budget Introduction
  - Budget Timeline
  - Alignment with Board's Ends
  - Budget Highlights
- FY 2024 Operating and Capital Draft Budget
  - FY2024 Operating Budget
  - Operating Budget Projection
  - FY2024 Capital Budget
  - Conclusions

# FY 2024 Operating and Capital Draft Budget





# FY2024 Budget Timeline





# The Budget Advances Board “Ends”

1.0 Provide public transportation for the Ann Arbor-Ypsilanti Area that contributes to:

1.1 Residents/  
1.4 Passengers



Equitable access and Passengers are Highly satisfied

1.2 Environment



Positively Impacts Environment

1.3 Economic  
Prosperity



Positively Impacts Economic Prosperity

1.5 Residents



Positively Impacts Area’s Quality of Life

1.0 Fiscal  
Responsibility



Efficient Stewardship and Value for Money



# The Budget is Aligned with Business Plan Priorities



Attract New Riders and Increase Ridership

Excellence in Service Delivery

Agency-wide Continuous Improvement

# The Budget Follows Policies and Best Practices

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## Board Policies for financial planning and budgeting:

Is developed using sound financial practices,

Incorporates strategic and multi-year planning,

Uses practices that meet generally accepted accounting principles,

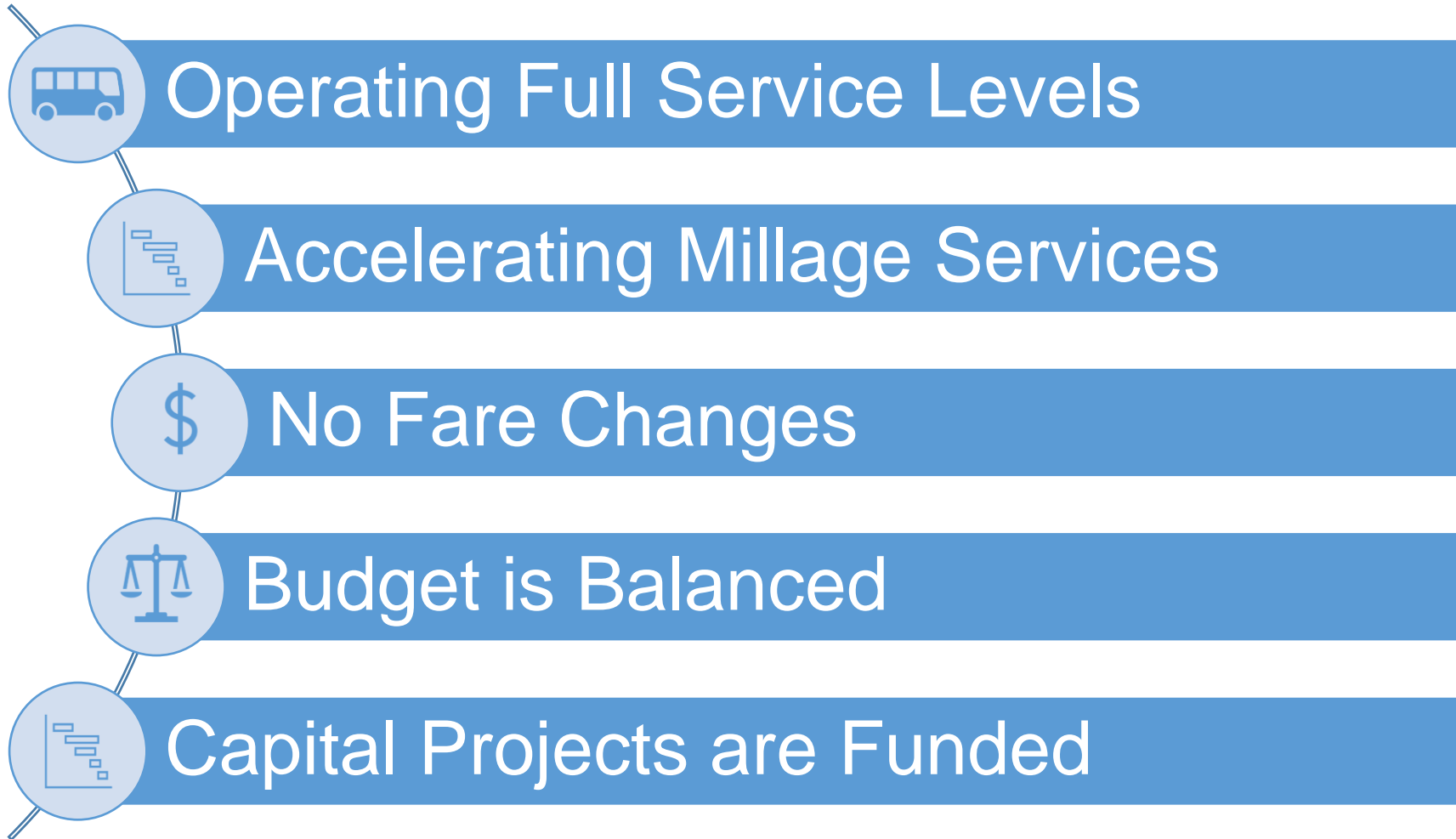
Complies with federal, state, and local regulations,

Details practices of handling cash and investments; and

Seeks authorization when adjusting passenger fares, property tax rates, or buying or selling real estate.

