## AGENDA

### 1) Opening Items

1. Approve Agenda
2. Public Comment
3. General Announcements

### 2) Policy Monitoring and Development

1. Board’s Annual Plan of Work Item
2. Policy Monitoring and Committee Reports
   1. Governance Committee
   2. Finance Committee
   3. Service Committee
3. Other Board Reports & Ownership Linkages
   1. LAC, WATS, A2 Transportation Commission

### 3) Strategy and Operational Updates: CEO

1. Draft Strategic Business Plan
2. Draft 2019 Budget
3. Q3 Financial Report
4. Q3 Service Report
5. CEO Report

### 4) Board Development

### 5) Emergent Business + Budget Public Hearing

### 6) Closing Items

1. Topics for Next Meeting: Budget approval, officer elections
   
   *Thursday, September 20, 2018 @ 6:30pm*
2. Public Comment
3. Board Assessment of Meeting
4. Adjournment
Monitoring Reports

**Sample Motions**

**Accepting:** I move that:
- We affirm that Monitoring Report XYZ has been read by board members, and
- We accept this report as it provides
  - a reasonable interpretation of the policy and
  - evidence of compliance with that reasonable interpretation [or… while not in compliance, shows evidence of reasonable progress/commitment toward compliance]

**Not Accepting:** I move that:
- We affirm that Monitoring Report XYZ has been read by board members, and
- We do not accept this report
  - as the interpretation for XYZ.XYZ cannot be deemed reasonable by a rational person
  - OR
  - though it provides a reasonable interpretation, it does not adequately provide evidence of compliance for XYZ.XYZ.
- CEO will provide an updated Monitoring Report XYZ within ## months.

**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 3.13 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?
Meeting Summary
Ann Arbor Area Transportation Authority Board of Directors
Finance Committee
Wednesday, August 8, 2018

Present: Mike Allemang (Chair), Eli Cooper, Prashanth Gururaja (telephone), Kyra Sims

Staff: Geri Barnstable, John Metzinger, Phil Webb, Sarah Gryniewicz

The meeting was called to order at 3:35 p.m. by Chairman Allemang.

1) Opening Items
   a. Agenda (Additions, Approval)
      The Committee approved the agenda by consensus.
   b. Communications
      None.

2) Policy Monitoring and Development
   a. Millage Update
      Mr. Carpenter reported that vote tallies showed we won all precincts with a percentage that was up from 2014. We received a lot of political capital from the vote, to use with a new Ann Arbor City Council. Chairman Allemang heard all complimentary comments about Mr. Carpenter and the AAATA Staff. He stated that the new City Council may be less open to change but Chris Taylor is still the Mayor and selects Board Members. Mr. Gururaja commented that the high turnout reflects that the service is meaningful to many people.

3) Strategy and Operational Updates
   a. Draft Strategic Business Plan
      Mr. Carpenter reported that 3 items are up for the Board’s decision in September: Strategic Business Plan, Monitoring Report and Budget. Today is for feedback, not approval until September. He requested comments be sent to him. The Strategic Business Plan is a new tool to organize our thinking on how to
achieve goals determined by the direction the Board set in the Ends Report. We interpret that direction and the budget becomes the first-year implementation of it with a multi-year perspective (5 year rolling plan). The approach is where we are today and how we get to the future. Mr. Carpenter reviewed the timeline of major initiatives. We will be getting feedback from public meetings over the next 2 weeks. Chairman Allemang called this a great document and a step forward which reflected good steps in the organization over the last few years.

Ms. Sims was glad to see work from the retreat here and suggested the document summary could be more positive by presenting more accomplishments to the public.

Mr. Cooper noted that safety should be a priority; he applauded the BikeShare Program and noted that demands of commuters will be changing.

Mr. Gururaja stated that the framework is helpful.

b. Draft 2.4 Monitoring Report

Mr. Metzinger presented this for approval in September. It questions whether we adhered to the direction given by the Board for Finance and Budgeting. If yes, it can be adopted then. Feedback is welcome. Chairman Allemang requested more detail for the next Committee Meeting.

c. Draft 2019 Budget

Mr. Metzinger discussed details from his presentation. Major projects were highlighted including new buses, improved Control Center Communications, improved website, no deficit projected, YTC Security, 50th Anniversary celebration, a balanced budget. He reviewed more details in the numbers. Discussion ensued of budget variables.

d. Q3 Financial Report

Mr. Metzinger went into closer detail on the Operating Budget Table. Chairman Allemang and Mr. Gururaja will email him with additional questions. Mr. Cooper inquired what happens if ridership goes down. Mr. Carpenter will look into that. Mr. Metzinger noted increased capital investment in the Facility and Fleet to achieve a “state of good repair”, results of Triennial Review done in September. Mr. Carpenter added that included is money set aside for new ideas that come up. Mr. Metzinger stated that this report will go before the Board this month and that we will end the year pretty strong.

4) Closing Items
   a. Topics for Next Meeting: Budget
   b. Adjournment

Chairman Allemang adjourned the meeting at 4:28 p.m.
Respectfully Submitted,
Geri Barnstable
Meeting Summary
Ann Arbor Area Transportation Authority Board of Directors
Service Committee
August 8, 2018

Present: Gillian Gainsley, Roger Hewitt (Chair)

By Phone: Larry Krieg, Sue Gott

Staff: Matt Carpenter, Bryan Smith, Forest Yang, John Metzinger, Sarah Pressprich Gryniewicz

The meeting was called to order at 9:08 a.m. by Chairman Hewitt.

1) Opening Items
   a. Agenda (Additions, Approval)
      The Committee approved the agenda by consensus.
   b. Communications
      None.

2) Policy Monitoring and Development
   a. Millage Update
      Chairman Hewitt announced that the Millage passed more than comfortably, over 35,000 yes to 7,000 no which is about 84%. He noted we won every precinct and did better than the 71% in 2014. We have a lot to be proud of and strong community support. He also noted we had unanimous support from the City Council candidates and should determine how to best use that political capital.
      Mr. Carpenter noted that the turnover at Ann Arbor City Council means we no longer have majority support which may affect our position with the Y Lot.
      Mr. Carpenter requested to speak about the Y Lot and Chairman Hewitt approved. It has not changed. At the end of August Howard Lazarus will bring forward options and then we may be able to make our interest public.
      Ms. Gainsley pointed out that the new City Council has many anti-development members, so Ypsilanti would be a better place to build a facility.
      Dr. Krieg suggested we should use our victory to propose that a facility in downtown Ann Arbor would make the area work better.
   b. Monitoring 2.9 Emergency CEO Succession
      Mr. Carpenter noted that the new annual cycle is beginning, and the Board will decide what process to use in choosing an acting CEO if necessary. He noted that there are 3 Senior Executives prepared to step into the role and their job...
descriptions are in this report. Ms. Gainsley commented that this is exactly what the Board had asked for and the person would be appointed by the full Board.

3) Strategy and Operational Updates: CEO

a. Draft Strategic Business Plan
Mr. Carpenter presented the plan stating that it contains new tools and proposes direction to get feedback from the Board about. It is based upon the Ends from Quarter 2. The development of the Strategic Business Plan will drive the budget. It was unclear in the past, but this provides transparency. He stated that the annual budget is the first year of a rolling 5-year plan. The intent is to align resources to achieve the goals outlined by the Board. Mr. Carpenter highlighted details from the report. We are seeking feedback on all of this; what can be done based upon the size and resources of the organization. Mr. Carpenter is happy to receive comments any time. The plan will also be subjected to public feedback. More details were reviewed. Mr. Hewitt and Ms. Gott were impressed with the report. Ms. Gainsley and Ms. Gott expressed interest in how this fits into the budget.

b. Draft 2.4 Monitoring Report
At the September 20th Board Meeting, the Board will be asked to accept the Strategic Business Plan and the Budget Report. Mr. Carpenter noted that this is a draft to be voted on in September.

c. Draft 2019 Budget
Mr. Metzinger presented the Budget Report. Highlights included record ridership, reserve recovering quicker than expected, a surplus over expenses, details on what is creating the increase in the budget, such as bus purchases, facility repair and our 50th Anniversary. Much of the spending will be funded through grants. Mr. Metzinger gave some examples of this. Ms. Gott requested additional data which Mr. Metzinger will supply to her. Mr. Carpenter noted that the philosophy is identifying what we want to do then determining how to fund it. There was a discussion about identifying the impact of outside regulations on spending. Ms. Gainsley suggested a 50th Anniversary gala fundraising opportunity be considered.

d. Q3 Service Report
Mr. Smith reported that Service is doing well although ridership is flat, his report reflects the details and a Customer Service person is being added to staff. Mr. Carpenter added that there will also be new equipment that is needed.

e. Ypsilanti Transit Center Planning Proposal
Mr. Yang reported that the study is progressing well with consultants leaving in August. Mr. Carpenter invited feedback on this. There was discussion about
approaching stakeholders before going public, location and use of graphics. Mr. Yang advised there will be a public meeting on August 29th.

4) Closing Items
   a. Topics for Next Meeting
      • Mr. Hewitt will not be at the Board Meeting, so Ms. Gainsley will give the Committee Report.
      • Budget.
   b. Farewells to Mr. Yang, Ms. Pressprich Gryniewicz, Ms. Gainsley.
   c. Adjournment
      Chairman Hewitt adjourned the meeting at 11:12 a.m.

Respectfully Submitted,

Geri Barnstable
Issue Brief: DRAFT Strategic Business Plan

Meeting: Board Meeting  Date:  August 16, 2018  Agenda Item # 3.1

Recommended Board Action(s):

- Receive for Information and provide feedback to the CEO. No decision required.

Prior Relevant Board Actions and Policies:

- Approval of Board Policy Manual.

Issue Summary:

This year, TheRide’s corporate planning process takes another step with the introduction of our first Strategic Business Plan (SBP). This draft document was developed to help identify high-level challenges and opportunities for TheRide, and to develop a plan for advancing the Board’s stated vision. The SBP also sets the direction for the draft 2019 Budget (also in this packet). The SBP also helps improve public engagement by making TheRide’s decisions more transparent. The draft plan was released to the public in July and feedback is being actively sought.

The CEO welcomes feedback and advice from the Board, stakeholders, riders, and the public to help make this a even better corporate planning tool. It is his intent to finalize the 2019 Business Plan in late August. It may be updated as warranted and will be revisited every year based on the Board’s direction.

Background:

The Strategic Business Plan also fulfills several requirements for good management required by the Board. Board policies require that the Chief Executive Officer (CEO) create a multi-year strategic plan (Policy 2.4) that will: align staff-work (2.4.2) to achieve the Board’s vision (1.0), contextualize decisions (2.4.2, 2.11.1.6.1), incorporate community input (2.10), provide a longer-term perspective (2.4.4), and ensure financial stability (2.4).

Impacts of Recommended Action(s):

- **Budgetary/Fiscal**: The Strategic Business Plan contextualizes and prioritizes expenditures, and provides overall direction for the draft 2019 Budget.
- **Social**: The SBP increases transparency by providing a meaningful way for the public to understand TheRide’s decision-making processes.
- **Environmental**: NA
- **Governance**: The SBP is a responsibility delegated to the CEO by the Board under policy 4.3.3.

Attachments: Draft Strategic Business Plan
**Issue Brief: FY 2019 Operating and Capital Budget**

**Meeting:** Board of Directors  
**Date:** August 16, 2018  
**Agenda Item:** 3.2

**Recommended Action(s):**

- Receive the introduction of the FY 2019 Draft Operating and Capital Budget

**Relevant Board Policies:**

- Governance Process: Policy 3.2.7 “...the Board has direct responsibility to create...approval of the annual budget developed and recommended by the CEO.”
- Executive Limitation: Policy 2.4 Financial Planning/Budgeting

**Issue Summary:**

State law requires the board approve an operating budget before funds can be spent in the new fiscal year. Preliminary discussions in August will help ensure support for the final budget that will be presented in September.

**Background:**

AAATA staff developed a recommended FY 2019 Operating and Capital budget that

- furthers Board Ends Policies within Executive Limitations and
- provides multi-year context.

By resolution, the Board would approve FY 2019 operating and capital funds, as well as a multiyear capital program to be eligible for federal funds (years 2020 and beyond can be modified in future budgets). Approval will be sought in September 2018.

The Michigan Uniform Budgeting and Accounting Act of 1968 requires the Board to adopt a balanced operating budget though resolution for its next fiscal year, which begins October 1. The Act stipulates the resolution must include wording specifying that the budget serves as the agency’s “general appropriations act.” WATS and MDOT also require capital needs statements to aid in planning. This language will be incorporated into the resolution. In addition, a formal public hearing of the budget is required and will be conducted at the August 16th Board meeting.

**Impacts of Recommended Action(s):**  See Budget Document

**Attachments:**

- Draft FY 2019 Operating and Capital Budget

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**Author:** John Metzinger  
**Reviewed by:** Matt Carpenter

**Approved by:** Matt Carpenter  
**Date:** August 9, 2018

Meeting: Board Meeting       Date: August 16, 2018       Agenda Item # 3.3

Recommended Action(s): Receive as information.

Prior Relevant Board Actions and Policies:

- 2.11.1.5 CEO shall not...Let the Board be unaware of... incidental information (including) quarterly budget to actual financial reports.
- Appendix A: Informational Reports schedule specifies quarterly Financial Statement reports in November, February, May, and August.

Issue Summary:

Staff present the Third Quarter Financial Statement with currently available and reportable financial information for the period ending June 30, 2018.

Attachments:

- FY 2018 Q3 Financial Statement (Income Statement and Balance Sheet)

Background:
Financial highlights from the third quarter (April, May, June 2018) include:

- The reserve ended the quarter at 2.48 months of annual operating expense, very near the target of 2.5 months.
- The reserve balance was $8.78 million, $1.9 million higher than third quarter end last year.
- TheRide operated within the budget.
- There was a $1,068,097 surplus of revenue over expense, which represents a contingency margin of 2.5% of the adopted budget.
- Expenses were $1.03 million lower than budgeted. Savings were from lower fringe benefits, fuel, purchased service, and other costs.
- Revenues were lower than budgeted by $293,130, after less-than-budgeted state operating assistance was needed due to lower overall expenses and more federal assistance was drawn to reimburse preventive maintenance costs.
- Cash flow was adequate to cover expense; quarter ended at $9 million in cash/ investments.

Next Steps:

- Q4 2018 financial reports due in November. The fiscal year will be complete.