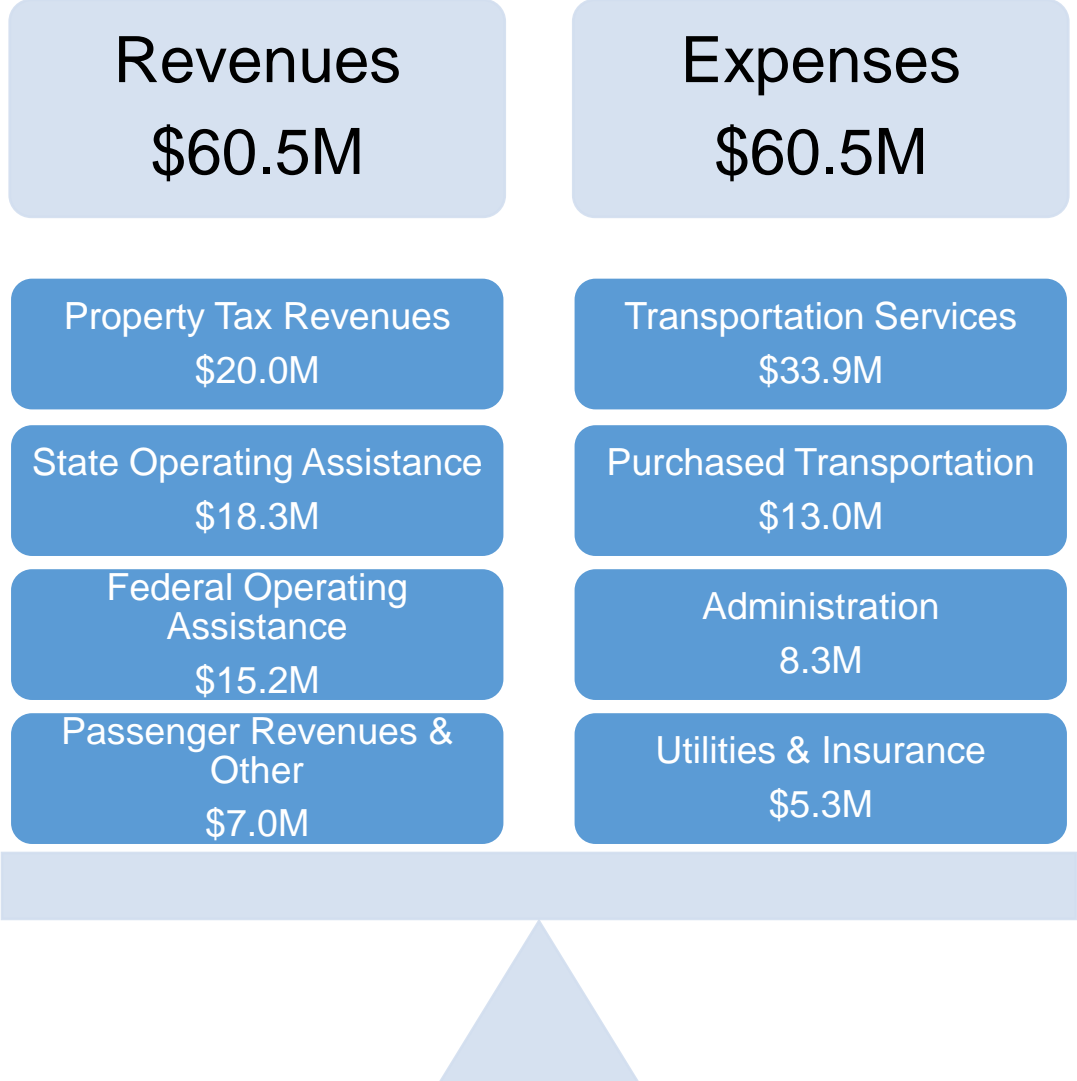
# Draft Budget Highlights

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# FY 2024 Operating Budget

# The FY2024 Operating Budget is Balanced



# The Budget Provides Funding for Initiatives



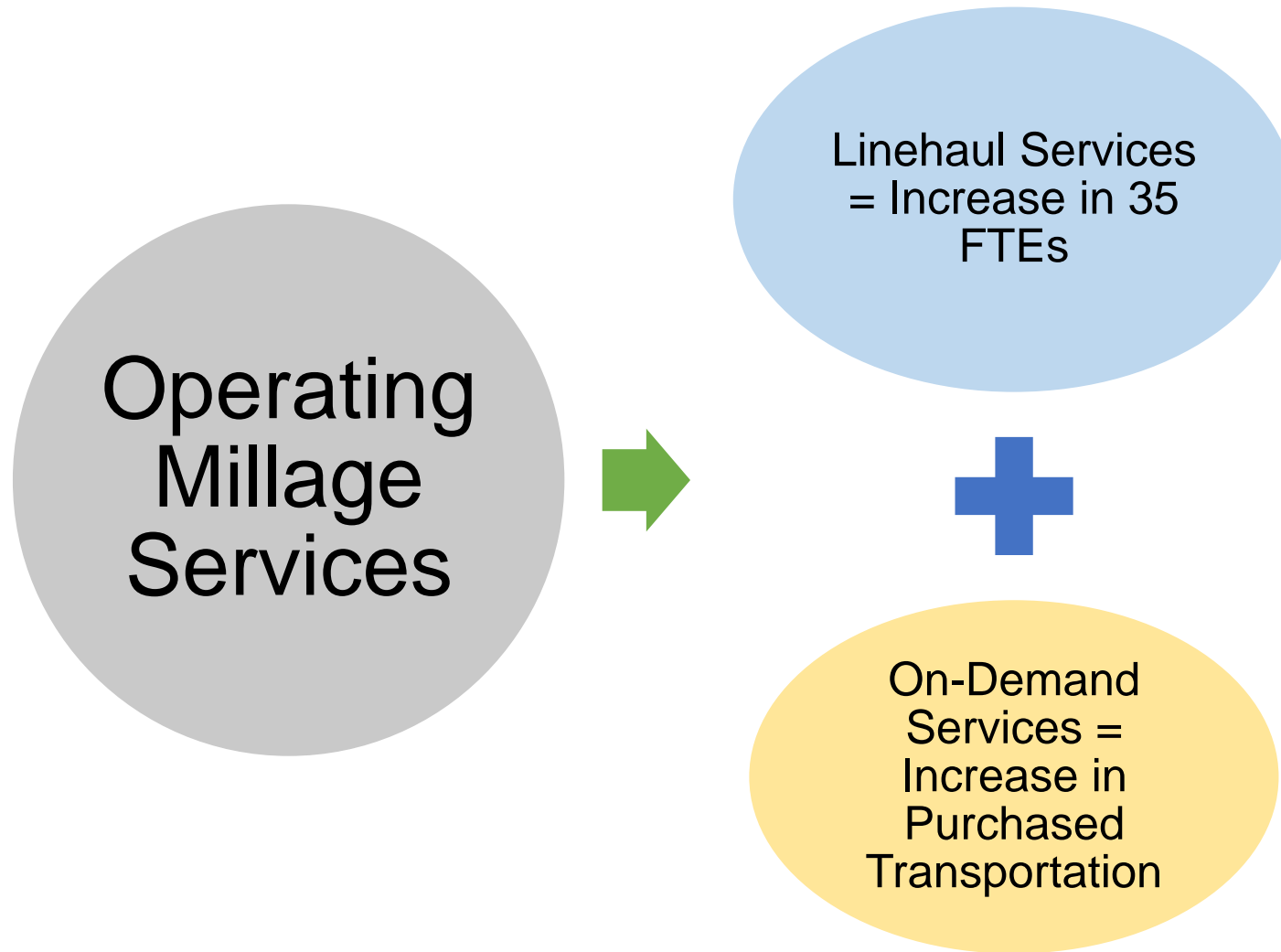
Millage Services, Advocacy

Daily Mission of  
**Operating Transit Services**

Staff Development, Customer  
Satisfaction, Sustainability

# Key Impacts of Millage Services in the Budget

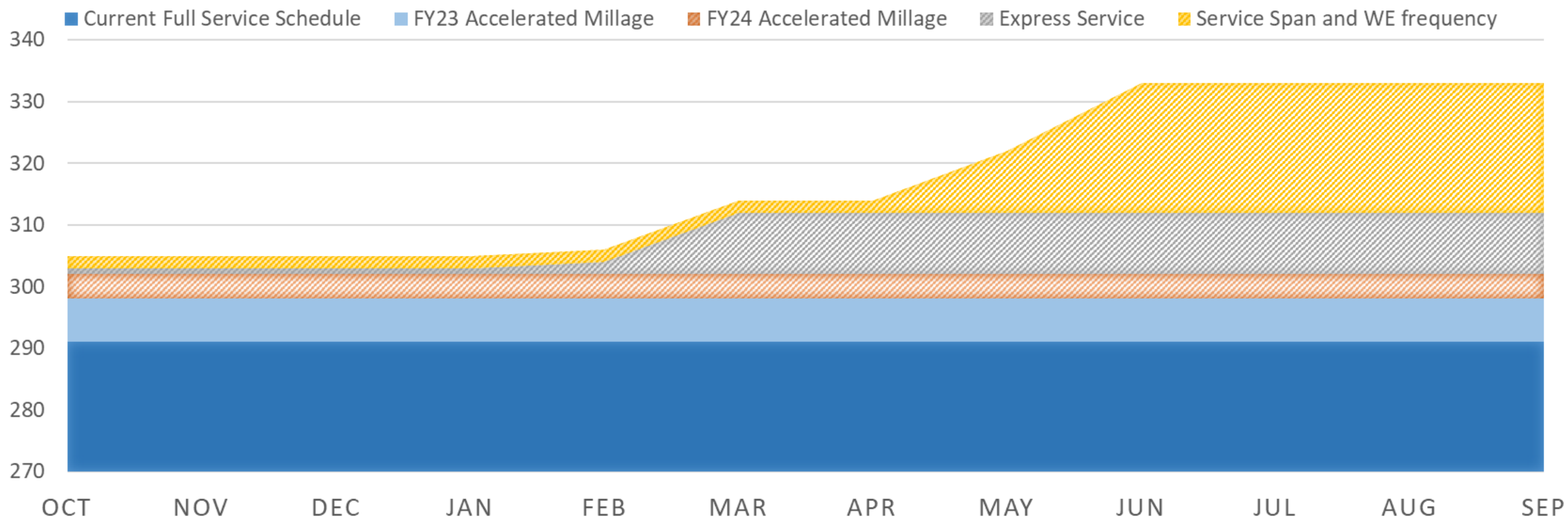
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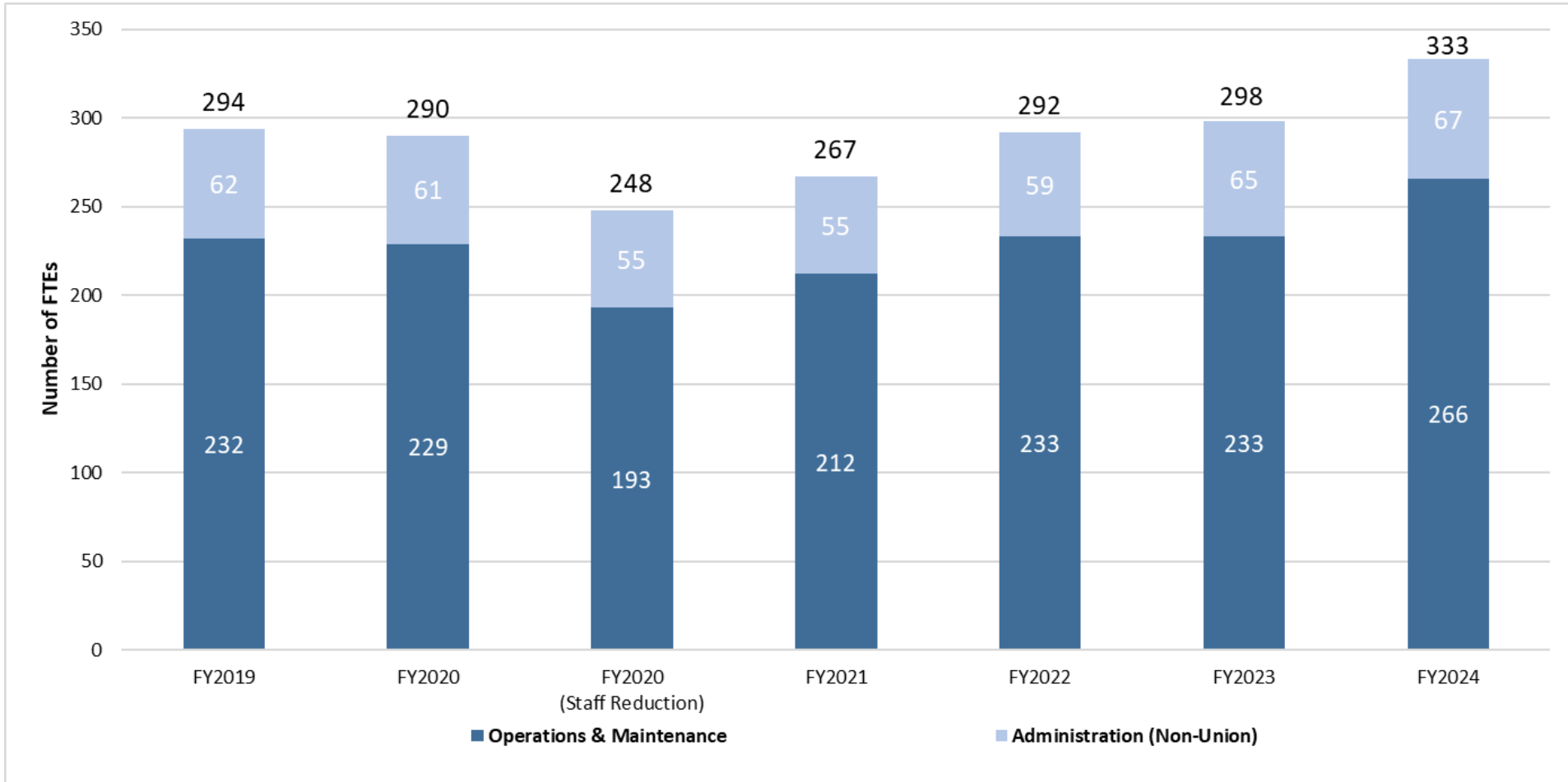