Author: John Metzinger       Reviewed by: Matt Carpenter
Approved by: Matt Carpenter       Date: July 30, 2018
### Income Statement

**For the Period Ended June 30, 2018**

#### Revenue and Expense (Budget to Actual)

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

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Actual Quarter 1</th>
<th>Actual Quarter 2</th>
<th>Actual Quarter 3</th>
<th>Actual Quarter 4</th>
<th>Actual YTD</th>
<th>Budgeted YTD</th>
<th>Variance (Dollars)</th>
<th>Variance (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fares and Contracts</td>
<td>$2,280</td>
<td>$2,128</td>
<td>$2,233</td>
<td>$ -</td>
<td>$6,641</td>
<td>$6,675</td>
<td>$(34)</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Local Property Taxes</td>
<td>3,891</td>
<td>3,891</td>
<td>3,891</td>
<td>-</td>
<td>11,673</td>
<td>11,675</td>
<td>(1)</td>
<td>0.0%</td>
</tr>
<tr>
<td>State Operating Assist.</td>
<td>3,264</td>
<td>3,341</td>
<td>3,458</td>
<td>-</td>
<td>10,064</td>
<td>10,596</td>
<td>(532)</td>
<td>-5.0%</td>
</tr>
<tr>
<td>Federal Operating Assist.</td>
<td>782</td>
<td>1,264</td>
<td>1,410</td>
<td>-</td>
<td>3,455</td>
<td>3,137</td>
<td>318</td>
<td>10.1%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>74</td>
<td>74</td>
<td>126</td>
<td>-</td>
<td>274</td>
<td>318</td>
<td>(44)</td>
<td>-13.8%</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>$10,291</strong></td>
<td><strong>$10,698</strong></td>
<td><strong>$11,118</strong></td>
<td>-</td>
<td><strong>$32,108</strong></td>
<td><strong>$32,401</strong></td>
<td><strong>($293)</strong></td>
<td><strong>-0.9%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, Wages, Benefits</td>
<td>$6,163</td>
<td>$6,019</td>
<td>$6,031</td>
<td></td>
<td>$18,213</td>
<td>$18,850</td>
<td>$637</td>
<td>3.4%</td>
</tr>
<tr>
<td>Purchased Transportation</td>
<td>2,137</td>
<td>2,323</td>
<td>2,394</td>
<td></td>
<td>6,854</td>
<td>6,413</td>
<td>(441)</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Fuel, Material, Supplies</td>
<td>736</td>
<td>976</td>
<td>1,052</td>
<td></td>
<td>2,764</td>
<td>3,161</td>
<td>397</td>
<td>12.5%</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>447</td>
<td>591</td>
<td>771</td>
<td></td>
<td>1,808</td>
<td>1,943</td>
<td>135</td>
<td>6.9%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>381</td>
<td>477</td>
<td>542</td>
<td></td>
<td>1,400</td>
<td>1,702</td>
<td>302</td>
<td>17.7%</td>
</tr>
<tr>
<td><strong>Total Operating Exp.</strong></td>
<td><strong>$9,864</strong></td>
<td><strong>$10,386</strong></td>
<td><strong>$10,789</strong></td>
<td>-</td>
<td><strong>$31,039</strong></td>
<td><strong>$32,068</strong></td>
<td><strong>$1,029</strong></td>
<td><strong>3.2%</strong></td>
</tr>
</tbody>
</table>

**REVENUE $293,130**  **EXPENSE $1,028,840**

TheRide has a $1,068,097 surplus at the end of the third quarter, and operated within the budget.

#### YTD Revenue and Expense By Overhead and Mode

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

<table>
<thead>
<tr>
<th>Overhead</th>
<th>Fixed Route</th>
<th>Demand Response</th>
<th>Non-Urban</th>
<th>ExpressRide</th>
<th>AirRide</th>
<th>Other Modes</th>
<th>TOTAL ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECT REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fare Revenue</td>
<td></td>
<td>3,570</td>
<td>583</td>
<td>90</td>
<td>94</td>
<td>766</td>
<td>16</td>
</tr>
<tr>
<td>Contract Revenues</td>
<td>-</td>
<td>928</td>
<td>155</td>
<td>427</td>
<td>11</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advertising, Interest, Other</td>
<td>-</td>
<td>237</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State Operating</td>
<td>-</td>
<td>7,476</td>
<td>1,662</td>
<td>481</td>
<td>69</td>
<td>376</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>12,211</td>
<td>2,400</td>
<td>998</td>
<td>175</td>
<td>1,142</td>
<td>53</td>
</tr>
</tbody>
</table>

**DIRECT EXPENSE**

|                   |             |                 |           |             |         |             |              |
| Salaries, Wages, Benefits | 2,878      | 14,676          | 424       | -           | 110     | -           | 125          | 18,213         |
| Purchased Transportation | -         | -               | 4,387     | 1,160       | -       | 990         | 317          | 6,854          |
| Fuel, Material, Supplies   | 337         | 2,393           | 1         | -           | 19      | 4           | 12           | 2,766          |
| Contracted Services        | 493         | 839             | -         | -           | 6       | -           | 469          | 1,807          |
| Other Expenses             | 1,039       | 297             | 1         | -           | 13      | 22          | 27           | 1,400          |
| **Total Operating Expense** | 4,747       | 18,205          | 4,814     | 1,160       | 148     | 1,016       | 949          | 31,039         |


**ALLOCATED REVENUE**

|                   |             |                 |           |             |         |             |              |
| Local Property Taxes | 3,178      | 6,229           | 2,266     | -           | -       | -           | -            | 11,673         |
| Federal Operating   | 1,569       | 833             | 147       | 163         | (27)    | (126)       | 897          | 3,455          |
| **GAIN/(LOSS) TOTAL:** | -          | **1,068**       | -         | -           | -       | -           | -            | -              |

**TheRide had a $293,130 surplus.**

**TheRide had an $1,028,840 deficit.**

**TheRide operated within the budget.**
### Balance Sheet and Reserve

**For the Period Ended June 30, 2018**

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

<table>
<thead>
<tr>
<th>Current Quarter</th>
<th>Last Quarter</th>
<th>Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Investments</td>
<td>$9,064</td>
<td>$12,511</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$14,891</td>
<td>$11,969</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$54,825</td>
<td>$54,783</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$78,780</td>
<td>$79,263</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td>$75,234</td>
<td>$74,856</td>
</tr>
</tbody>
</table>

#### Reserve Balance in Months and Dollars (Millions)

- **Goal:** 2.5 Months

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

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

<table>
<thead>
<tr>
<th>Cash &amp; Investments</th>
<th>FY2016</th>
<th>Fiscal Year 2017</th>
<th>Fiscal Year 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quarter 4</td>
<td>Quarter 1</td>
<td>Quarter 2</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$6,383</td>
<td>$16,735</td>
<td>$16,638</td>
</tr>
<tr>
<td>Effect of Operations</td>
<td>2,515</td>
<td>(6)</td>
<td>(1,263)</td>
</tr>
<tr>
<td>Effect of Capital</td>
<td>(5)</td>
<td>(11)</td>
<td>48</td>
</tr>
<tr>
<td>Effect of Investments</td>
<td>7,842</td>
<td>(80)</td>
<td>(2,438)</td>
</tr>
<tr>
<td><strong>Ending Balance:</strong></td>
<td>$16,735</td>
<td>$16,638</td>
<td>$12,985</td>
</tr>
</tbody>
</table>

#### Investments Summary

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

<table>
<thead>
<tr>
<th>Type of Purchase</th>
<th>Date of Maturity</th>
<th>Interest Rate</th>
<th>Total as of 6/30/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of AA - CDARS</td>
<td>7/5/2018</td>
<td>0.2%</td>
<td>$3,000</td>
</tr>
<tr>
<td>Bank of AA - CDARS</td>
<td>9/6/2018</td>
<td>0.3%</td>
<td>3,000</td>
</tr>
<tr>
<td>RBC Futures Account</td>
<td>Daily</td>
<td>0.1%</td>
<td>715</td>
</tr>
<tr>
<td>Key Bank Money Market</td>
<td>Daily</td>
<td>0.1%</td>
<td>5</td>
</tr>
<tr>
<td>MERS Retirement Savings</td>
<td>Daily</td>
<td></td>
<td>106</td>
</tr>
<tr>
<td><strong>Total Investments:</strong></td>
<td></td>
<td></td>
<td>$6,826</td>
</tr>
</tbody>
</table>

#### Cash and Investments History

- **Total Cash and Investments by Month and Year (2014 to 2018 YTD)**

- **In Millions of Dollars.**

- **Property tax revenues are received in July resulting in a peak in cash/investments.**

- **The majority of Operating Capital and Long Term Reserves are FDIC insured. CDARS (certificate of deposit account registry service) allows AAATA funds to be distributed to various banks to ensure funds remain under the FDIC $250,000 limit. This is facilitated by Bank of Ann Arbor. Accounts that are not FDIC insured are used for day-to-day working capital including a fuel futures commodity account and a money market account. MERS Retirement Savings is not operating capital and is managed by Municipal Employee’s Retirement System of Michigan.**

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**Ann Arbor Area Transportation Authority**

**Q3 Financial Statement**

**Balance Sheet and Reserve**
Issue Brief: 2018 Q3 Satisfaction and Service Report

Meeting: Board Meeting    Date: August 16, 2018    Agenda Item # 3.4

Recommended Action(s): Receive as CEO Operational Update

Prior Relevant Board Actions and Policies:

- 2.11.1.5 CEO shall not...Let the Board be unaware of...operational... [and] customer satisfaction metrics...
- Appendix A: Informational Reports schedule specifies quarterly Customer Satisfaction and Service Performance reports in Nov, Feb, May, Sept

Issue Summary:

Staff present the Quarterly Satisfaction and Service Report populated with currently available and reportable data/targets for Fixed Route, Paratransit, and Vanpool service. Information is sorted into several Ends Policy categories. Staff will continue to work on defining and populating the remaining items for Fixed Route and for other services. Targets, when possible, will be set in Ends Policy Interpretations. A glossary of terms for currently tracked metrics is attached.

Attachments:

- Highlights Brief
- FY 2018 Q1 Satisfaction and Service Report
- Glossary of Terms

Author: Bryan D. Smith    Reviewed by:

Approved by:    Date:
Quarterly Satisfaction and Service Report: Guide to Terms

**Boardings** (“Unlinked Passenger Trips,” a Transit industry standard metric)
The number of passengers who board public transportation vehicles. Passengers are counted each time they board a vehicle no matter how many vehicles they use to travel from their origin to their destination. Also reported to National Transit Database.

**Per Capita in Service Area.**
Population that lives in the AAATA service area, calculated using census tracts (retrospective measure). Also reported to National Transit Database.

**Preventable accidents and Passenger Injuries.**
Total number of accidents that have been judged to be preventable and any passenger injuries. Serious accidents and all injuries are reported to National Transit Database.

**On-time performance.**
Percentage of buses that leave scheduled timepoints within 0-5 minutes past the posted schedule. Transit industry standard metric.

**Miles between Road Calls.**
The average number of times a bus must be taken out of service because of equipment issues, divided by how many miles the fleet has run. Transit industry standard metric.

**Complaints**
A complaint is when a customer or non-customer communicates to AAATA that something is unsatisfactory or unacceptable. All complaints are looked into and referred to appropriate staff.

**Bus Stops with Shelters**
AAATA, based on the industry standard, puts shelters at stops that have an average of 50 or more riders per weekday. A bus stop is considered to meet these standards if there is
  - An AAATA shelter
  - An alternative shelter is in close proximity to the stop making an AAATA installation redundant.

Only shelters that *may* be possible are included in the metric. Not included are several 50+ rider/day bus stops where a stop is not currently possible because property owners have declined to grant an easement (3%) or there is insufficient space in dense, downtown areas (13%).

**Condition of Vehicle**
The image of the transit system, including the condition of the transit vehicles is an important factor in determining user satisfaction. The 100-point system is aligned with industry study: Climate Control (20), Interior Cleanliness (30), Exterior Cleanliness (10), Repair of Seats (20), Interior Lighting (10), General Repair (10).
Service and Satisfaction Report Highlights
4/1/2018 to 6/30/2018

Fixed Route Ridership:

Ridership was essentially flat with a 0.5% increase quarter to quarter.

Safety
The quarter to quarter trend shows a significant percentage increase in the number of preventable collisions and injuries. This is in part because of the relatively small numbers involved. There were seven additional incidents that account for this increase. We are trending downward overall, which is good.

Fixed Route On-Time Performance
We continue to track the new metric focused on how many passengers are on a on-time bus. We expect to roll out some short-term changes for the fall schedule that may alleviate some of the on-time performance issues.

A more comprehensive set of solutions will be part of the outcome of the long-range plan, set to start at the beginning of next year.

Throughout our fixed-route system, on-time performance is at 85%.

Fixed Route: Miles between Road Calls
We have almost doubled the miles between road calls since this quarter last year. The Fleet Maintenance department continues to work hard on preventative maintenance to keep the buses on the road.

75% of our passengers on are on-time.

22,512 miles between road calls
**Paratransit: Ridership**

Paratransit ridership continues to grow and is up 10% quarter to quarter. Two data points that stand out is an increase in ADA trips and a decrease in Senior trips. Anecdotally, this does not appear to be a change in demographic, but more a change in usage. Our ADA service area is more comprehensive than the Goldride service area, which leads to passengers registered as both ADA and Senior to choose ADA as the trip type. For example, GoldRide doesn't serve the new UM and IHA clinics on Jackson, but ADA service does. One concern this can cause is reflected in the cost numbers, which show an increase. Longer trips to more remote places cost more than shorter trips in town.

The chart below compares average weekday ridership from this year to last year.

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**Vanpool (NEW data!)**

We are proud to present data on our vanpool service. We have 109 active van pools taking over 60,000 passenger trips last quarter. The users paid an average of $33.95 in fuel each month and the service gets an impressive 93 passenger miles to the gallon. We have this data for the last two quarters, and as we collect more, we will be able to identify seasonal trends.
CEO’s Report

Board Meeting Date: August 16, 2018

Operational and Project Updates:

**Millage Outcome** – On August 7, TheRide’s supplemental 0.7 mill property tax was overwhelmingly approved with 83% of voters supporting the measure. The measure was supported by large margins in every voting precinct in Ann Arbor, Ypsilanti and Ypsilanti Township. This is an increase over the 71% support received in the 2014 AAATA millage vote, and appears to be higher that the RTA received in 2016.

**2019 Strategic Business Plan and Budget Timeline** – Each year the Board approves an annual budget for the following fiscal year. This year, the 2019 Budget process will include a new tool for helping to contextualize and prioritize initiatives called a “Strategic Business Plan. Also new this year, we will be making additional efforts to solicit and incorporate public feedback on the draft documents before they are finalized. A timeline is presented below:

- **Week of June 25** – Release draft Strategic Business Plan to Board.
- **July 13** – Release of draft 2019 Budget to Board.
- **July 16** – Release of draft Strategic Business Plan and 2019 Budget to public and staff.
- **Week of August 6** – Board Committees. Internal staff feedback session.
- **Aug 9 and 14** – CEO’s public meeting on draft documents (date TBD).
- **Aug 16** – Formal introduction of Budget to Board. Public Hearing.
- **Week of Sept 10** – Board Committees.
- **September 20** – Date scheduled for Board approval.
- **October 1** – Fiscal year begins.

In the future, it is the intent for the Strategic Business Plan to be released earlier in the year.

Introductory meetings with staff and the public were held in early August. Some feedback has already been received. We have asked for all public/staff feedback by August 20th. Any revisions will be made then and sent to the Board for consideration.

**AirRide** – New regulations from the Airport Authority have resulted in a single stop at each terminal, closer to the terminals themselves. This is a improvement for passengers, especially those with mobility limitations. Wayfinding and other issues are still being sorted out and there is some residual confusion for customers. The AAATA and contractor and working with the Airport Authority to resolve these issues.
Grants – Recently, there has been a surge in discretionary grant opportunities, and TheRide has applied for several. These are competitive programs and success is not guaranteed. These opportunities were selected because they helped advance the Board’s policy expectations, priorities of the Strategic Business Plan or Budget, or would help us free up funds for other uses.

- **Federal Grant** - An application was submitted on August 6 for federal funds under the U.S. DOT’s “Bus and Bus Facilities Infrastructure Investment Program” a program which will award capital funds for transit projects around the country on a competitive basis. AAATA applied for $680,000 to provide 80% federal share of costs to rehabilitate and modernize our dispatch Control Center, and to replace lighting with LED fixtures throughout the Dawn Gabay Operations Center. Plans for the Control Center include a new room configuration, lighting, paint, carpeting, furnishings, and display monitors to increase the functionality of the space and improve communication between dispatchers and Motor Coach Operators. Throughout the facility, 206 lighting fixtures will be replaced with brighter, energy efficient LED lighting. This project will reduce energy use by 155,761 kWh and save an estimated $15,576 in electric utility expenses annually. U.S. DOT will announce awards by the end of the calendar year.