# Staffing Increased for Millage Services in FY2024

FY2024 MILLAGE IMPACTS ON FULL TIME EMPLOYEE LEVELS

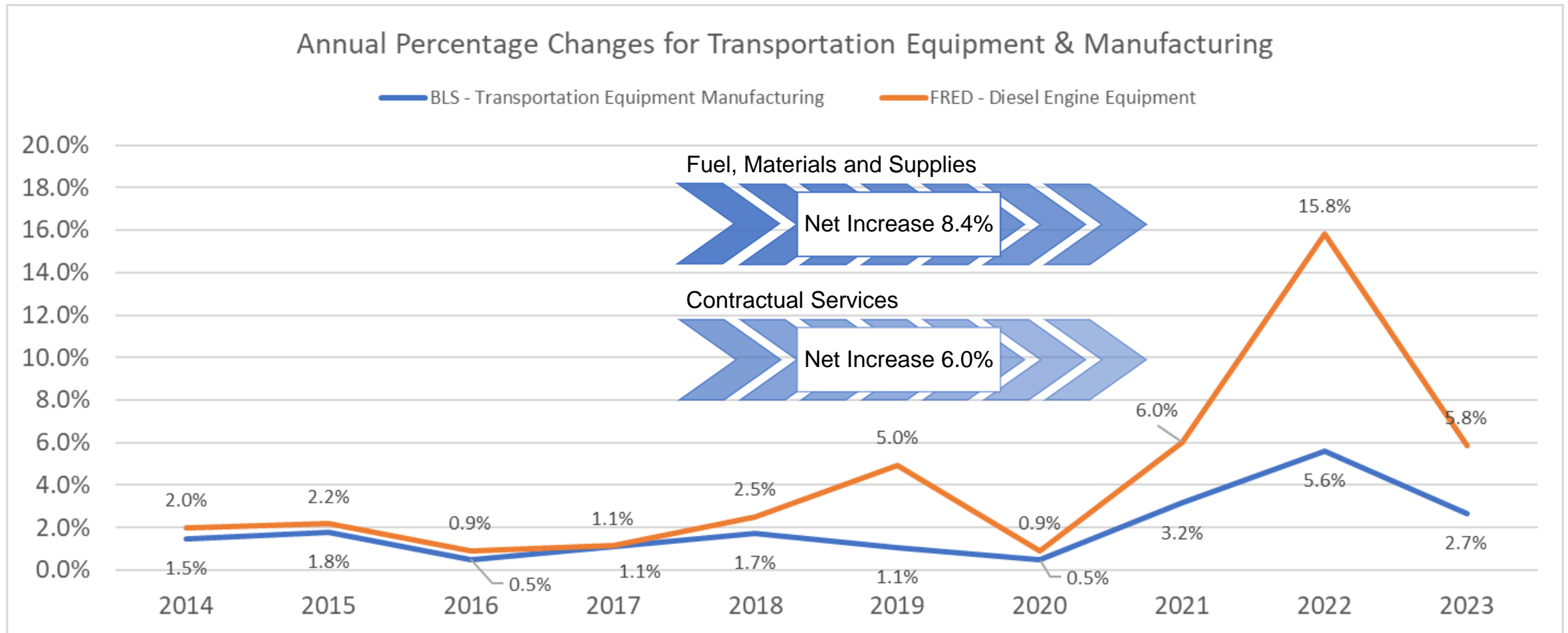


# Full Time Employees Summary



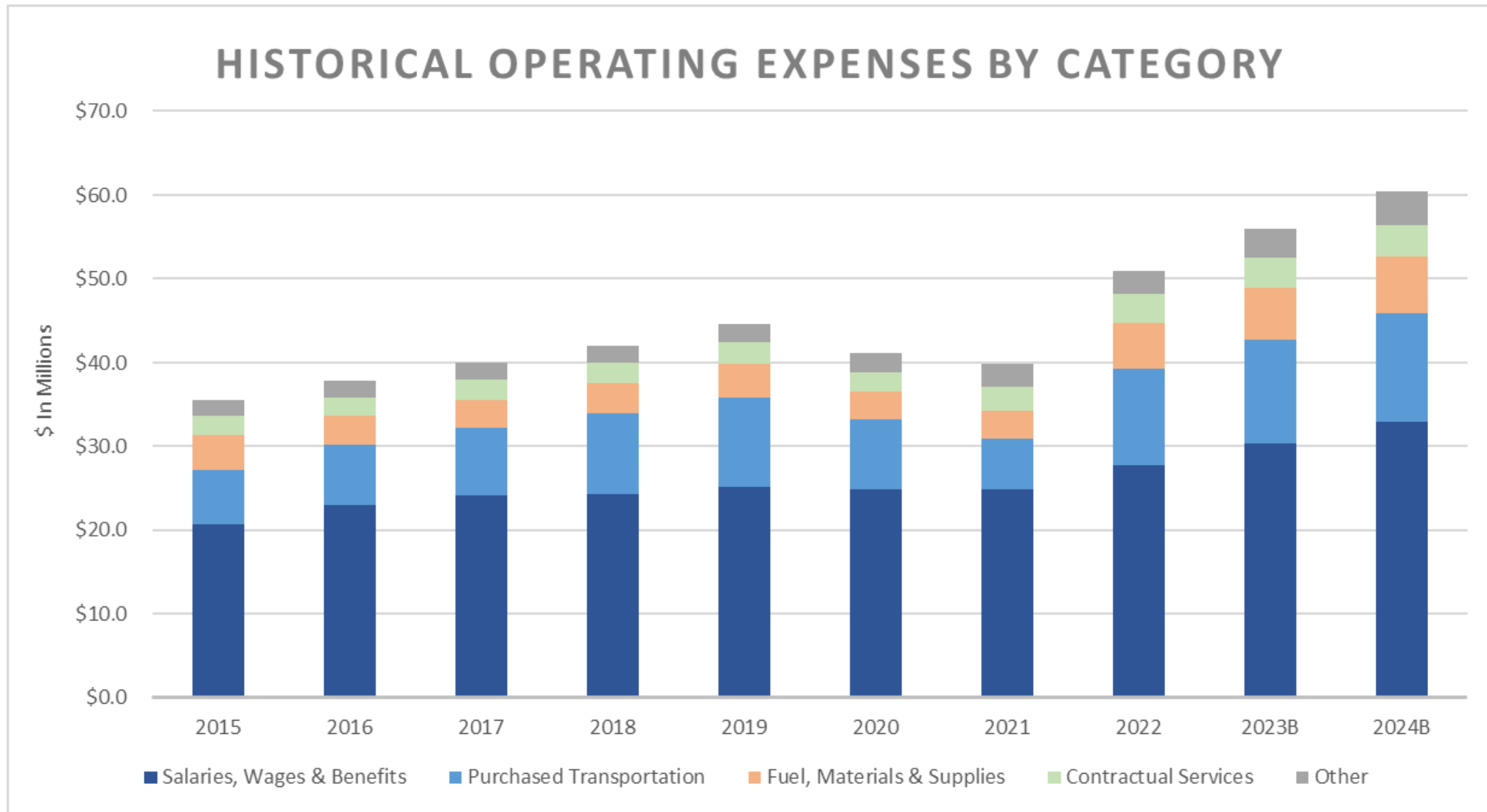
Note: The FTEs shown above represent budgeted full-time employees, except for the FY2020 staff reduction.

# Inflation Increases Costs of Vehicle Maintenance

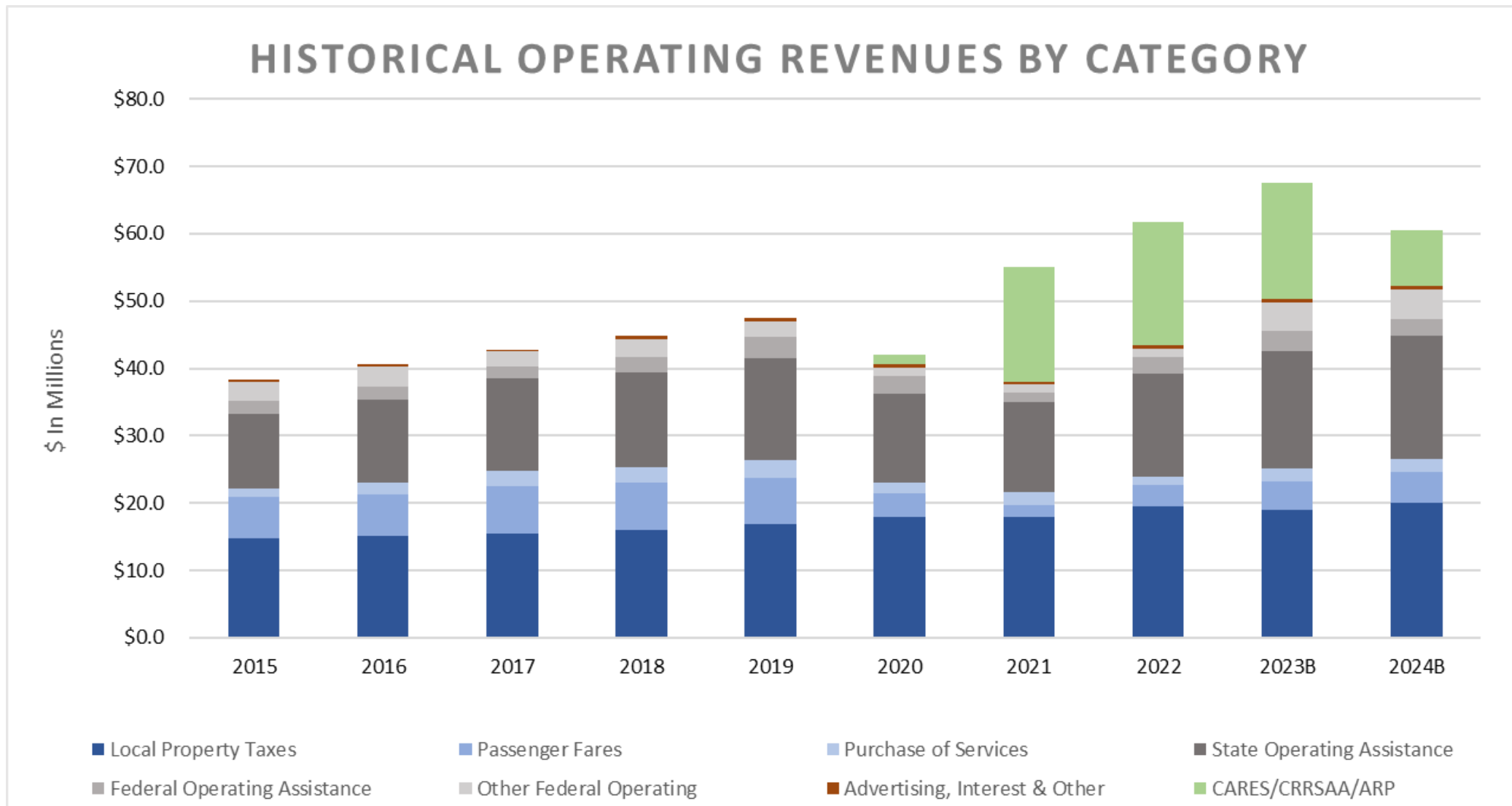


Source: U.S. Bureau of Labor and Statistics (BLS), PPI for Transportation Equipment Manufacturing  
Federal Reserve Economic Data (FRED), PPI for Transportation Equipment

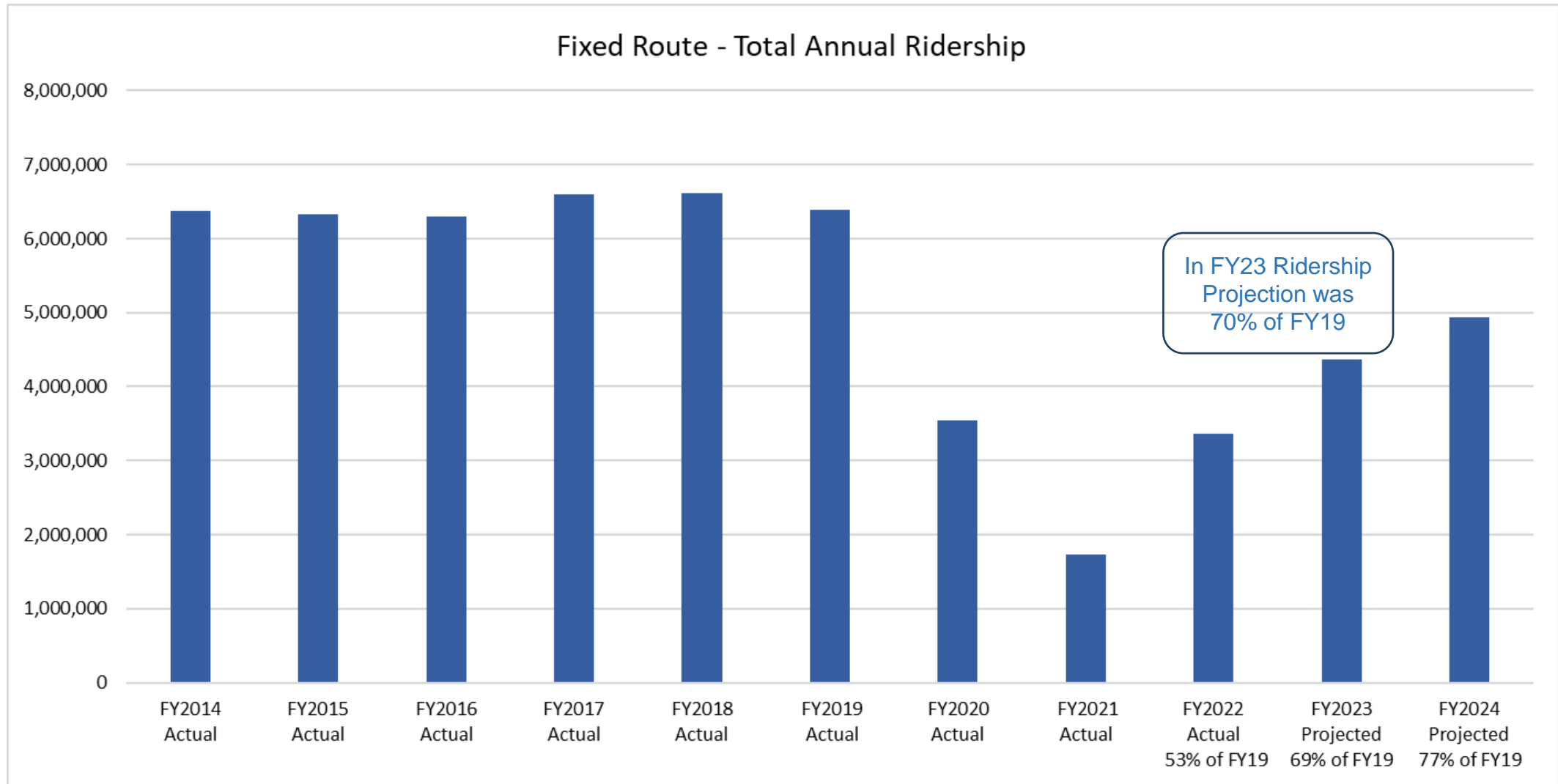
# Historical Operating Expenses



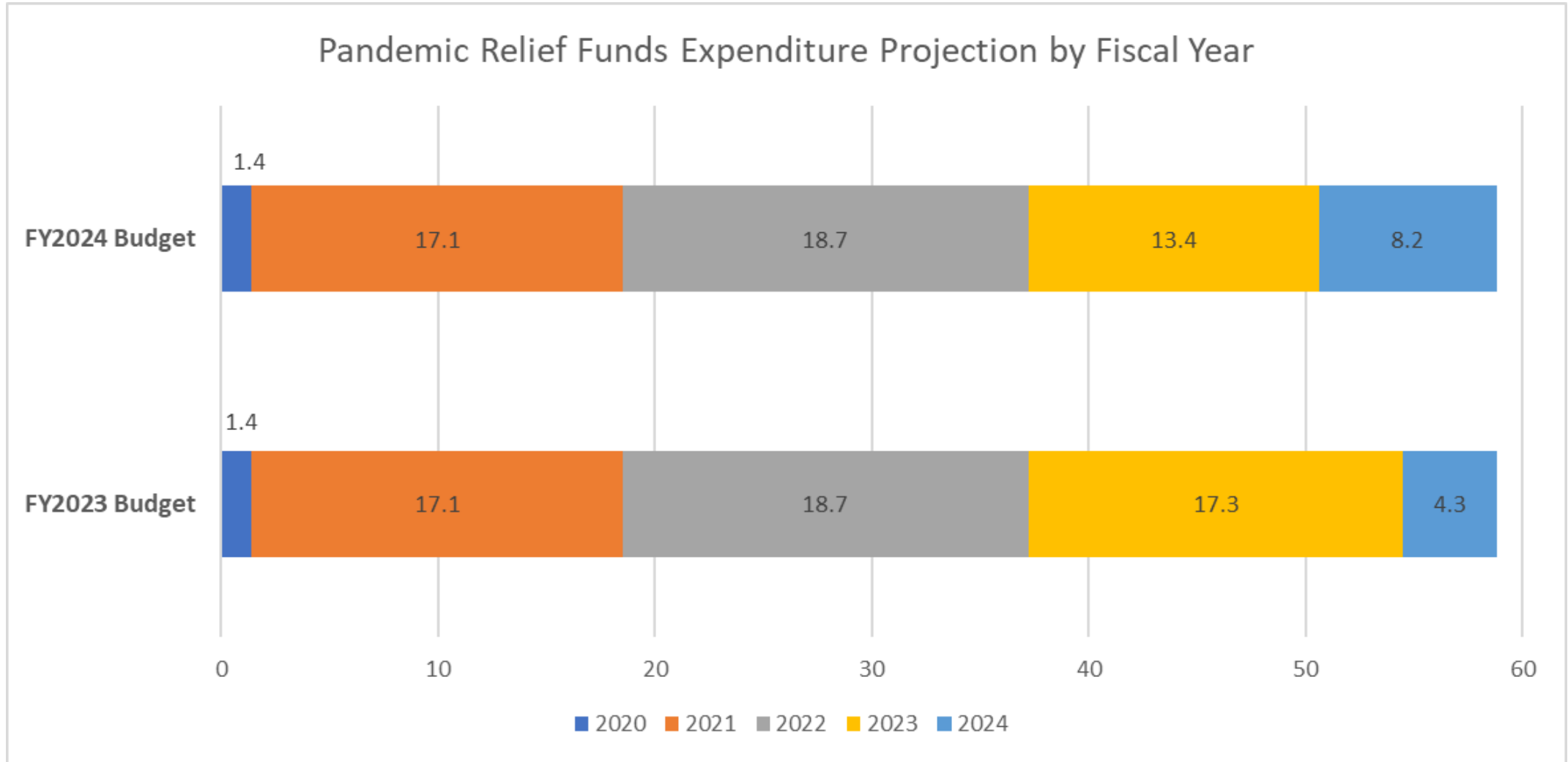
# Historical Operating Revenues



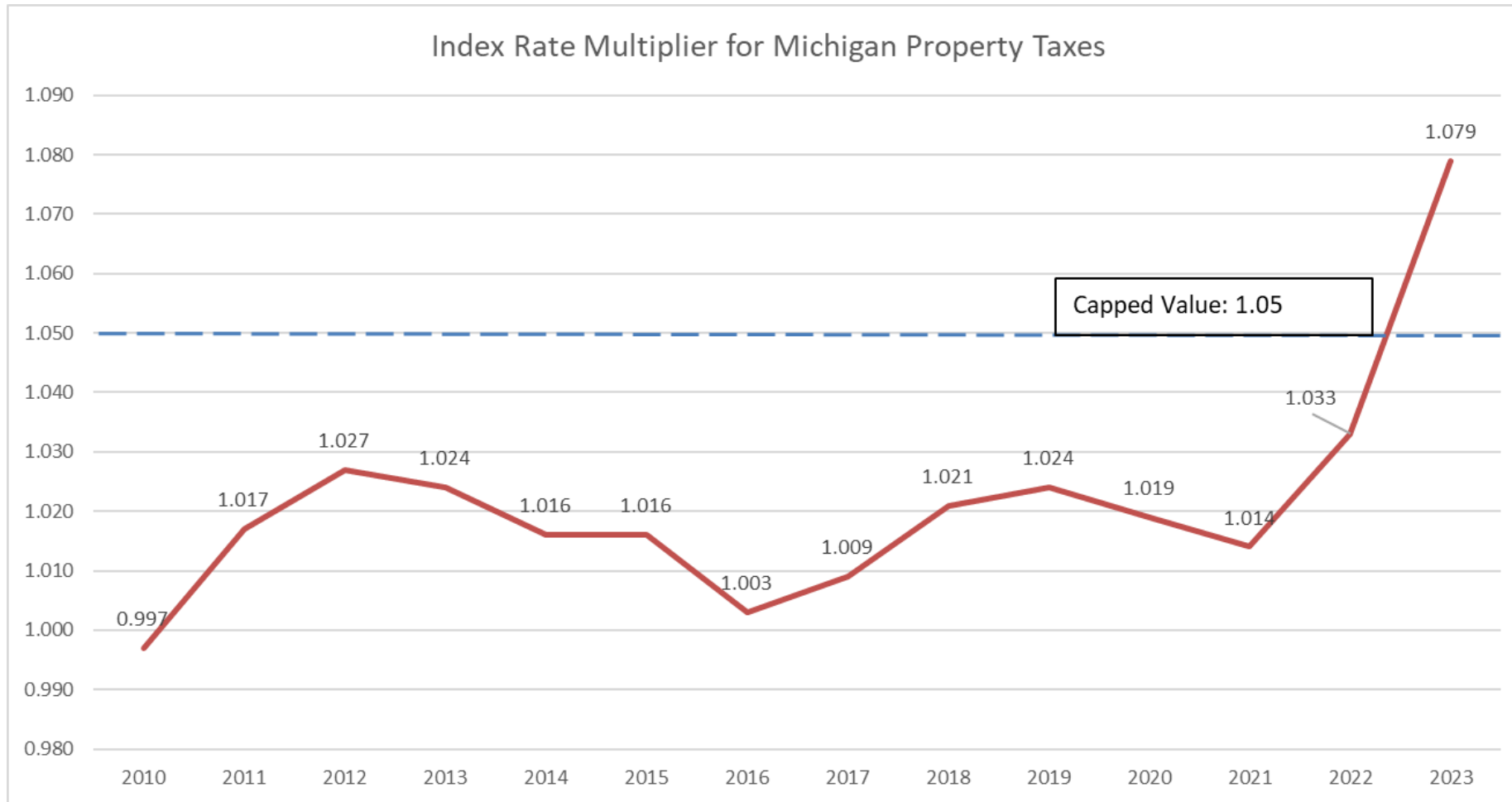