- **State Grant** - The Michigan DOT launched an $8 million “Michigan Mobility Challenge” in June based on the Governor’s initiative encourage innovative programs that help fill transportation needs for seniors, people with disabilities and/or veterans. TheRide submitted an application in July with three key projects up to around $1 million to support technology solutions to mobility gaps for seniors and people with disabilities across the Ann Arbor-Ypsilanti Area including the following prioritized components:

  1. Optimized accessible micro-transit pilot service extension,
  2. Autonomous wheelchair securement pilot for large urban systems, and
  3. Transit signal priority pilot corridor technology integration.

This application received backing from SEMCOG, RTA, WATS, the Center for Independent Living. We also wrote letters of intent to support applications through the RTA, Michigan Flyer, MUVE, and Feonix Mobility Rising. Announcement of awards is anticipated this month or next, with implementation throughout FY 2019.

Ypsilanti Transit Center Planning – The project consultants will soon be announcing a second public involvement meeting for the week of August 20th. The purpose of the meeting is to present four preliminary conceptual options for an improved terminal, and solicit public feedback to help identify a single preferred option.

Earlier, the consultant team led public meetings and surveys to help solicit community input on what attributes and amenities could be included in a redeveloped YTC. Once a single option has been identified, further design can be done, cost estimates developed, and funding pursued.
**Bikeshare** – The AAATA and its partners are still firming up funding commitments and roles. Vendors questions to RFP have all been responded to. Vendor selection is in progress and may be complete by September. While it is still the goal to see the service running this year, a fall start up may be the best that can be achieved.

**One Community** – Staff attended a stakeholder meeting to re-introduce the County’s One Community initiatives, a project intended to help create greater racial equity in Washtenaw County. While the initiative requires additional work from the County, it may someday be suitable for presentation to the AAATA Board as an educational item related to the Board’s Ends policies.

**Regional Transit Authority** – The RTA Board did not approve a ballot initiative at their July meeting. August 14th was the last day ballot initiatives could be added to the November ballot. As a result, there will be no RTA vote in 2018. The next opportunity for the RTA will be November 2020.
Focusing on the Future
Strategic Business Plan 2019-2023
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This is TheRide’s first Strategic Business Plan. As a new corporate planning tool, this document doesn’t go into detail about the future of bus services, but it does help us align our work with the expectations from our Board of Directors, focus on high-yield activities, and chart a step-by-step path towards achieving results on behalf of our communities. It also serves as a window into how decisions are made at TheRide, enhancing transparency for everyone. This Plan will become an important part of our annual business planning process, and will be updated every year. Key steps and conclusions are provided in the first part of the document, while the appendices include more detail, background and methodology.

To achieve the outcomes identified by our Board, staff have identified three areas for focus:

- **Planning for the Future** / Working with our community and stakeholders to develop the next generation of public transit and mobility services.
- **Serving Customers** / Renewing our commitment to excellence in service delivery.
- **Modernizing TheRide** / Continuously searching within our own organization for ways to improve.

Within these three priorities are about 30 initiatives spread over five years. The projects range from high-profile (e.g. Long-Range Vision, Pilot Projects) to more straightforward (e.g. new budgeting software, a new roof for the garage). Nevertheless, every project is important in advancing the Board’s vision. Together, these projects will position us to make an even bigger impact in the years to come.

The draft fiscal year 2019 Budget is also being released in July 2018. While the Strategic Business Plan provides a high-level overview with a longer-term perspective, the 2019 Budget is focused on providing detail for the upcoming year. The two documents are intended to complement each other.

Finally, TheRide welcomes public feedback on the draft Strategic Business Plan and the draft 2019 Budget. Both are written to make it easier to understand how decisions are made at TheRide. Feedback can be provided electronically or in person at one of three public meetings to be held in August 2018. Watch TheRide’s website for details on the meetings and to provide feedback.
1. Introduction

The Strategic Business Plan is a new corporate planning tool at the Ann Arbor Area Transportation Authority (TheRide). Its main purpose is to help focus the Authority’s efforts, and assure that work is align with the Board’s vision. It also helps make TheRide’s decisions more transparent.

The Plan starts by reviewing the overall direction developed by TheRide’s Board of Directors, and identifies the priorities and initiatives for achieving those outcomes. The appendices provide important context and background as well as the strategic planning methodology.

This Strategic Business Plan also fulfills several requirements for good management required by the Board. Board policies require that the Chief Executive Officer (CEO) create a multi-year strategic plan (Policy 2.4) that will: align staff-work (2.4.2) to achieve the Board’s vision (1.0), contextualize decisions (2.4.2, 2.11.1.6.1), incorporate community input (2.10), provide a longer-term perspective (2.4.4), and ensure financial stability (2.4).

Public feedback on the Strategic Business Plan is welcome, required (2.10.4 and 2.10.5), and will be sought. The Strategic Business Plan will only benefit from feedback from the Board and the community.

Electronic comments can be sent directly to the CEO, Matthew Carpenter at TellUs@TheRide.org.

In addition, three public meetings will be held in August 2018.

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1 The Board’s expectations are explicitly stated in the AAATA Board Policy Manual. Specific policies are cited by number (e.g. Policy 1.0, 2.2, or 2.11.1.6). The full Policy Manual is available on TheRide’s website.
2. Vision & Mission

The Board of Directors at TheRide steers the organization like a driver steers a bus. The Board’s steering wheel is their Board Policy Manual, a document containing all of the Board’s directions to the Authority. This Manual is available on TheRide’s website.

The Board sets a vision by identifying the results the agency will achieve (Ends Policies). They also control the organization by identifying unacceptable management activities (Executive Limitations Policies). Together, these policies form the expectations for the agency and the CEO. Having a single Board-approved vision means there is only one set of hands on the steering wheel – the Board’s.

Recently the Board of Directors approved a revised vision for the agency:

1. AAATA exists to provide access to destinations throughout the Ann Arbor-Ypsilanti Area for increasing numbers of residents, workers and visitors via 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. All residents of the Area can participate fully in society without a personal vehicle.

      1.1.1. People with low incomes can afford to travel in the Area.
      1.1.2. People, including those with disabilities or mobility impairments, seniors, minors, and non-English speakers, have equitable access to opportunities in the Area.
      1.1.3. People with access to a personal car find public transit to be an attractive alternative.
      1.1.4. Passengers are highly satisfied with public transportation services that are safe, reliable, courteous, comfortable, convenient, and fast.

   1.2. The Area’s natural environment is enhanced.

      1.2.1. The Area’s overall transportation system minimizes energy use and pollution.
      1.2.1.1. The Area’s carbon footprint is reduced
      1.2.1.2. The Area’s air is cleaner.
      1.2.2. The Area’s natural resources are conserved.
      1.2.2.1. Land development can become more compact and walkable in part because of transportation options.
      1.2.2.2. Agency operations make efficient use of energy, water, materials, and other natural resources; and minimize waste.

   1.3. The Area prospers economically.

      1.3.1. Workers and students can access employment opportunities without need of a personal vehicle.
      1.3.2. Employers have access to a diverse labor pool.
      1.3.3. Visitors have access to the Area.
      1.3.4. The Area’s economy grows despite limited parking and auto congestion.
      1.3.5. The Area is connected to the Metro Detroit region.
      1.3.6. Local leaders are aware of the contribution public transportation makes to the community.
      1.3.7. The Authority will remain economically viable in the long term.

With their vision set, the Board requires the CEO to identify the best path for achieving the desired results. If the Board can be thought of as steering the agency, then the CEO acts as the steering column, transmitting the Board’s instructions to the internal mechanisms that propel the internal workings of TheRide (i.e. staff, processes, budgets, plans, etc.).
With the Board’s expectations in hand, the CEO and staff work to identify the priority goals and initiatives best suited to advancing the Board’s outcomes\(^2\). The Strategic Business Plan houses all of this information. This also increases transparency by linking the Board’s expectations to explicit priorities and initiatives.

Every year there are many good suggestions that come to TheRide. Pursuing big goals often means husbanding resources, concentrating on the highest-yield initiatives, and remaining focused. Sometimes this means politely saying ‘no’ to some suggestions. Prioritizing is not always popular, but is the best path for achieving the Board’s goals.

\(^2\) The methodology for the planning process is outlined in the appendices.
Conclusions on Strategic Needs and Opportunities

The SWOT analysis in the appendices goes into detail about the many strengths, weaknesses, opportunities and challenges/threats facing public transit and TheRide. Based on this assessment, we can start to discern the most important conclusions. TheRide welcomes feedback to ensure we are identifying the main issues correctly. Key observations and conclusions are:

- **Planning to Plan:** At this moment there is no common vision for the future of mobility services in Washtenaw County. Nevertheless, the need to reach destinations continues to grow. TheRide is the one institution with the capability and credibility to work with a broad constituency to develop such a plan. We also have the greatest need. Without a clear plan, we will become reactive instead of proactive.

- **Getting Ready to Implement:** When a new vision is finalized, will TheRide be ready to implement it? While there are many internal strengths, the SWOT analysis suggests that there are still areas that need to be addressed before another major initiative can be successfully undertaken. Broad areas in need of attention are customer services and administrative processes and maintaining infrastructure/assets.
With these conclusions in mind, the Strategic Business Plan can now identify three thematic priorities:

1. **Planning for the Future:** TheRide has just completed the most ambitious service expansion in its history, and ridership is growing. With many new opportunities on the horizon, now is an excellent moment to engage our communities and plan for the next chapter.

   The CEO proposes that we launch a 1-2 year planning effort to better understand the opportunities and challenges facing transit services, learn what the community’s interests/aspirations are, focus resources, and identify options for funding. By blending technical frankness, community input, and political honesty, we can craft a new, commonly-held vision for the future of transit and mobility services. This will also become the blueprint for future strategic planning.

   Such a plan is a key tool for advancing the Board’s vision (Policy 1.0 - Ends) and will also help improve compliance with policies 2.4, 2.7, 2.10, and 2.11.6. There are several Board policies that guide how planning is to be done: 2.4, 2.4.2-2.4.5, 2.8.5.2, 2.8.5.6, 2.10.4, and 2.10.5.

2. **Serving Customers:** Recent customer surveys illustrate that our riders and community continue to be satisfied with the quality of the services that we provide. However, growth pressures are creating new challenges and old solutions are becoming less effective. New approaches will be necessary. For these reasons we will be renewing our commitment to serving customers and ensuring they remain at the center of our decisions. Improvement in these areas will aid in compliance with policies 1.0, 2.1 and 2.10.

3. **Modernizing TheRide:** In 2019 TheRide will celebrate its 50th Anniversary. Every organization must occasionally renew itself. TheRide has made great strides with internal updates in the last three years, and we will continue to look for new ways to remain a strong platform for delivering service in our communities. Improvement in these areas will aid in compliance with policies 2.2, 2.3, 2.4, 2.5, 2.8, and 2.10.

The following pages provide more information about these broad priorities and the specific initiatives within them. Shortly, the draft 2019 Budget will provide even more detail about the 2019 initiatives.
Priority 1: Planning for the Future

Over the next 24 months, TheRide will work with our community to establish a new vision for our services and programs. This will confirm our outward focus and priorities, guide planning and research efforts, and play a large role in setting the future agenda for TheRide.

The Ann Arbor/Ypsilanti area is growing and the need for mobility and access is increasing. A new vision for our services and programs will give us a better road map for achieving the outcomes identified by the Board.

The new fixed-route services are already being subjected to an intense internal review. The opportunities and challenges that will be uncovered will help to inform future planning. New technologies are enabling exciting but unproven new services such as ride hailing, micro-transit and even autonomous cars. TheRide will be working to evaluate the potential for these new services to help us meet our community’s needs, and incorporate them as appropriate.

Key Initiatives

Develop New Long-Term Plan – With recent major transit studies and initiatives completed, there is a need for a new long-term vision for public transit in the Ann Arbor/Ypsilanti area. Beginning in early 2019, TheRide will begin planning with our communities, riders and stakeholders to create that guiding vision.

Experiment with New Mobility and New Services – Continue to pursue limited pilot projects and experimental-services to ascertain potential to increase access.

Advocate for transit-supportive land development - Develop advocacy strategy for transit-supportive development in partnership with local partner and municipal authorities.

Consider Facility Improvements – In the near future there may be opportunities to expand or enhance the Dawn Gabay Operations Center, Blake Transit Center and/or the Ypsilanti Transit Center.

Measuring Progress

New riders, cost per new rider, market share (mode share)
Community acceptance of a view vision.
Greater clarity on the potential for New Mobility.
Completion of current studies and emergent pilot projects, and weaving their insights into the longer-term vision.

Lead Responsibility

Deputy CEO of Planning and Innovation
Retaining riders is an important step in increasing ridership. TheRide has a long history of excellence in service delivery, with high scores from customers. Nevertheless, growth pressures are creating new challenges, and continuous improvement is an important feature of any successful organization.

Making customers the center of our business provides a common, neutral objective for all agency activities, reinforces our role as stewards, helps avoid distractions, and inspires us to make difficult changes. All internal activities will be reviewed to make sure they are providing the greatest benefits for customers.

**Key Initiatives**

**Service Pledge and Performance Reporting** - A new “Service Pledge” will outline our promise to our customers and what they can expect of us. A new approach to measuring performance will be developed to help demonstrate progress.

**Internal Focus on Customers** – New training, staffing and tools will help to ensure even higher levels of communication and responsiveness.

**Service Improvements** – Tweaks to services and programs to address challenges such as crowding and on-time performance.

**Enhance Communications** – Continued investment in real-time information technology and the website will help riders to have confidence when using our services.

**Fare Improvements** – Changes and improvements in fare structures, pricing and collection technology can help make riding even easier.

**Bus Replacements** – TheRide’s bus fleet is used by thousands of customers each day. Maintaining the fleet in a state-of-good-repair is imperative for customer satisfaction and prudent management. A multi-year bus replacement contract is an important feature of the 2019 Budget.

**Measuring Progress**

Customer Satisfaction Scores (survey)
Rider retention
Short-term changes to accommodate growing ridership.
Establishing customer pledge and measuring performance
Community Support/Perception of TheRide
Average age of bus fleet

**Lead Responsibility**

Deputy CEO of Operations
Priority 3: Modernizing TheRide

TheRide cannot deliver excellence if it is not a high-performing team. It is necessary to invest in internal improvements in order to deliver results for customers and the community.

Since 2015, TheRide has made numerous internal improvements that have set the stage for future growth. To cite only a few examples, we have implemented new approaches to board governance, strategic planning and budgeting; re-organized staff, and re-invigorated workplace safety.

While TheRide is as strong an organization as it has even been, there are still opportunities to raise our game. The Board’s policies require us to be well-organized, focused, cost-effective and proactive. We will continue to invest in our staff, upgrade tools, seek out new perspectives, and modernize our processes - even when change is a little uncomfortable. We will continue these changes with the goal of becoming the best-run transit system in Michigan and a top employer in southeast Michigan.

**Key Initiatives**

**Budget Software and Administrative Tools** - To be productive, staff need a foundation of useful tools and policies that help create an attractive workplace. Updates of financial, human resource, procurement, operational and other policies and tools will continue. A new budget software package can help increase productivity and reduce errors.

**IT Strategy** – Information technology is increasingly part of every aspect of operations. What strategies make the most sense? Do we have enough resources for technology? An internal assessment will help guide future discussions.

**Facility Rehabilitation and Asset Management** – Coinciding with an increased push from the federal government on asset management, TheRide will more closely review the needs of buildings to ensure they continue to serve customers and staff in a cost-effective manner.

**Invest in Staff** – Valuing and investing in staff helps drive organizational performance. To be fulfilled in their work, staff needs guidance, skills, coaching, training, and empowerment.
Measuring Progress

Continued financial stability
Increased Transparency
Cost-Effectiveness
Replacement of outdated approaches and legacy systems
Staff engagement, pride and productivity
Recognition for industry leadership

Lead Responsibility

CEO, Deputy CEO of Finance and Administration

Multi-Year Work Plan

There are about 30 initiatives that have been identified as being best-suited to advancing the priority themes of the Strategic Business Plan. The following charts, tables and pages organize all proposed initiatives by priority and year. This is done to provide a multi-year context, balance workloads, and illustrate how we will progress towards our goals. 2019 projects will be described in more detail in the draft 2019 Budget.

Broadly, particular initiatives are proposed because they are effective at advancing one of the priority areas, thereby advancing the Board’s overall vision. The figure below illustrates this relationship.

Figure 1: Conceptual Organization of Vision, Priorities, Initiatives

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3 More information about how initiatives are vetted is provided in the appendices.
Figure 2: Timeline of Major Initiatives

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<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
<th>2023+ or TBD</th>
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<td>Planning for the Future</td>
<td>-Long Range Plan&lt;br&gt;-Follow-ups: Paratransit, Fare Study, Washtenaw Ave Transit Priority&lt;br&gt;-New Mobility Pilot&lt;br&gt;-Terminal Planning&lt;br&gt;-Advocacy Strategy (Land Development)&lt;br&gt;-Potential Express Bus Proposal</td>
<td>-Long Range Plan&lt;br&gt;-Follow-ups: Paratransit, Fare Study, Washtenaw Ave Transit Priority&lt;br&gt;-New Mobility Pilot&lt;br&gt;-Terminal Planning&lt;br&gt;-Advocacy Strategy (Land Development)&lt;br&gt;-Potential Express Bus Proposal</td>
<td>-Follow-ups: Fare Study, Washtenaw Ave Transit Priority&lt;br&gt;-Terminal Planning&lt;br&gt;-Garage Expansion Planning</td>
<td>-Potential Expansion Millage&lt;br&gt;-Terminal Expansion&lt;br&gt;-Garage Expansion&lt;br&gt;-Service/Fleet Expansion&lt;br&gt;-New Mobility Expansion</td>
<td>-Terminal Expansion&lt;br&gt;-Garage Expansion&lt;br&gt;-Service/Fleet Expansion&lt;br&gt;-New Mobility Expansion</td>
<td>-Terminal Expansion&lt;br&gt;-Garage Expansion&lt;br&gt;-Service/Fleet Expansion&lt;br&gt;-New Mobility Expansion</td>
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<td>Serving Customers</td>
<td>-Short Range Improvements&lt;br&gt;-Service Pledge&lt;br&gt;-Customer Mgmt. Software&lt;br&gt;-Website Improvements&lt;br&gt;-In-Field Communications&lt;br&gt;-Fleet replacements&lt;br&gt;-Expand Real-Time Info</td>
<td>-In-Field Communications&lt;br&gt;-Fleet replacements</td>
<td>-Fleet replacements&lt;br&gt;-Fare Collection Technology Study</td>
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<td>Modernizing TheRide</td>
<td>-Budget Software&lt;br&gt;-Facility rehab (roof, Bus wash, offices)&lt;br&gt;-IT Strategy&lt;br&gt;-50th Anniversary</td>
<td>-Budget Software cont.&lt;br&gt;-Facility rehab cont.&lt;br&gt;-IT Strategy Implementation&lt;br&gt;-Administrative software upgrades</td>
<td>-Facility rehab cont.&lt;br&gt;-IT Strategy Implementation&lt;br&gt;-Administrative software upgrades cont.</td>
<td>-Propulsion Study</td>
<td>-Propulsion Study</td>
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<td>Events of Note</td>
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Grey highlighting identifies the key initiatives pertaining to further expansion of public transit services. The italicized initiatives identify projects with significant contributions from TheRide’s IT department.
Project Descriptions

This section describes each initiative. To help illustrate the connection to the Board’s vision, the policies that will be most affected by each initiative are noted in parenthesis.

Planning for the Future

/ 2019 /

Long-Range Plan – With recent major transit studies completed, there is a need for a new long-term vision for public transit in the Ann Arbor/Ypsilanti area. Beginning in early 2019, TheRide will begin planning with our communities, riders and stakeholders to create that guiding vision. The efforts will take 1-2 years. (Policies 1.0, 2.1, 2.4, 2.10, 2.11)

Follow-ups: Paratransit Study, Fare Study, Washtenaw Ave Transit Priority Study – Next steps and/or implementation of results from 2018 studies which are anticipated to conclude in early FY 2019. These efforts will likely take several years to complete. (Policies 1.0, 2.1, 2.4, 2.10, 2.11)

New Mobility Pilot – This initiative is a placeholder and includes some modest funding that is set aside to help fund a pilot project utilizing new technologies. No project has yet been identified and staff will be working to develop such a project in 2019. Timing is uncertain. (Policies 1.0, 2.8.5.6, 2.11)

Terminal Planning – Follow up steps from an ongoing 2018 study of the Ypsilanti Transit Center, and possibly other projects. These efforts will likely take several years to complete. (Policies 2.1, 2.4, 2.10, 2.11)

Advocacy Strategy (Land Development) – As a part of the broader Long-Range Plan, we will develop an approach to advocating for development of land in ways that complements transit. This will need to be done in concert with local municipalities that control land-use regulation. Timing is uncertain. (Policies 1.2.2.1, 2.8.5.6, 2.10, 2.10.2, 2.11)

Express Bus Proposal – Working with local partners TheRide is pursuing a potential project for a new express bus service. It is not clear yet whether this idea will become a proposal. More information will be available in the future. (Policies 1.3.5, 2.10, 2.11)

/ 2020 /

Garage Expansion Planning – A 2017 study concluded that TheRide’s bus garage was full and could not accommodate any further growth in the bus fleet. This means that any growth in the fleet will need to be preceded by the construction of costly new support facilities. This initiative is a placeholder intended to accommodate these efforts should the long-range planning suggest a larger bus fleet. (Policies 2.4)

/ 2022 /

Potential Expansion Millage – Between 2019-2020, TheRide will ask the community about is expectations for transit services. Should the further expansion of mobility services and additional funding be supported, TheRide could seek additional millage funding between 2021-2023. (Policies 2.4)
/ 2023 + or To Be Determined /

**Terminals, Garage, New Mobility Expansions** – These are placeholders intended to remind us of the large projects that could be undertaken, depending on the results of earlier planning work. Necessity, scope, cost, and timing is unclear at this time.

**Serving Customers**

/ 2019 /

**Short Range Improvements** – Implementation of tweaks to existing fixed-route services to address quality of service concerns. (Policies 1.0, 2.1)

**Service Pledge** – Create and distribute a promise to riders and customers about the quality of service they can expect to receive from us. This will be linked to performance measures and public reporting. (Policies 1.1.4, 2.1, 2.10.5)

**Customer Management Software** – Purchase and implement a new customer relations software package to enable better tracking of, and responsiveness to, customer concerns. This tool is coupled with the new Customer Service Officer position created in 2018. (Policies 1.1.4, 2.1)

**Website Improvements** – A variety of back-office improvements and enhancements to the underlying technology for the website. (Policies 1.1.4, 2.1)

**In-Field Communications** – Replacement of dispatch-to-bus communications functions that were inadvertently lost during implementation of the CAD/AVL system. Will improve responsiveness, customer services and emergency response. This project will take 1-2 years. (Policies 1.1.4, 2.1, 2.2)

**Fleet Replacements** – Routine replacements of buses and support vehicles that have reached the end of their lifecycles. Timely replacements maximize time spent in-service for customers and minimizes break-downs. This project includes a 5-year contract, replaces forty 40-foot buses, has an estimated cost of $15-$20 million, and will help ensure customers enjoy reliable, comfortable transportation. As decided in the FY 2018 Budget, these vehicles will be clean-diesels, however, options for alternate propulsion will be sought in case adequate funding becomes available. (Policies 1.1.4, 2.1, 2.4, 2.8)

**Expand Real-Time Information** – Invest in new tools to enable Google Transit and other real-time features for mobile devices, etc. (Policies 1.1.4, 2.1)

/ 2021-2023 /

**Fare Collection Technology Study** – New fare collection technologies (i.e. smart cards, mobile ticketing, etc.) can increase convenience and equity by allowing a new range of fare structures and pricing. The Regional Transit Authority (RTA) has the responsibility for developing a region-wide fare collection system. If the RTA is not successful at seeking millage funding in 2018 or 2020, TheRide may need to move forward on its own to implement a fare collection technology locally. This initiative would take several years to study, plan and implement. (Policies 1.0, 2.1, 2.5, 2.8.5.6, 2.10.4, 2.10.5, 2.11)
Modernizing TheRide

/ 2019

**Budget Software** – Presently, TheRide’s annual budget is developed and administered with a variety of legacy software programs, including Excel. To improve quality and transparency, and reduce the risk of error, we will select and implement a new corporate budgeting software package. This project may take 1-2 years to implement. (Policies 1.3.7, 2.4, 2.5, 2.8)

**Facility Rehab** – Addressing a variety of deferred maintenance needs for the Dawn Gabay Operations Center at 2700 S. Industrial Avenue. Sub-projects in this category include: new roof; renovations to dispatch center, lifecycle replacement of major systems, and possibly office renovations in administration areas. Improvements will help prevent more expensive repairs, incorporate more efficient designs and technologies, and help ensure TheRide most expensive building remains a useful home for services. These efforts will likely take several years to complete. (Policies 1.1.4, 2.4, 2.8)

**IT Strategy** – Like many business, TheRide is increasingly dependent on back-office information technology. This internal study will help administrative staff better understand what technology options to pursue and what resources will be required. (Policies 2.2, 2.4, 2.8.5.6)

**50th Anniversary Celebration** – TheRide was born in 1969, and 2019 will be our 50th Anniversary. A variety of promotions and celebrations are planned. A report on the history of TheRide is being developed. (Policies 2.2.1, 2.4.2)

/ 2020 /

**Administrative Software Updates** – TheRide uses a number of legacy software packages for essential internal processes, such as payroll. These systems will be reviewed and replacement software is likely. In addition, many of the labor-intensive tasks of deploying buses are done manually or with outdated software. We will explore options to replace legacy systems and increase productivity. This process may take several years. (Policies 2.2, 2.5, 2.8)

/ 2022 /

**Propulsion Study** – TheRide has been a leader in alternative propulsion. While many exciting options exist today, the correct choice for the future is not clear, and new technologies are still maturing. Conducting a comprehensive study of alternative propulsion in 2022 allows more time for the technologies to mature and become more reliable and less expensive. (Policies 1.2, 2.4, 2.8)

The table on the following page illustrates the impact of the various initiatives by cross-referencing them with the Board policies upon which they will have the greatest impact. This is intended to help illustrate how the proposed workplan will advance the Board’s vision. The Board’s policies are all available in the Board Policy Manual on TheRide’s website.
Figure 3: Initiatives and Policy Impacts

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Ends Policies Advanced</th>
<th>Executive Limitations Policies Advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Long-Range Plan</td>
<td>1.0, 1.3.7</td>
<td>2.4, 2.4.2-2.4.5, 2.8.5.2, 2.8.5.6, 2.10.4, 2.10.5, 2.11.1.6.</td>
</tr>
<tr>
<td>2a Paratransit Study</td>
<td>1.1.2, 1.1.4, 1.3.7</td>
<td>2.1.2, 2.4, 2.4.2-2.4.5, 2.8.5.2, 2.8.5.6, 2.10.4, 2.10.5, 2.11.1.6.</td>
</tr>
<tr>
<td>2b Fare Study</td>
<td>1.1, 1.3.7</td>
<td>2.4, 2.4.2-2.4.5, 2.5.8, 2.8.5.2, 2.8.5.6, 2.10.4, 2.10.5, 2.11.1.6.</td>
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<tr>
<td>2c Washtenaw Study</td>
<td>1.1.3, 1.1.4</td>
<td>2.4, 2.4.2-2.4.5, 2.8.5.2, 2.8.5.6, 2.10.4, 2.10.5, 2.11.1.6.</td>
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<tr>
<td>3 New Mobility Pilot</td>
<td>1.0</td>
<td>2.8.5.6</td>
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<tr>
<td>4 Terminal Planning</td>
<td>1.0</td>
<td>2.4, 2.4.2-2.4.5, 2.5.9, 2.8.5.2, 2.8.5.6, 2.10.4, 2.10.5, 2.11.1.6.</td>
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<tr>
<td>5 Advocacy Strategy</td>
<td>1.2.2.1</td>
<td>2.10.1, 2.10.2, 2.11.1.6.</td>
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<tr>
<td>6 Express Bus Proposal</td>
<td>1.3.5</td>
<td>2.4, 2.4.2-2.4.5, 2.8.5.2, 2.8.5.6, 2.10.4, 2.10.5, 2.11.1.6.</td>
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<td>7 Garage Planning</td>
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<td>8 Potential Millage</td>
<td>1.3.7</td>
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<tr>
<td>9 Expansion Placeholders</td>
<td>1.0, 1.3.7</td>
<td>2.4, 2.4.2-2.4.5, 2.5.9, 2.8.5.2, 2.8.5.6, 2.10.4, 2.10.5, 2.11.1.6.</td>
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<tr>
<td>10 Short-Range Improvements</td>
<td>1.1.4</td>
<td>2.4, 2.4.2, 2.4.5, 2.8.5.6, 2.10.4.</td>
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<td>11 Service Pledge</td>
<td>1.1.4</td>
<td>2.1.5, 2.2, 2.10.5.</td>
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<tr>
<td>12 Customer Mngt Software</td>
<td>1.1.4</td>
<td>2.1, 2.1.4, 2.1.5, 2.1.6, 2.8.5, 2.10.5.</td>
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<td>13 Website Improvements</td>
<td>1.1.4</td>
<td>2.1.3, 2.8.5.</td>
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<tr>
<td>14 In-Field Communications</td>
<td>1.1.4</td>
<td>2.1.3, 2.2.4, 2.8.2.</td>
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<td>15 Fleet Replacements</td>
<td>1.1.4</td>
<td>2.4, 2.4.4, 2.8.2.8.</td>
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<td>16 Real-Time Info</td>
<td>1.1.4</td>
<td>2.1.3, 2.8.5.</td>
</tr>
<tr>
<td>17 Fare Collection Technology Study</td>
<td>1.1.4, 1.1.1</td>
<td>2.1.6, 2.2, 2.4, 2.4.2-2.4.5, 2.8.5.6, 2.10.4, 2.11.1.6.</td>
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<td>18 Budget Software</td>
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<td>19 Facility Rehs</td>
<td>1.1.4, 1.3.7</td>
<td>2.2.1, 2.8, 2.8.2.</td>
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<tr>
<td>20 IT Strategy</td>
<td>1.1.4</td>
<td>2.8.5.6, 2.8.</td>
</tr>
<tr>
<td>21 50th Anniversary</td>
<td>1.3.6</td>
<td>2.2.1, 2.4.2, 2.11.1.6.</td>
</tr>
<tr>
<td>22 Admin Software Updates</td>
<td>1.1.4</td>
<td>2.0, 2.2, 2.3, 2.4, 2.5, 2.8.</td>
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<td>23 Propulsion Study</td>
<td>1.2.1.1, 1.2.1.2, 1.3.7</td>
<td>2.4, 2.4.2-2.4.5, 2.8.2 B, 2.8.5.2, 2.8.5.6, 2.11.1.6.</td>
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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. These "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. All these reports are available on TheRide’s website.