# Ridership Forecast is 77% of FY19 Ridership



# Using Pandemic Relief Funds for Millage Services



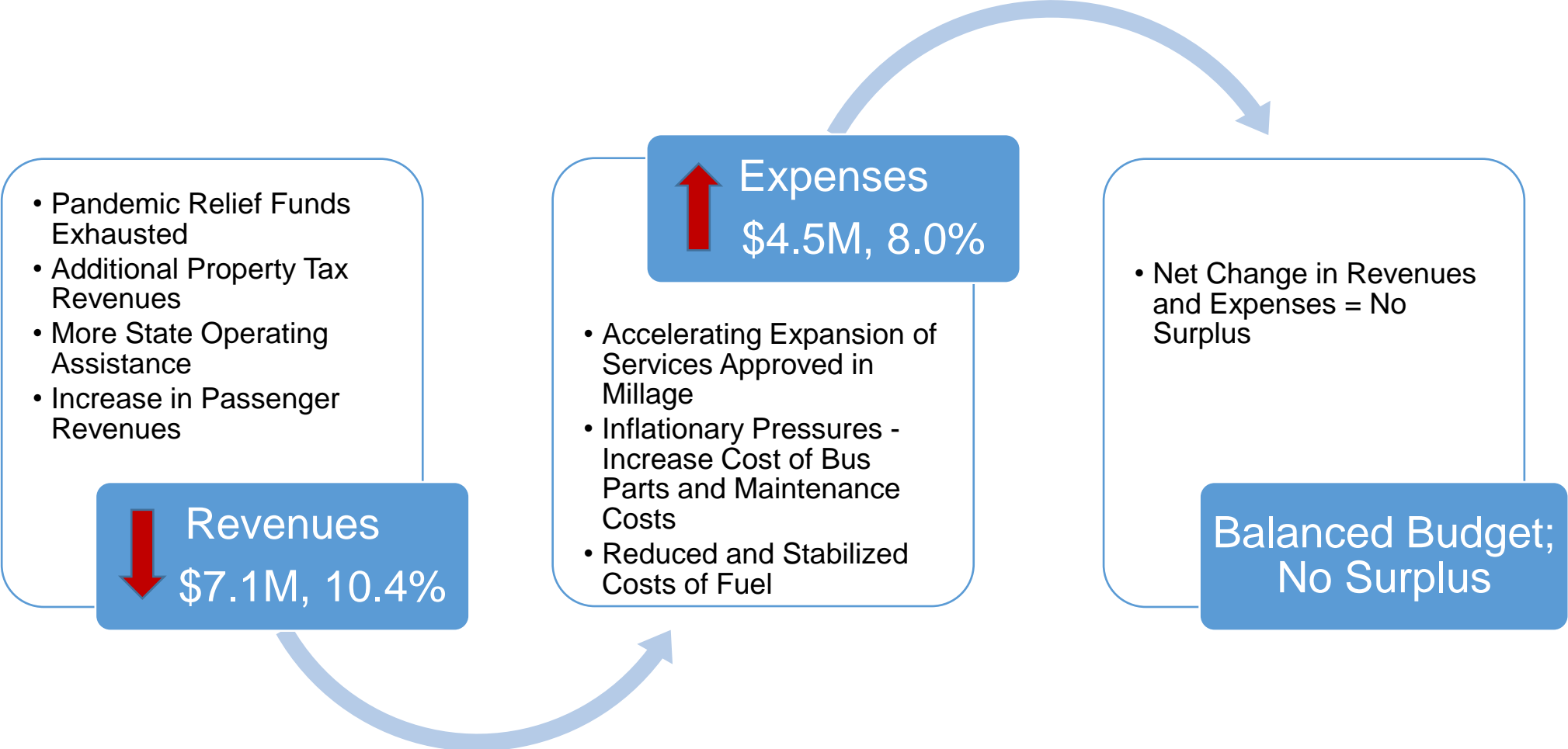
# Property Tax Revenue Assumptions are Based on State of Michigan Inflation Rates