- **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 a growing range of performance measures about how well services are operating. Specific projects are discussed in public meetings and meetings with the Board and committees. These reports are also available on TheRide’s website.

In addition to these, we will add an Annual Report, that provides an annual overview of our progress on the Strategic Business Plan and other major matters.
This is TheRide’s first Strategic Business Plan. As a new corporate planning tool helps us align our work with the expectations from our Board of Directors, focus on high-yield activities, and chart a step-by-step path towards achieving results on behalf of our communities. The following appendices provide more detail, background and methodology.

Public feedback on this draft Strategic Business Plan will be during through July and August of 2018. This year, the proposed 2019 Budget will also be released for public comment during the same period. TheRide will seek feedback on both documents and adjust as warranted. Electronic comments on the Strategic Business Plan can be sent to TellUs@TheRide.org.

It is the intent to finalize the Strategic Business Plan before the Budget is finalized. However, we will await public feedback to see what scale of improvements in the document might be necessary. The Strategic Business Plan is the responsibility of the CEO who will need to make adjustments throughout the year as the context and situation of TheRide changes. The general timeline for the Strategic Business Plan and 2019 Budget is illustrated below:

**Figure 4: Timeline for Strategic Business Plan and Budget Process**

- **Board sets Vision** 6/21/2018
- **Public Feedback on draft Strategic Business Plan and Budget** 7/16-8/20
- **Strategic Business Plan finalized** 9/10
- **2019 Budget approved** 9/20/2018
Appendix A: Strategic Planning Process

Strategic Planning at TheRide

Strategic thinking and planning can be seen as having three main pieces: an envisioned future state, a sound understanding of the current situation, and a plan for how to get from one to the other. Each piece is important and reliant on the others.

1. **Envisioning a Future State:** Having consensus on a clear, defined future state gives a group a target toward which it can align its efforts, judge options, and measure progress. By seeking the community’s values and identifying specific outcomes, the Board gives the organization the big picture outcomes we are to achieve.

2. **Understanding Context:** A shared understanding of the current situation and context allows us to take steady aim at our targeted future. The CEO is responsible for producing an initial assessment of the current situation. They seek the Board’s feedback to help ensure this understanding is shared and nothing important is missed.

3. **Tactics:** Tactics are “how” we will progress from our current state to the desired future state. They outline how specific initiatives will help move the organization towards its desired outcomes. The value they provide is in prioritization, aligning resources to goals, and in exposing the underlying decision-making logic for critique. This step is the responsibility of the CEO who again asks the Board for feedback early on.

Step 1 is about identifying the highest-order opportunities, or biggest picture. In contrast, steps 2 and 3 are often about breaking things down into their component pieces. Both approaches are necessary. The two illustrations below try to convey this process in different ways.
At TheRide, strategic thinking and planning is a cooperative effort between the Board of Directors, and the CEO and staff. The public is also invited to weigh in. The Board of Directors uses Policy Governance as a governance model, which helps clarify roles during the process\(^4\). The planning process is renewed every year and drives an annual budget cycle, illustrated below.

Key steps are:

- **Board’s Vision**: Each year the Board updates the outcomes they expect of TheRide (Ends Policies). This occurs in the first and second quarters of the year (Q1-Q2).

- **CEO Strategic Planning**: The CEO interprets those outcomes, reviews the agency’s situation, and develops a roadmap for making the outcomes happen. The Board requires that the CEO create a strategic plan (Policy 2.4) which aligns the organization’s efforts to achieve the Board’s direction (2.4.2), incorporates longer-term considerations (2.4.4), contextualizes decisions (2.11.1.6.1), and ensures financial stability (2.4). The CEO presents a preliminary Strategic Business Plan to the Board and public for feedback and advice (2.11.1.6 and 2.10.4). The CEO then finalizes the Plan (Q3).

- **Annual Budget Development**: The CEO and staff then develop a recommended annual budget for funding short-term implementation. (Q3-Q4) The Board then discusses and approves an annual budget (Policy 3.2.7). (Q4)

- **Implementation & Monitoring**: Staff implement the plan detailed in the annual budget. Staff also provide the Board with regular monitoring reports on policy compliance and operational performance.

- **Annual Report**: A year-in-review summation of the progress made by the agency.

The Strategic Business Plan is part of a hierarchy of plans, and acts as an interface between the Board’s directions, and the operations of the organization. In addition to serving as the basis for each annual budget, the Strategic Business Plan may call for additional plans and efforts.

Business planning shares the same 10-year planning horizon as the agency’s rolling capital plan to facilitate alignment. However, it is not a static “10 Year Plan” and uses longer time frames when appropriate.

\(^4\) More about the “Policy Governance” approach can be found on-line and on TheRide’s website.
Board’s Vision

The Board of Directors establishes the overall direction of the agency with a clear set of outcomes laying out what the agency is to achieve, for whom and at what cost (Ends policies). Additional policies empower and limit how the CEO and staff can pursue those outcomes (Executive Limitations policies). Together, these policies are the equivalent of a vision for the future, and provide the direction for the strategic business planning process.

The following are the Board’s current outcome statements:

1. AAATA exists to provide access to destinations throughout the Ann Arbor-Ypsilanti Area for increasing numbers of residents, workers and visitors via 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. All residents of the Area can participate fully in society without a personal vehicle.

      1.1.1. People with low incomes can afford to travel in the Area.
      1.1.2. People, including those with disabilities or mobility impairments, seniors, minors, and non-English speakers, have equitable access to opportunities in the Area.
      1.1.3. People with access to a personal car find public transit to be an attractive alternative.
      1.1.4. Passengers are highly satisfied with public transportation services that are safe, reliable, courteous, comfortable, convenient, and fast.

   1.2. The Area’s natural environment is enhanced.

      1.2.1. The Area’s overall transportation system minimizes energy use and pollution.
      1.2.1.1. The Area’s carbon footprint is reduced
      1.2.1.2. The Area’s air is cleaner.
      1.2.2. The Area’s natural resources are conserved.
      1.2.2.1. Land development can become more compact and walkable in part because of transportation options.
      1.2.2.2. Agency operations make efficient use of energy, water, materials, and other natural resources; and minimize waste.

   1.3. The Area prospers economically.

      1.3.1. Workers and students can access employment opportunities without need of a personal vehicle.
      1.3.2. Employers have access to a diverse labor pool.
      1.3.3. Visitors have access to the Area.
      1.3.4. The Area’s economy grows despite limited parking and auto congestion.
      1.3.5. The Area is connected to the Metro Detroit region.
      1.3.6. Local leaders are aware of the contribution public transportation makes to the community.
      1.3.7. The Authority will remain economically viable in the long term.

The Board has the right and duty to change the Ends policies whenever they see fit, thereby adjusting the strategic trajectory of TheRide.
Business Considerations

The Board has created another class of policies, Executive Limitations Policies, which guide the CEO by outlining practices that would be unacceptable. This empowers the staff to use their professional judgement in how to pursue the Board’s stated outcomes while ensuring oversight and fiduciary control. One key benefit of this approach is greater speed in achieving the desired outcomes. 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 agency’s future direction.
- Ensure Transparency and Accountability.
- Maintain the financial health of the organization. Do not risk fiscal jeopardy.
- Maintain the assets of the organization.
- Compliance with all applicable laws. (Numerous other local, state and federal laws also enable and constraint what TheRide can do.)

Public & Stakeholder Input

TheRide welcomes and invites public and stakeholder feedback into any part of the decision-making processes (strategic planning, budgeting, operations planning, service delivery, etc.). There are three types of feedback that we are specifically looking for:

- **Outcome Feedback:** Has the Board of Directors identified the correct outcomes that TheRide should be trying to produce? This is the highest-level feedback and deals with WHAT IMPACT TheRide creates, for who, and at what worth. The Board uses this feedback to help develop policies and set the overall direction. Examples include: populations or goals that may be unrecognized, amount of spending, level of benefit, cost-effectiveness or cost/benefit. This feedback can be provided directly to the Board at any time. This can be done at monthly Board meetings or periodic Board outreach exercises. Emailed comments for the Board can be sent to the CEO (below). Comments can also be mailed to: The Board of Directors 2700 S. Industrial Hwy. Ann Arbor, MI 48104.

- **Strategic Business Plan Feedback:** Is TheRide organizing itself properly to achieve the outcomes identified by the Board? Are we contextualizing our situation properly? Are we making any erroneous assumptions? Are the projects and initiatives identified the ones you think we should be pursuing? Are the tools/services we are using the best way to achieve the Board’s outcomes? This sort of feedback is best provided during the development of the Plan but can be provided any time directly to the CEO’s office: (734) 794-1767 or mcarpenter@theride.org. Comments can also be mailed to: Chief Executive Officer 2700 S. Industrial Hwy. Ann Arbor, MI 48104.
• **Planning Feedback:** TheRide takes feedback throughout the year on how services are designed, and makes incremental. New projects and initiative typically have a public involvement process to solicit feedback. Electronic comments can be sent to TellUs@theride.org. Comments can also be mailed to: Deputy CEO of Planning 2700 S. Industrial Hwy. Ann Arbor, MI 48104.

• **Customer Feedback:** How well did we serve you as a rider? Is there something about HOW services were delivered that you’d like to see change? Is there something that we could do better? Do you have suggestions for improvements to the services we provide or how we provide them? Examples include: my bus was late, the website was down, the terminal was dirty, etc. We are also happy to accept commendations for great service. This sort of feedback should be provided to staff as soon as possible so the issue can be addressed quickly. Electronic comments can be sent to (TBD). Comments can also be mailed to: The Deputy CEO of Operations 2700 S. Industrial Hwy. Ann Arbor, MI 48104.

Interestingly, we often hear several types of feedback in a single conversation. Sometimes an initial point may reveal a more fundamental issue. We appreciate all the feedback the community provides and we endeavour to use those observations in the best possible manner.

### Establishing Priorities

Every year TheRide receives a large number of suggestions, ideas, proposals, and demands. The CEO and staff use a variety of tools to help assess, sort and prioritize potential courses of action. For illustrative purposes, some of these are briefly outlined below:

- **Strategic Alignment:** Does this idea 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?

- **Roles:** Is the idea 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 this idea more appropriate for another organization? Is partnering a possibility?

- **Risks:** What risks does the idea bring with it, now or in the future? Are those risks acceptable?

- **Value and Affordability:** Is this a good use of limited funding (cost/benefit, ROI, etc.)? What trade-offs are implicit or not immediately obvious? Are outside partners willing to provide funding? Do we have funding to pursue the opportunity?

- **Capacity:** Does TheRide have the expertise or resources to pursue this idea now or in the future?

- **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 to someone else?

In addition, staff use tools like this Eisenhower Matrix to help use refine potential options into clear priorities.
Current Situation, Context & SWOT Analysis

While TheRide has considerable strengths and opportunities, there are also weaknesses and challenges to be acknowledged. For example, while the agency enjoys relatively stable funding, there isn’t enough to pursue all ideas. Our opportunity in response to this situation is to get better at prioritizing the resources we do have.

The SWOT analysis explores external factors such as social, economic, political, technological, regulatory, and environmental. Internal factors include operations, customers, innovation, technology, human capital, information, and organizational culture.

In summary, TheRide is a strong organization, and has a team that is improving itself every day. The productivity of the organization is expected to increase, creating more benefits for existing customers.

However, limited resources mean that any significant service expansion will require additional revenue. Almost all the existing budget is needed simply to maintain existing services. Given the limited resources, TheRide will need to get better at focusing and prioritizing to maximize benefits. TheRide will not be able to pursue every idea that is suggested by the community.

Before asking for additional funding from taxpayers, we will need to develop a new vision for services that has widespread community buy-in and support. Along the way, we will need to continue to address opportunities to improve, make good partnerships and wise decisions, and navigate around numerous challenges in our environment.

The table on the next page illustrates many of these factors in more detail.
<table>
<thead>
<tr>
<th><strong>Strengths &amp; Capabilities</strong></th>
<th><strong>Weaknesses (Opportunities for Improvement)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong credibility &amp; support in community.</td>
<td>• Maintaining existing services/infrastructure consumes most funding. Little left to pursue new ideas. Limited ability to raise additional funds. Would be easy to over extend ourselves financially.</td>
</tr>
<tr>
<td>- Strong relationships with partners. History of successful collaborations.</td>
<td>- Can lose focus when pursuing too many ideas. Difficulty focusing on long-term goals.</td>
</tr>
<tr>
<td>- Tradition of excellence in service delivery and business decisions. High rider satisfaction.</td>
<td>- Rapid growth and changing needs are outstripping traditional leadership &amp; management practices.</td>
</tr>
<tr>
<td>• Existing Resources &amp; assets in reasonable condition.</td>
<td>- Rapid change and natural resistance to change.</td>
</tr>
<tr>
<td>- Relatively stable funding. Finances stable.</td>
<td>- New processes for setting priorities, accountability, transparency, general management, operations, and risk management are still being established.</td>
</tr>
<tr>
<td>- Physical assets and equipment are adequate and in fair shape.</td>
<td>- New processes for service planning still being established.</td>
</tr>
<tr>
<td>- A comprehensive array of multi-modal services allows us to serve many different needs.</td>
<td>- Need for greater receptivity to new ideas. Need time to seek advice &amp; incorporate ideas.</td>
</tr>
<tr>
<td>• Engaged Board and staff.</td>
<td>- The agency is not in compliance with several new Board policies:</td>
</tr>
<tr>
<td>- Strong commitment to community, especially underserved populations.</td>
<td>- Asset Protection policies (Policy 2.8) not met due to deferred maintenance on facilities.</td>
</tr>
<tr>
<td>- Future-oriented and willing to innovate.</td>
<td>- Treatment of Staff policies (Policy 2.2) not met due to inadequate work rules and work spaces.</td>
</tr>
<tr>
<td>- Rapidly modernizing internal processes, clarifying roles and direction.</td>
<td>- Variety of other areas throughout policies 2.1-2.11 where improvements are needed.</td>
</tr>
<tr>
<td>- Willingness to listen &amp; strive to improve.</td>
<td>- Limited ability to influence outside decisions (RTA, local land development)</td>
</tr>
<tr>
<td>• Independent perspective.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Opportunities Available</strong></th>
<th><strong>Threats &amp; Challenges to Organizational Success</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Technological disruption of transit industry.</td>
<td>• Technological disruption of transit industry.</td>
</tr>
<tr>
<td>- New technologies may create new options for mobility and access, communications, or more cost-effective options for services.</td>
<td>- New tech may reduce transit ridership, congest roads, fragment or privatize mobility.</td>
</tr>
<tr>
<td>- Ann Arbor is a good location to take industry leadership position in new mobility.</td>
<td>- Growth pressures are straining resources and impacting riders.</td>
</tr>
<tr>
<td>• Demographics, economic and societal trends are changing.</td>
<td>- Crowding on buses impacts customer satisfaction. Growing demand for expensive paratransit.</td>
</tr>
<tr>
<td>- Population is growing and aging.</td>
<td>- Traffic congestion slows buses and makes them less reliable.</td>
</tr>
<tr>
<td>- Urban areas are growing more compact and need additional mass transit.</td>
<td>- Difficulties connecting to metro Detroit.</td>
</tr>
<tr>
<td>- Mobility needs are growing in suburban and rural areas as well.</td>
<td>- Bus fleet cannot grow because garage is full.</td>
</tr>
<tr>
<td>- More transit-supportive land development could make accessing destinations easier.</td>
<td>- Labor shortages (technical and professional staff) and rising costs for construction.</td>
</tr>
<tr>
<td>• A new, comprehensive plan for transit could help focus community investments.</td>
<td>- Economic inequality, A2/Ypsi disparities, community affordability.</td>
</tr>
<tr>
<td>- Provide an exciting vision for the future.</td>
<td>- Constrained funding and resources limit opportunities.</td>
</tr>
<tr>
<td>- Organize, leverage and maximize resources, new technologies.</td>
<td>- Revenues tied to slow property tax growth. Inflation and rising costs eat away at new revenues.</td>
</tr>
<tr>
<td>- Speed up implementation by starting with realistic plan.</td>
<td>- Risk of loss of funding (local millage, federal/state cuts) and unpredictable federal grants.</td>
</tr>
<tr>
<td>- Help communicate value of public transit.</td>
<td>- Desire to minimize passenger fares.</td>
</tr>
<tr>
<td>• Potential to expand services and/or funding.</td>
<td>- Many travel needs lie outside our geographic service area and taxing jurisdiction.</td>
</tr>
<tr>
<td>- Could seek additional funding/resources via grants, partnerships, other sources.</td>
<td>- Resource-constrained partners &amp; a sometimes zero-sum environment.</td>
</tr>
<tr>
<td>- Could expand Authority membership/change enabling legislation.</td>
<td>- Outside pressures/demands can divert TheRide’s attention.</td>
</tr>
<tr>
<td>- Could seek additional property tax investment.</td>
<td>- Possible loss of autonomy or funding to RTA.</td>
</tr>
<tr>
<td>- Rising property tax assessments in City of Ypsilanti.</td>
<td>- Competing outside demands for TheRide’s resources.</td>
</tr>
<tr>
<td>• Advocate for outside decisions that support TheRide’s desired outcomes</td>
<td>- Dominant car-culture.</td>
</tr>
<tr>
<td>- Influence outside decision-makers (land development, housing, transportation policy, etc.)</td>
<td>- Social attitudes towards transit.</td>
</tr>
<tr>
<td>- Assume a leadership position in coordinating alternative transportation.</td>
<td>- Auto-oriented land development.</td>
</tr>
<tr>
<td>• Modernize internal management practices to become even more effective and efficient.</td>
<td>-</td>
</tr>
</tbody>
</table>
The award, presented to TheRide for its FY2018 Operating and Capital Budget, 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 communications device.
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Leadership Team & Organization

**Board of Directors**
- Michael Alleman
- Eli Cooper, Treasurer
- Sue Gott
- Prashanth Gururaja
- Roger Hewitt
- Larry Krieg
- Eric Mahler, Chair
- Gillian Ream Gainsley, Acting Secretary
- Kyra Sims

**Senior Management Staff**
- Geri Barnstable, Executive Administrative Assistant
- Jan Black, Manager of Information Technology
- Terry Black, Manager of Fleet Services
- Ron Copeland, Manager of Transportation
- Sarah Pressprich Gryniewicz, Business Analyst
- Gwyn Newsome, Manager of Human Resources
- Mary Stasiak, Manager of Community Relations
- Gail Roose, Manager of Facilities Services
- Phil Webb, Controller / Manager of Finance
- Michelle Whitlow, Manager of Purchasing

**Executive Team**
- Matt Carpenter, Chief Executive Officer
- John Metzinger, Deputy CEO/Finance & Administration
- Bryan Smith, Deputy CEO/Operations
- Forest Yang, Deputy CEO/Planning & Innovation

**Organization Chart**
July 16, 2018

2019 is TheRide’s 50th year of serving the Ann Arbor area. This year we celebrate how far we have come, and prepare for an exciting future.

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to submit this 2019 Budget to our Board of Directors, and the communities we serve, for review and comment from the public.

The 2019 budget has been prepared in accordance with the Michigan Uniform Budgeting and Accounting Act of 1968, Generally Accepted Accounting Principles (GAAP), and Board of Director’s Policy Manual. 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.

Matt Carpenter
Chief Executive Officer

John Metzinger
Deputy CEO/
Finance & Administration
Executive Summary

As TheRide enters our 50th year, the Board of Directors has established a clear direction and results they expect the agency to achieve—such as providing access to destinations, and contributing to the area's social, environmental, and economic vitality at a cost that demonstrates value and stewardship. TheRide’s future will be guided by these overall goals.

To achieve those goals, a new Strategic Business Plan has been developed that identifies a path towards success based on the priorities of Planning for Growth, Serving Customers and Modernizing TheRide. This FY 2019 Budget is the first step in implementing these plans and moving towards our goals. The proposed budget is presented here for public review and comment.

The FY2019 budget presents a balanced financial plan which continues to fund the services our community has come to rely upon. TheRide’s services will continue with no major service changes or fare increases, assuming the passage of the renewal millage in August 2018. The budget is aligned with the overall direction established for the organization by the Board of Directors and the Strategic Business Plan.

Highlights of the proposed Fiscal Year 2019 Budget are:

- Funding for major projects including:
  - Development of the short-term and long-term service plans,
  - Pilot projects to test new mobility options and new services,
  - Award of a new 5-year contract for the purchase of buses in 2020 to 2025,
  - Maintaining our fleet and facilities in a state of good repair,
  - Upgrades to in-field communications systems,
  - Improvements to the web site and real-time passenger information systems, and
  - Increase by 50% funding for bus stop amenities.

- Overall operating expenses of $44,788,859 and $7,965,500 in capital expenditures.

- Avoids deficit spending and addresses long-term financial stability by presenting a 7-year operating plan and 10-year capital plan.

- Assures continued strong financial performance without debt or unfunded pension liabilities.

- Continues to control growth in operating expenses in order to replenish reserve funds.

- Increases the number of Motor Coach Operators, includes a Transportation Supervisor added in 2018, and maintains other staffing levels.

- Recognizes TheRide’s 50th Anniversary celebration.
The Proposed 2019 Budget preserves services, streamlines costs, and ensures continued financial stability in alignment with budgeting policies established by the Board of Directors. It will help ensure TheRide's financial stability into the future. We look forward to working constructively with our Board and all our stakeholders as we finalize this budget and enter the 2019 fiscal year.
Introduction

Budget Document Orientation


- The Introduction will orient the reader to the overall direction, strategic goals, and executive limitations established by TheRide’s Board of Directors, and the budgeting schedule and process.
- The State of TheRide establishes the financial context for the budget and discusses the strengths, challenges, and opportunities considered in drafting the budget.
- The Budget summarizes the operating and capital budgets for 2019.
- The Appendices include details on revenue and expenses in the operating budget, a list and descriptions of the projects included in the 2019 Work Plan and Capital Plan, and an inventory of contracts anticipated in fiscal year 2019.

This document puts an increased emphasis on the future with the use of multi-year forecasting. Although this document refers to years beyond 2019, it is important to note that those forecasted years are provided for context only, do not represent a commitment, and are likely to change. Each year, the Board of Directors adopts a budget for a single year. TheRide does not use “multi-year budgeting.”

Strategic Business Plan

The FY 2019 Budget is the implementation of the first year of a multi-year plan to achieve the goals set out by TheRide’s Board of Directors. That larger plan is contained in a separate documented called the Strategic Business Plan. That Plan’s main purpose is to assure that the agency’s work aligns with the Board’s direction and expectations. It also helps increase transparency and accountability by setting out the logic and assumptions that drive decisions. It is a rolling five-year “plan of plans,” which establishes programs and initiatives to help the organization achieve the Board’s Ends. The Strategic Business Plan is available on our website here. The plan identifies three broad priority goals for the near future and the FY 2019 Budget:

1. Planning for Growth
2. Serving Customers
3. Modernizing TheRide

The background and details of how TheRide establishes its overall strategic direction are provided in the Strategic Business Plan. Without going into detail here, it is worth noting that TheRide’s Board of Directors controls and directs the organization via written policies. These policies will occasionally be referenced in this document. Many of the Executive Limitations policies developed by the Board have a direct effect on shaping the annual budget. For example, the Board has set clear expectations for Financial Planning and Budgeting (Policy 2.4), Financial Conditions and Activities (Policy 2.5), Cash and Investments (Policy 2.6),
Treatment of Staff (Policy 2.2), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.8), to name a few. The full manual of these policies is available on our website (www.TheRide.org).

**Budget Process and Timeline**

The timeline for review and adoption of the 2019 Budget:

- **January:** The budget process began with a Board Retreat to consider the organization’s future direction. The retreat launched a Board Task Force to develop updates to the Ends Policies, which were adopted by the Board on June 21, 2018.

- **April/May:** The Finance Department and Executive Team gathered many inputs, including Board Policy, project requests and budget reviews with department managers, staffing requests, collective bargaining agreement, fleet replacement plan, facilities plans, and other capital plans.

- **June:** After the Board adopted its Ends Policies, the CEO released drafts of the Strategic Business Plan for internal review. The Executive Team deliberated over budget inputs, and the Finance Department began drafting a recommended budget that would maximize compliance with Board Policy and alignment with the Strategic Business Plan.

- **July:** The draft 2019 Operating and Capital Budget and Strategic Business Plan were introduced to the Board of Directors, staff, and public for review and comment on July 16, 2018. Both Documents are available online, linked here.
  - To make a comment, please use the public comment form online, email TellUs@TheRide.org, or attend a public meeting. Comments are due by August 20, 2018.
  - Public Meetings: The public is invited to make comments about the Strategic Business Plan and Budget Proposal at two upcoming public meetings. Meetings will be held:
    - **Ypsilanti area meeting:** Thursday August 9, 2018; 6:00 p.m. to 7:30 p.m.; Bona Sera Underground, 200 W. Michigan, Ypsilanti MI, 48197
- **Ann Arbor area meeting:** Tuesday, August 14, 2018; 6:00 p.m. to 7:30 p.m.; Ann Arbor District Library, 343 S Fifth Avenue, Ann Arbor, MI, 48104 (4th Floor)

- **August:** The proposed budget will be formally introduced to the Board of Directors at the August meeting. A Public Hearing, as required by state law, will also be held at this meeting.
  - August 9, 2018 – Proposed 2019 Budget, as revised after community input from public meetings, to be included in Board Packet and posted to web site.
  - August 16, 2018 – Public Hearing for the proposed 2019 Budget at the Board meeting (6:30 pm, Ann Arbor downtown library). Public comment is welcome.
  - August 16, 2018 – Formal presentation of proposed 2019 Budget at the evening Board meeting following the Public Hearing. Board’s consideration begins.

- **September:** The Board will consider the budget for adoption at the September board meeting. The Michigan Uniform Budgeting and Accounting Act of 1968 requires that the appropriate legislative body (the Board of Directors) adopt an annual budget prior to any expenditures being made in the fiscal year.
  - September 20, 2018 – Consideration for adoption of the proposed 2019 Budget at the evening Board meeting (6:30 p.m., Ann Arbor downtown library). Public comment is welcome.

- **October:** Fiscal Year 2019 begins October 1, 2018.
Record Ridership Since Expansion

Last year, after several years of expansion, fixed-route ridership surpassed TheRide’s previous historical high. FY2018 ridership growth has decelerated, but is expected to slightly exceed 2017’s performance and set a new record high. As shown in the chart below, fixed-route ridership is projected at 6.64 million trips for FY2018, up 1% over FY017, and total system ridership is projected to top 7 million rides (see p. 16). This is indicative that performance after expansion has reached a point of maturation, establishing a new baseline upon which future expansion can build.

Financial Condition

TheRide is set to end FY2018 in strong financial condition, on budget, with the position of reserve funds strengthened compared to last year. Significant changes were adopted with the FY2018 budget, and those decisions are demonstrating positive results. Financial strengths include:

- Continuing to operate within the budget,
- Strengthening the status of reserve funds and making progress toward the reserve goal,
- No indebtedness or significant liabilities, and
- No significant legacy costs such as unfunded pension liabilities.
In addition, the agency has a track record of strong audit results, as was the case once again with auditing of the 2017 financial statements. Preserving and building on these strengths will be important going forward into the next fiscal year.

**Millage Renewal/Restoration**

TheRide’s expansion millage, which funds new services implemented since 2014, expires in 2019. Voters will have the opportunity to vote to renew and restore the expansion millage on August 7, 2018. The draft budget has assumed passage of the millage renewal/restoration. If the millage renewal fails, adjustments to the budget will be necessary.

**Financial Opportunities**

TheRide has the opportunity to make decisions with the budget for fiscal year 2019 that can ensure the continued delivery of high-quality services, demonstrate wise stewardship, and ensure ongoing financial stability. Development of the 2019 Budget was guided by the following principles:

- Preserve existing services, before expansion.
- Maximize value provided to riders/customers and taxpayers.
- Ensure funding for ongoing operations remains stable.
- Reinforce the budgeting policies as adopted by the Board of Directors to help ensure future financial stability.
- Ensure TheRide’s assets are maintained in a state of good repair.
- Budget for the priorities and initiatives outlined in the Strategic Business Plan.

**Replenishing the Reserve**

A reserve is an important part of a healthy agency budget. Its purpose is to buffer the agency from the risk of unexpected costs or disruptions to revenues. Without an adequate reserve, the agency might have to cut services in a financial emergency. In recent years, as explained in the 2018 budget, TheRide’s reserve fell below the levels of established policy.

Steps taken this year to begin replenishing the reserve are beginning to show promising results. Gradually, the reserve is growing toward the target of 2.5 months of operating expense. ($9.375 million in reserve is needed to fund 2.5 months of expense for a $45 million annual budget.)

As shown in the chart below, TheRide is making progress toward the reserve goal but has not yet achieved it. We will consider this goal to be achieved when the reserve balance is at the target level for 12 consecutive months.
Increase Revenues

Revenue growth will be essential to carry out the longer-term priorities and initiatives identified in the Strategic Business Plan. TheRide has several options available to increase revenues, including raising operating revenue (fares and fees), increasing property tax revenue, growth in grant formula funds, and pursuit of discretionary grant opportunities. The most impactful options to increase revenue are:

- **Revenue from Operations:** TheRide’s fares have not increased since 2010. While no fare increase is budgeted for 2019, a formal fare study will be completed in late 2018 and will recommend changes to fare structure and pricing. Next year, Finance and Planning staff will implement new modeling techniques for analysis on the effect of fare changes upon revenue and ridership. It is likely that new fare options will be ready to present to the public in late 2019.

- **Property Taxes:** Property tax and millage funding is projected to grow due to growth in assessed property valuation (not a rate increase). TheRide’s 0.7 percent millage will be placed before voters on August 7, 2018 for consideration of renewal and restoration. No expansion of property tax revenue is currently planned, but could be recommended for the future if long-term planning indicates a need.

- **State and Federal Grants:** TheRide uses federal and state grants for both operating and capital costs. Formula funds are expected to grow at inflationary rates. TheRide will compete with other transit agencies for discretionary grants such as federal Bus and Bus Facilities Grants, federal BUILD Grants (formerly TIGER), Michigan’s Mobility Challenge Grants, and other opportunities.
**Achieve and Maintain State of Good Repair**

Taking care of the facilities, vehicles, equipment, and other assets owned by TheRide is a significant focus in the FY2019 budget. The Transit Asset Management (TAM) Plan to be developed in September will guide TheRide to ensure that assets are in good condition to support the services that we provide. While TheRide’s fleet and equipment are in a reasonable state of repair overall, our facilities need attention. Additional resources have been included in the FY2019 Capital budget to address a much-needed roof replacement for the Dawn Gabay Operations Center at 2700 South Industrial Highway, Ann Arbor, along with planning to renovate the interior spaces and the Control Center. Additionally, planning continues for improvements to the Ypsilanti Transit Center, and TheRide is working with the City of Ann Arbor on potential future improvements to the Blake Transit Center.