Source: State of Michigan Department of Treasury, Bulletin 17 of 2022



# Changes Between 2023 and 2024 Budget



# Budget Opportunities and Risks

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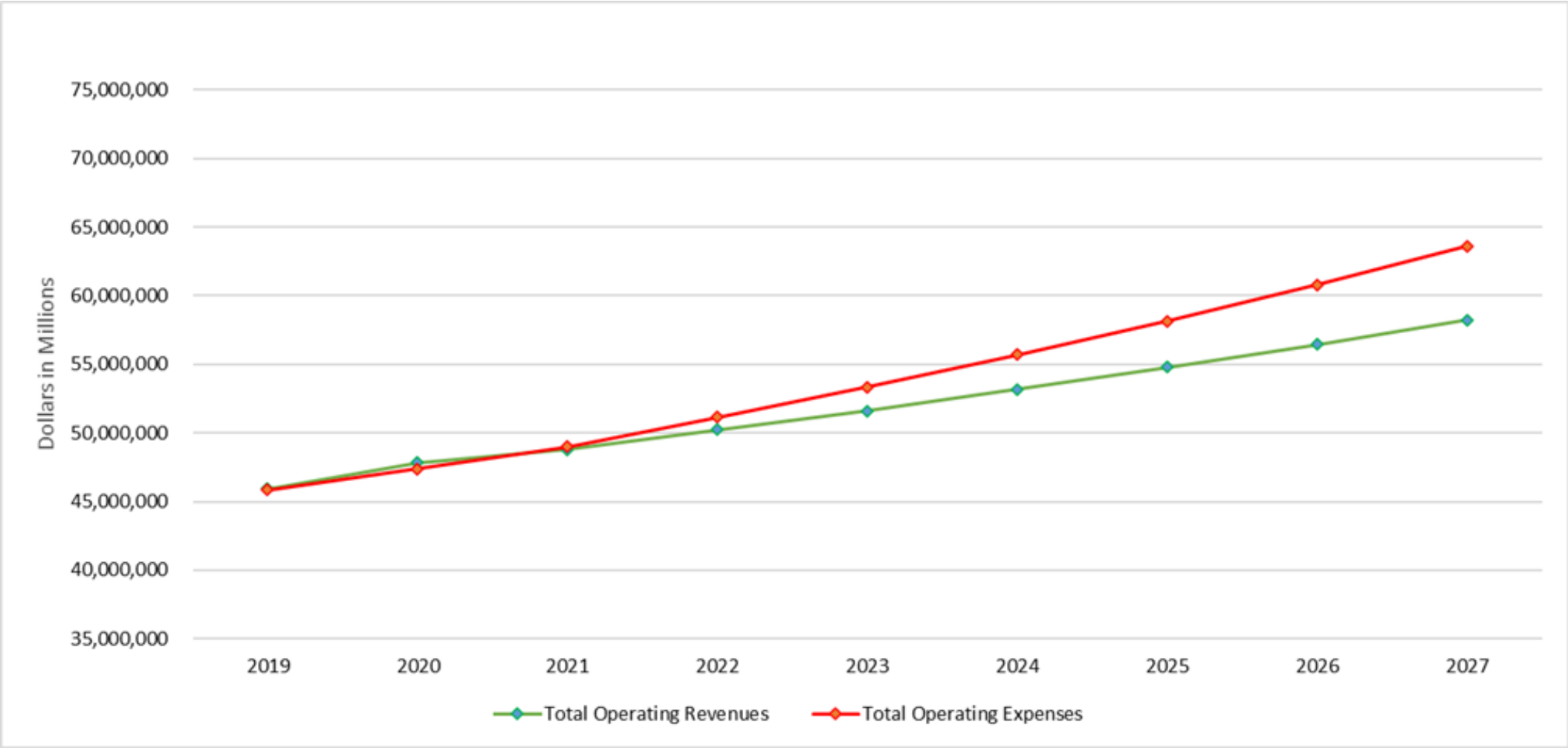
## Opportunities

- Continuing Service to Communities
- Accelerating Millage Services
- Planning for LRP
- Approved Millage

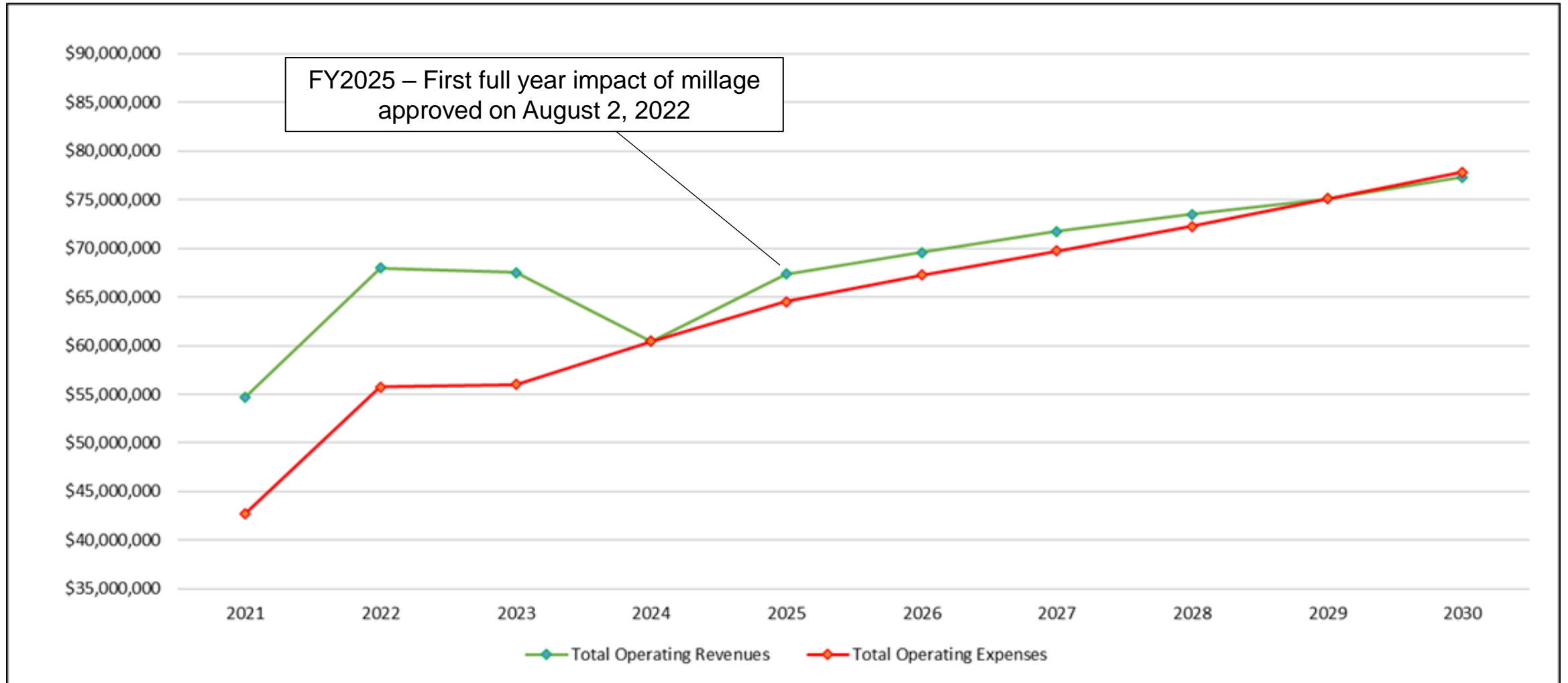
## Risks

- Cost Inflation and Volatility
- State and Federal Funding
- Ridership Recovery
- Staffing
- Phasing of Millage Initiatives