**SWOT Analysis**

At the outset of the budgeting process for FY2019, the Board of Directors and the Executive Team performed an analysis of the agency's Strengths, Weaknesses, Opportunities, and Threats (SWOT Analysis). The SWOT analysis was the basis for development of revised ends along with the strategies and tactics identified in the business plan.

- Results of the SWOT analysis are included in the Strategic Business Plan.

Strengths of TheRide include strong community support, assets and resources in reasonable condition, and an engaged Board and staff. The organization is future-oriented and willing to innovate. After a period of rapid expansion, the organization is modernizing its internal processes, clarifying its future direction, and striving for improvement.

Opportunities abound for TheRide, including rapid technological advancements in the industry, demographic, economic, and societal trends that align with our objectives, and a growing population.

While TheRide has considerable strengths and opportunities, there are also weaknesses and challenges to be acknowledged. Weaknesses include a limited ability to raise new funds for expansion, a need to improve focus upon long-term goals, and a need for greater receptivity to new ideas and new ways of doing things. Challenges include growing demands, traffic congestion, on-time performance of some fixed route services, and facility constraints which limit the ability for expansion.

Additional detail on the State of TheRide is contained in the Strategic Business Plan.


2019 Budget

Budget Overview

The following sections outline the operating and capital budgets for fiscal year 2019. The initiatives outlined in this budget are intended to help advance the priorities identified in the Strategic Business Plan (i.e. Planning for Growth, Serving Customers, and Modernizing TheRide). This budget also provides multi-year forecasts and context for today’s decisions.

Highlights of the FY2019 Budget include:

- Balanced operating and capital budgets, with no shortfalls.
- Services to customers/riders are preserved.
- Fares and property tax rates remain unchanged.
- Continued replenishment of the operating reserve.
- Start to reduce a backlog of capital maintenance at TheRide’s garage.

In addition, the budget continues to advance many of the operating and capital initiatives that have been started in recent years. Examples of significant 2019 initiatives include:

- Initiation of a new long-range service planning effort.
- Implementation of a new bus replacement plan and 5-year bus purchase contract.
- Continuation of work on the Ypsilanti Transit Center, fare policy, and paratransit improvements.

Budget Inputs and Outcomes

The 2019 Budget includes a consistent level of service for fixed-routes since the implementation of the Five-Year Transit Improvement Plan (5YTIP). Due to the increased demand for the service, the budget for A-Ride is increased. A consistent level is budgeted for AirRide, MyRide, VanRide and non-urban demand response services, with no significant service cuts planned. Ridership is presently growing and is forecasted to continue to grow 1.1%. The following assumptions are made for revenue service hours and expected ridership, compared to 2018 projections:

Projected Service Hours for 2019 vs. 2018

<table>
<thead>
<tr>
<th>Service Hours:</th>
<th>Projected 2018</th>
<th>Proposed 2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Fixed Route</td>
<td>279,200</td>
<td>279,700</td>
<td>0.2%</td>
</tr>
<tr>
<td>ExpressRide</td>
<td>2,100</td>
<td>2,100</td>
<td>0.0%</td>
</tr>
<tr>
<td>AirRide</td>
<td>9,000</td>
<td>9,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Urban Demand Response</td>
<td>126,100</td>
<td>128,200</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>416,400</td>
<td>419,000</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
Projected Ridership for 2019 vs. 2018

<table>
<thead>
<tr>
<th>Passenger Trips</th>
<th>Projected 2018</th>
<th>Proposed 2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Fixed Route</td>
<td>6,636,500</td>
<td>6,702,900</td>
<td>1.0%</td>
</tr>
<tr>
<td>ExpressRide</td>
<td>26,800</td>
<td>27,300</td>
<td>1.9%</td>
</tr>
<tr>
<td>AirRide</td>
<td>93,700</td>
<td>98,400</td>
<td>5.0%</td>
</tr>
<tr>
<td>Urban Demand Response</td>
<td>176,400</td>
<td>179,400</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>6,933,400</td>
<td>7,008,000</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Note: Urban Demand Response includes A-Ride, GoldRide, GroceryRide, HolidayRide, NightRide, FlexRide and MyRide.

Operating Budget

The following tables and charts illustrate the elements of the 2019 Operating Budget, as well as how the proposed 2019 budget compares with the 2018 approved budget.

- Revenue is budgeted at $45,006,692, up 1.7% over 2018 budgeted.
- Operating expense is budgeted at $44,788,859, up 2.9% over 2018.
- 2019 budgeted revenue is higher than budgeted expense.
- There is a budgeted surplus of $217,833, which will be directed to the operating reserve.
- Purchase of Service Agreement (POSA) revenue is budgeted lower due to anticipated contract changes.
- Other federal conditional assistance is budgeted lower as federal grant funds to reimburse planning and preventive maintenance costs will be expended. This work will continue with funding from the operating budget as staff work.
- Wages and salaries are increasing by 2.2 to 3.9% depending on job classification. Growth in fringe benefit costs has been held flat, resulting in total personnel costs going up 2.14%.
  - The total number of full time equivalent (FTE) employees will grow as additional Motor Coach Operators are needed to cover shifts currently operated with overtime and a new field supervisor position added in 2018 is formalized.
  - Some vacant positions in fleet maintenance have been eliminated from the budget.
  - No change to administrative FTE levels.
- The largest budgeted increase is for biodiesel fuel, which is budgeted at $2.20 per gallon. $1.80 was the budgeted rate for 2018, and the cost proved to be higher than expected.
- Contracted services is reduced by 10.8% from 2018, as several consultant-lead planning projects will be completed.
## 2019 Operating Budget

### Revenues

<table>
<thead>
<tr>
<th>Budgeted Revenues</th>
<th>FY2018</th>
<th>FY2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fares and Contracts</td>
<td>$9,150,470</td>
<td>$9,260,748</td>
<td>1.2%</td>
</tr>
<tr>
<td>Local Property Taxes</td>
<td>$15,566,300</td>
<td>$16,528,289</td>
<td>6.2%</td>
</tr>
<tr>
<td>State Operating Assistance</td>
<td>$14,354,497</td>
<td>$14,550,943</td>
<td>1.4%</td>
</tr>
<tr>
<td>Federal Operating Assistance</td>
<td>$3,250,000</td>
<td>$3,250,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other Federal Operating</td>
<td>$1,597,302</td>
<td>$1,097,462</td>
<td>-31.3%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$318,000</td>
<td>$319,250</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$44,236,569</td>
<td>$45,006,692</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

| **Capital Revenues** |             |              |          |
| Local Contribution | -           | $97,500     | 0.0%     |
| State Contribution | $1,113,100   | $1,573,600  | 41.4%    |
| Federal Contribution | $3,992,400   | $6,294,400  | 57.7%    |
| **Total Capital Revenues** | $5,105,500   | $7,965,500  | 56.0%    |

**TOTAL REVENUES** | $49,342,069  | $52,972,192  | 7.4%     |

### Expenses

<table>
<thead>
<tr>
<th>Budgeted Expenses</th>
<th>FY2018</th>
<th>FY2019</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, Wages, Benefits</td>
<td>$25,548,073</td>
<td>$26,094,392</td>
<td>2.1%</td>
</tr>
<tr>
<td>Purchased Transportation</td>
<td>$8,981,777</td>
<td>$9,454,276</td>
<td>5.3%</td>
</tr>
<tr>
<td>Fuel, Material, Supplies</td>
<td>$4,207,072</td>
<td>$4,763,900</td>
<td>13.2%</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>$2,773,344</td>
<td>$2,473,983</td>
<td>-10.8%</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>$1,997,540</td>
<td>$2,002,308</td>
<td>0.2%</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$43,507,806</td>
<td>$44,788,859</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

| **Capital Expenses** |             |              |          |
| State of Good Repair | $3,122,500   | $7,686,000   | 146.1%   |
| Value Added | $103,000     | $182,000     | 76.7%    |
| Expansion/R&D | $980,000     | $97,500      | 0.0%     |
| **Subtotal Capital Expenses** | $4,205,500   | $7,965,500   | 89.4%    |

| Federal Planning Expenses | $900,000 | - | 0.0% |
| Reserve Fund Retainage | $778,763   | $217,833   | -72.0% |
| **TOTAL EXPENSES** | $49,392,069 | $52,972,192 | 7.2% |
## 2019 Operating Budget (Prior Year Comparisons)

### Notes
- FY2018 budget amounts were amended to include $200,000 in additional revenue and expense along with a $50,000 in-kind contribution of staff time for administration of the BikeShare program. Work is underway to award a new contract for BikeShare operation in late 2018.
- There is a projected surplus of revenue over expense of $1.2 million in FY2018.

### Basis of Budgeting:
The 2019 Operating Budget is prepared on the full accrual basis of accounting, which is the same as our audited financial statements. The only two differences between the audited financial statements and the operating budget are capital contribution revenue and depreciation expense are not included in the operating budget, since these items do not affect operating reserves and affect only the capital budget.

### FY2017 Audited | FY2018 Adopted | FY2018 Projected | FY2019 Proposed | % Change 2019 vs. 2018
---|---|---|---|---
**OPERATING REVENUE**
Passenger Revenue | $6,939,087 | $6,848,660 | $7,125,258 | $7,146,591 | 4.35%
Local Property Tax Revenue | 15,514,970 | 15,566,300 | 16,046,883 | 16,528,289 | 6.18%
POSA & other Governmental Partners | 2,320,516 | 2,301,810 | 2,052,580 | 2,114,157 | -8.15%
State Operating Assistance | 13,795,594 | 14,354,497 | 13,784,682 | 14,550,943 | 1.37%
Federal Operating Assistance | 1,780,000 | 3,250,000 | 2,400,000 | 3,250,000 | 0.00%
Other Federal Conditional Assistance | 2,227,624 | 1,597,302 | 1,961,650 | 1,097,462 | -31.29%
Advertising, Interest, and Other | 133,273 | 318,000 | 324,765 | 319,250 | 0.39%
**TOTAL REVENUES** | **42,711,064** | **44,236,569** | **43,695,818** | **45,006,692** | **1.74%**

### OPERATING EXPENSES

#### PERSONNEL
- Operations Salaries & Wages | 11,775,337 | 11,948,811 | 11,896,578 | 12,489,678 | 4.53%
- Maintenance Salaries & Wages | 2,936,253 | 3,339,840 | 3,079,603 | 3,171,991 | -5.03%
- General Admin Salaries & Wages | 3,092,328 | 3,149,323 | 3,077,380 | 3,282,847 | 4.24%
**Subtotal - Personnel** | **17,803,918** | **18,437,974** | **18,053,561** | **18,944,516** | **2.75%**

#### Fringe Benefits | 6,351,327 | 7,110,099 | 6,537,229 | 7,149,876 | 0.56%

**Total Salaries & Wages** | **24,155,245** | **25,548,073** | **24,590,790** | **26,094,392** | **2.14%**

#### OTHER EXPENSES
- Purchased Transportation | 8,038,434 | 8,981,777 | 9,171,037 | 9,454,276 | 5.26%
- Diesel Fuel and Gasoline | 1,318,898 | 1,515,600 | 1,652,289 | 1,895,200 | 25.05%
- Materials and Supplies | 2,026,269 | 2,691,472 | 2,555,556 | 2,868,700 | 6.58%
- Contracted Services | 2,489,763 | 2,773,344 | 2,495,434 | 2,473,983 | -10.79%
- Utilities | 487,126 | 510,948 | 511,862 | 512,988 | 0.40%
- Casualty & Liability Insurance | 759,881 | 919,300 | 868,781 | 919,300 | 0.00%
- Other Expenses | 697,689 | 567,292 | 660,817 | 570,020 | 0.48%
- Depreciation (2017) | 780,356 | - | - | - | -
**Subtotal - Other Expenses** | **16,598,416** | **17,959,733** | **17,915,776** | **18,694,467** | **4.09%**

**TOTAL EXPENSES** | **40,753,661** | **43,507,806** | **42,506,566** | **44,788,859** | **2.94%**

**Reserve Retainage** | $1,957,402 | $728,763 | $1,189,252 | $217,833 | -70.11%
2019 Operations Work Plan

The FY 2019 Budget preserves all current services while advancing several initiatives first identified in the Strategic Business Plan. Key operational initiatives for 2019 include:

Planning For Growth

- **Long-Range Plan** – There is a need for a new long-term vision for public transit in the Ann Arbor/Ypsilanti area.
- **Follow-ups: Paratransit Study, Fare Study, Washtenaw Ave Transit Priority Study** – Next steps and/or implementation of results from 2018 studies which are anticipated to conclude in early FY 2019.
- **New Mobility Pilot** – This initiative is a placeholder and includes some modest operating and capital funding that is set aside to help fund a pilot project utilizing new technologies. No project has yet been identified and staff will be working to develop such a project in 2019. Timing is uncertain.
- **Terminal Planning** – Follow up steps from an ongoing 2018 study of the Ypsilanti Transit Center, and possibly other projects.
- **Advocacy Strategy (Land Development)** – Begin to develop an approach to advocating for development of land in ways that complements transit.

Serving Customers

- **Short-Range Improvements** – Implementation of tweaks to existing fixed-route services to address quality-of-service concerns.
- **Service Pledge** – Create and distribute a promise to riders and customers about the quality of service they can expect to receive from us.
- **Customer Management Software** – Purchase and implement a new customer relations software package to enable better tracking of, and responsiveness to, customer concerns.
- **Website Improvements** – A variety of back-office improvements and enhancements to the underlying technology for the website.
- **Expand Real-Time Information** – Invest in new tools to enable Google Transit and other real-time features for mobile devices.

Modernizing TheRide

- **Budget Software** – Select and implement a new corporate budgeting software package.
- **IT Strategy** – This internal study will help administrative staff better understand what technology options to pursue and what resources will be required.
- **50th Anniversary Celebration** – TheRide was born in 1969, and 2019 will be our 50th Anniversary. A variety of promotions and celebrations are planned.

Detailed descriptions for each initiative can be found in Appendix 2. A rolling multi-year work plan is provided in the Strategic Business Plan and provides additional context for 2019 initiatives.

Long-Term Financial Context: 2019-2025

The Board’s policies require the annual budget to be contextualized within a multi-year forecast of costs and revenues (Policy 2.4). The following table illustrates forecasts of future operating budgets, assuming the adoption of the 2019 Budget. Key observations include:

- There are no deficits foreseen through the next millage cycle (2019-2024).
- Annual inflationary increases are anticipated at the average rate of 2.5%.
- No fare increase is required in this plan; however, a fare increase could be implemented after further analysis.
• No significant service changes are considered. This may change when the Long-Term Service Plan is completed.

These forecasts help contextualize the 2019 Budget. It should be understood, however, that these projections are for context only, they will likely change, and are not approved as part of the 2019 Budget by the Board of Directors.

**Risks and Uncertainties**

Budgeting is both art and science, and a balancing act between stewardship, meeting needs with adequate resources, and making allowances for risks and uncertainties. Significant consideration has been given to limiting the amount of contingency funding in the proposed 2019 budget. There is a contingent margin of just over $1 million in FY2019 budgeted expenses compared to FY2018 projected costs, accounting for inflation. At 2% of the total proposed budget, this is a reasonable margin of error.