# Historic Financial Outlook

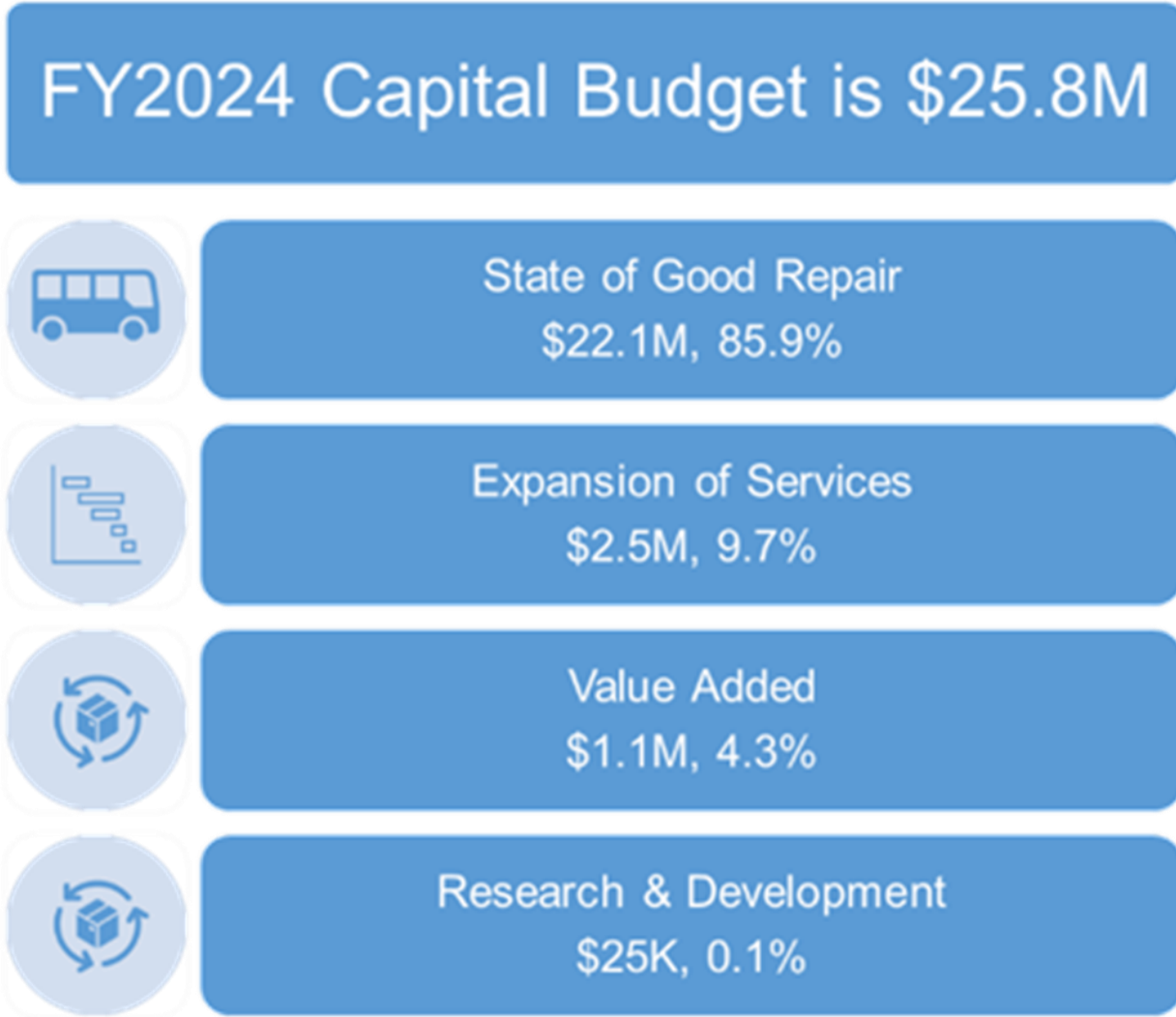


# Millage + Financial Prudence = Stable Outlook



# FY 2024 Capital Budget

# Capital Investments to Serve Our Customers



# FY2024 Capital Budget is Fully Funded *(one year)*

<b>CAPITAL PROJECTS</b>	<b>FY2024 Budget</b>	<b>FY2024-FY2032 Program</b>
State of Good Repair	\$22,114,000	\$98,925,294
Value Added	\$1,120,000	\$23,007,639
Research & Development	\$25,000	\$200,750
Expansion	\$2,497,000	\$209,067,920
<b>TOTAL EXPENSES</b>	<b>\$25,756,000</b>	<b>\$331,201,603</b>
<b>FUNDING SOURCES</b>	<b>FY2024 Budget</b>	<b>FY2024-FY2032 Program</b>
State & Federal Grants	\$25,431,000	\$157,077,287
Federal Earmark	\$300,000	\$0
Local Capital Reserve	\$25,000	\$36,743,249
Unidentified Funding	\$0	\$137,381,067
<b>TOTAL REVENUE</b>	<b>\$25,756,000</b>	<b>\$331,201,603</b>
<b>UNIDENTIFIED FUNDING PORTION</b>	<b>FY2024 Budget</b>	<b>FY2024-FY2032 Program</b>
Unidentified Funding %	0%	41%

# Protect Capital Reserve for Transportation Projects

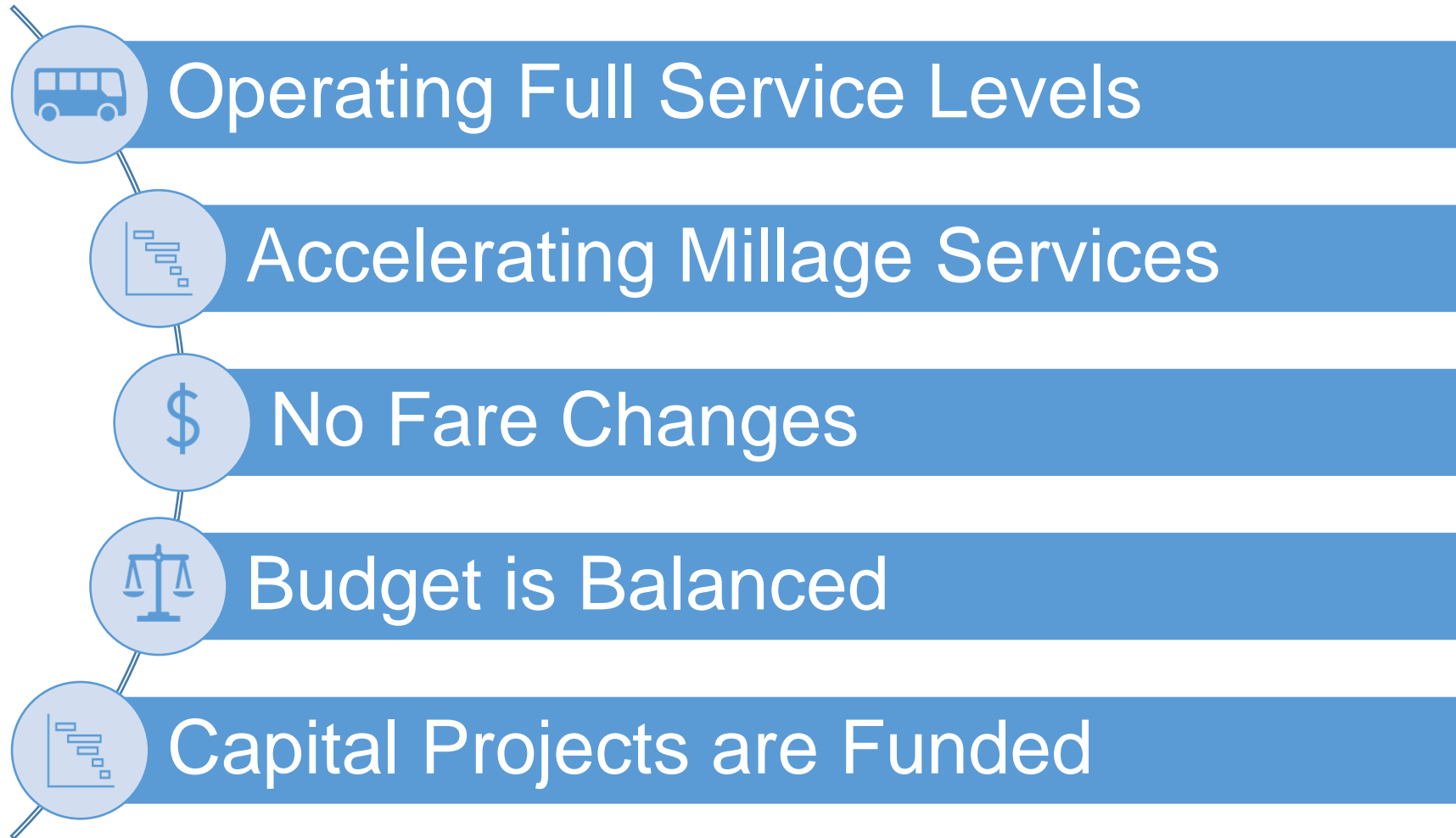
(\$ in thousands)	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Capital Reserve Funding <i>(from Operating Surplus)</i>	\$ 11,939	\$ 10,876	\$ 8,266	\$ -	\$ 2,235	\$ 1,833	\$ 1,510	\$ 677	\$ 37,336
Use of Capital Reserve for Capital Projects	-	-	25	25	1,205	7,177	2,828	26,076	37,335
Remaining Capital Reserve	\$ 11,939	\$ 22,814	\$ 31,055	\$ 31,030	\$ 32,061	\$ 26,717	\$ 25,399	\$ 0	\$ 0

- \$58.8 million of pandemic relief funds are expected to be utilized through FY2024 to recover:
  - Loss of passenger fares
  - Pandemic-related costs
- \$37.3 million of local funds will be dedicated to the capital reserve for capital projects directly supporting transportation services in our communities



# Draft Budget Summary

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# Thank You

## Questions/Discussion

For Additional Questions, please contact:

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Deputy CEO, Finance and Administration  
[dreed@theride.org](mailto:dreed@theride.org)