TheRide faces many uncertainties, especially in federal funding. While the future of some federal programs is uncertain right now, the routine formula funding for transit which our budget relies upon is generally seen as reliable. Most congressional districts receive this funding and there is strong political support for these programs. There has been no mention from Congress or the White House of changing these formula grants. However, in the event of a prolonged federal government shutdown or other disruption, overall cash flow for operations and capital funding would be disrupted.

Other uncertainties which can affect the budget include service disruptions and detours, property and casualty losses, legal claims, and others. TheRide’s Executive Team and Risk Management Team work continually to mitigate risks where possible as the Board directs in Policies 2.5, 2.6, and 2.8.
## Operating Budget (7 Year Forecast)

<table>
<thead>
<tr>
<th></th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>SEVEN YEAR TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Revenue</td>
<td>$7,146,591</td>
<td>$7,325,256</td>
<td>$7,508,387</td>
<td>$7,696,097</td>
<td>$7,888,499</td>
<td>$8,085,712</td>
<td>$8,287,855</td>
<td>$53,938,396</td>
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<td>Local Property Tax Revenue (applied)</td>
<td>16,528,289</td>
<td>16,941,496</td>
<td>17,365,034</td>
<td>17,799,159</td>
<td>18,244,138</td>
<td>18,700,242</td>
<td>19,167,748</td>
<td>$124,746,107</td>
</tr>
<tr>
<td>POSA &amp; Other Governmental Partners</td>
<td>2,114,157</td>
<td>2,167,011</td>
<td>2,221,186</td>
<td>2,276,716</td>
<td>2,333,634</td>
<td>2,391,975</td>
<td>2,451,774</td>
<td>$15,956,452</td>
</tr>
<tr>
<td>State Operating Assistance</td>
<td>14,550,943</td>
<td>14,914,717</td>
<td>15,287,584</td>
<td>15,669,774</td>
<td>16,061,518</td>
<td>16,463,056</td>
<td>16,874,633</td>
<td>$109,822,226</td>
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<td>Federal Formula Operating Assistance</td>
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<td>3,331,250</td>
<td>3,414,531</td>
<td>3,499,895</td>
<td>3,587,392</td>
<td>3,677,077</td>
<td>3,769,004</td>
<td>$24,529,148</td>
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<td>Other Federal Conditional Assistance</td>
<td>1,097,462</td>
<td>1,124,899</td>
<td>1,153,021</td>
<td>1,181,847</td>
<td>1,211,393</td>
<td>1,241,975</td>
<td>1,272,719</td>
<td>$8,283,018</td>
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<tr>
<td>Advertising, Interest and Other</td>
<td>319,250</td>
<td>327,231</td>
<td>335,412</td>
<td>343,797</td>
<td>352,392</td>
<td>361,202</td>
<td>370,232</td>
<td>$2,409,517</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>45,006,692</td>
<td>46,131,859</td>
<td>47,285,156</td>
<td>48,467,285</td>
<td>49,678,967</td>
<td>50,920,941</td>
<td>52,193,964</td>
<td>$339,684,864</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations Salaries &amp; Wages</td>
<td>12,489,678</td>
<td>12,801,920</td>
<td>13,121,968</td>
<td>13,450,017</td>
<td>13,786,268</td>
<td>14,130,924</td>
<td>14,484,197</td>
<td>$94,264,972</td>
</tr>
<tr>
<td><strong>Total Salaries and Wages</strong></td>
<td>18,944,516</td>
<td>19,418,129</td>
<td>19,903,582</td>
<td>20,401,172</td>
<td>20,911,201</td>
<td>21,433,409</td>
<td>21,969,831</td>
<td>$142,982,411</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>7,149,876</td>
<td>7,328,623</td>
<td>7,511,838</td>
<td>7,699,649</td>
<td>7,892,125</td>
<td>8,089,428</td>
<td>8,291,664</td>
<td>$53,963,190</td>
</tr>
<tr>
<td><strong>Subtotal - Personnel</strong></td>
<td>26,094,392</td>
<td>26,746,752</td>
<td>27,415,421</td>
<td>28,100,806</td>
<td>28,803,326</td>
<td>29,523,409</td>
<td>30,261,495</td>
<td>$196,945,601</td>
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<tr>
<td><strong>OTHER EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased Services</td>
<td>9,454,276</td>
<td>9,690,633</td>
<td>9,932,899</td>
<td>10,181,221</td>
<td>10,435,752</td>
<td>10,696,646</td>
<td>10,964,062</td>
<td>$71,355,488</td>
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<tr>
<td>Diesel Fuel and Gasoline</td>
<td>1,895,200</td>
<td>1,942,580</td>
<td>1,991,145</td>
<td>2,040,923</td>
<td>2,091,946</td>
<td>2,144,245</td>
<td>2,197,851</td>
<td>$14,303,890</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>2,668,700</td>
<td>2,940,418</td>
<td>3,013,928</td>
<td>3,089,276</td>
<td>3,166,508</td>
<td>3,245,671</td>
<td>3,326,813</td>
<td>$21,651,313</td>
</tr>
<tr>
<td>Utilities</td>
<td>512,988</td>
<td>525,813</td>
<td>538,958</td>
<td>552,432</td>
<td>566,243</td>
<td>580,399</td>
<td>594,909</td>
<td>$3,871,741</td>
</tr>
<tr>
<td>Casualty &amp; Liability Insurance</td>
<td>919,300</td>
<td>942,283</td>
<td>965,840</td>
<td>989,986</td>
<td>1,014,735</td>
<td>1,040,104</td>
<td>1,066,106</td>
<td>$6,938,353</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>2,473,983</td>
<td>2,535,833</td>
<td>2,599,228</td>
<td>2,664,209</td>
<td>2,730,814</td>
<td>2,799,085</td>
<td>2,869,062</td>
<td>$18,672,214</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>570,020</td>
<td>584,271</td>
<td>598,877</td>
<td>613,849</td>
<td>629,195</td>
<td>644,925</td>
<td>661,048</td>
<td>$4,302,186</td>
</tr>
<tr>
<td><strong>Total Other Expenses</strong></td>
<td>18,694,467</td>
<td>19,161,829</td>
<td>19,640,874</td>
<td>20,131,896</td>
<td>20,635,194</td>
<td>21,151,073</td>
<td>21,679,850</td>
<td>$141,095,184</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>44,788,859</td>
<td>45,908,580</td>
<td>47,056,295</td>
<td>48,232,702</td>
<td>49,438,520</td>
<td>50,674,483</td>
<td>51,941,345</td>
<td>$338,040,785</td>
</tr>
<tr>
<td><strong>CONTINGENCY/RESERVES (DEFICIT)</strong></td>
<td>217,833</td>
<td>223,279</td>
<td>228,861</td>
<td>234,582</td>
<td>240,447</td>
<td>246,458</td>
<td>252,619</td>
<td>$1,644,079</td>
</tr>
</tbody>
</table>
## 2019 Capital Budget

The table below includes capital expenditures for FY2019; details for each project can be found in the Appendices. While all capital initiatives advance one of the Strategic Business Plan’s three priorities, here their purpose is further categorized as State of Good Repair, Value Added, Expansion, or Research and Development.

<table>
<thead>
<tr>
<th>Category</th>
<th>Project Description</th>
<th>FY 2019 Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State of Good Repair</strong></td>
<td>Large Bus Replacement (8 Buses)</td>
<td>$4,053,000</td>
</tr>
<tr>
<td>(Maintaining Existing Services and Assets)</td>
<td>Bus Components, Tools and Equipment</td>
<td>$1,290,000</td>
</tr>
<tr>
<td></td>
<td>Facilities Rehabilitation</td>
<td>$920,000</td>
</tr>
<tr>
<td></td>
<td>IT – Hardware and Software</td>
<td>$668,000</td>
</tr>
<tr>
<td></td>
<td>Small/Medium Bus Replacement</td>
<td>$325,000</td>
</tr>
<tr>
<td></td>
<td>Architecture and Engineering</td>
<td>$180,000</td>
</tr>
<tr>
<td></td>
<td>Furniture Replacement</td>
<td>$150,000</td>
</tr>
<tr>
<td></td>
<td>Non-Revenue Vehicle Replacement</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td>$7,686,000</td>
</tr>
<tr>
<td><strong>Value Added</strong></td>
<td>Rider Amenities and Accessibility</td>
<td>$150,000</td>
</tr>
<tr>
<td>(Make Things Work Better)</td>
<td>IT - Hardware and Software</td>
<td>$32,000</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td>$182,000</td>
</tr>
<tr>
<td><strong>Expansion</strong></td>
<td>New Mobility Pilot</td>
<td>$47,500</td>
</tr>
<tr>
<td></td>
<td><strong>Sub-total</strong></td>
<td><strong>$47,500</strong></td>
</tr>
<tr>
<td><strong>Research and Development</strong></td>
<td>R&amp;D Projects</td>
<td>$50,000</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td><strong>$50,000</strong></td>
</tr>
<tr>
<td><strong>Capital Costs Total</strong></td>
<td></td>
<td><strong>$7,965,500</strong></td>
</tr>
</tbody>
</table>

Capital expenditures are defined as assets purchased with an initial cost of more than $1,000 and an estimated useful life greater than one year. Capital 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.
There are two important capital initiatives beginning this year that will have important implications for the longer-term capital outlook. Both are important in maintaining a state of good repair, serving customers, and maintaining long-term financial sustainability.

- **Large Bus Replacement**: A new fleet plan for bus replacements begins a new approach of replacing eight buses each year. In addition, in 2019 a new 5-year contract for replacement buses will be competitively bid. These steps will help to smooth a previously volatile cash flow for bus replacements.

- **Facility Rehabilitation**: A significant push to rehabilitate TheRide's main garage (Dawn Gabay Operations Center) will begin in 2019. The Operations Center is in urgent need of rehabilitation to address backlog of deferred maintenance. The envisioned repairs will help to ensure the building is able to continue to support operations and administration activities. Costs for facilities will increase each year in 2019, 2020 and 2021, before dropping back to a lower amount geared towards preventative maintenance activities.

Because of these investments, as well as additional costs for bus components, capital costs in 2019 will be $2.9 million higher than in 2018. This will be partially funded by consolidating residual Federal carryover funds from earlier years.
10-Year Capital Plan

As with the operating forecasts, the 10-year Capital Plan represents an expectation of future costs, and will likely change. It is provided for context only and is not a part of the 2019 Budget approved by the Board of Directors. Planned over the next several years are necessary and long-needed facility rehabilitations for the Dawn Gabay Operations Center, including a new roof for the administrative offices and the bus garage, interior rehabilitation, and renovation of the Control Center. TheRide will pursue discretionary grant funds to complete these projects. Expenditures for facility rehabilitations in FY2020 and 2021 are illustrative; architecture and engineering designs and cost estimations will be completed in FY2019.

<table>
<thead>
<tr>
<th>Category</th>
<th>Project Description</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>FY2023</th>
<th>FY2024</th>
<th>FY2025</th>
<th>FY2026</th>
<th>FY2027</th>
<th>FY2028</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Good Repair</td>
<td>Large Bus Replacement</td>
<td>$4,053,000</td>
<td>$4,175,000</td>
<td>$4,300,000</td>
<td>$4,429,000</td>
<td>$4,562,000</td>
<td>$4,699,000</td>
<td>$4,840,000</td>
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<td>$5,135,000</td>
<td>$5,289,000</td>
<td>$46,467,000</td>
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<tr>
<td></td>
<td>Small/Medium Bus Replacement</td>
<td>$325,000</td>
<td>$335,000</td>
<td>$345,000</td>
<td>$355,000</td>
<td>$366,000</td>
<td>$377,000</td>
<td>$388,000</td>
<td>$400,000</td>
<td>$412,000</td>
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In Closing

While TheRide prepares to celebrate its 50th anniversary, there is reason for great optimism about the future of public transportation in Ann Arbor, Ypsilanti, Ypsilanti Township, and surrounding areas.

The 2019 Budget includes recommendations for preserving expanded levels of service, ensuring state of good repair of assets, planning for the future, delivering high-quality customer service, and modernizing our organization, consistent with the Board’s *Ends Policies* and the *Strategic Business Plan*.

The CEO and staff look forward to receiving comments from the Board and public as we move toward adopting a balanced budget for FY2019, which will ensure that we can keep promises made in the past and move us toward a promising future.
APPENDICES
1. 2019 Operating Budget Detail

Revenues

Fares and Contracts

Fare and contract revenues are increasing due to projected ridership increases in AirRide ($105,000), University of Michigan MRide ($82,800), Fixed Route ($66,200) and A-Ride ($34,600), along with new contracts for sharing the costs of BikeShare ($200,000).

Local Tax Revenue

The projected City of Ann Arbor July 2019 property tax levy includes both the original millage of 2.0 and the renewal millage of 0.7 mills. The property tax revenue is increasing due to the 5.3% increase in taxable value in the City.

The projected City of Ypsilanti July 2019 property tax levy includes both the original 0.973 transit millage and the new 0.7 millage. The property tax revenue is increasing due to the 3.8% increase in taxable value in the City.

The Charter Township of Ypsilanti July 2019 property tax levy is 0.7 mills on an additional 7.9% in taxable value in the Township.

State Operating Assistance

The State Urban Operating Assistance is lower at 32.35% (2018 was 33.05%), but it is calculated using higher budgeted urban eligible expenses.

Federal Operating Assistance

TheRide uses a portion of urban area formula funds as operating assistance to pay for motor coach operator wages. The amount for FY2019 will remain $3.25 million. Other federal conditional assistance will decrease after federal planning grants are fully expended. In FY 2019, planning work will be locally funded, reducing the time and cost of planning grant administration. The result is budget neutral.

Expenses

Salaries, Wages and Benefits

Non-union wages are increasing 3.0%, based upon the 2018 Supervisory, Managerial, and Professional Compensation Survey published by the American Society of Employers (ASE). Union wages are increasing at rates defined in the collective bargain agreement (2.2 to 3.9% based upon job classification). Fringe benefits are budgeted to increase at inflationary rates.

Purchased Transportation

The amount for A-Ride and GoldRide are based on the contract effective May 1, 2017 with increasing ridership demand anticipated. Purchased Transportation includes $1.2 million for AirRide service between
Ann Arbor and the Detroit Metro Airport, which is funded from State operating assistance and passenger fares. New for FY2019 are BikeShare contracting expenses of $250,000 ($50,000 of which is in-kind).

**Diesel Fuel and Gasoline**

We are expecting ultra-low sulfur biodiesel fuel (#2 B10%) prices to increase to $2.20 per gallon, based on current trends. We plan to use 846,500 gallons of biodiesel fuel in our buses and 15,000 gallons of gasoline in our service trucks, supervisor vehicles and shuttle vehicles during the new fiscal year.

**Contracted Services**

Contracted maintenance includes snow removal, electricians, services on vehicle hoists, HVAC systems maintenance, and consulting. The budgeted amount for consultant fees is decreasing since work on the Ypsilanti Transit Center, Paratransit Review, Fare Study, and Washtenaw Avenue Transit will be complete in FY 2018.

**Other Expenses**

Other expenses include vehicle and other insurance coverage, utilities, employee development and training, media expenses, uniforms and postage. Costs are anticipated to be consistent with FY2018 levels.

**Explanations for Variances in 2018 Projections:**

The table on Page 18 includes projections for 2018 revenue and expenses. This section explains some of the variances between budgeted and projected amounts.

Revenue: Federal operating assistance was over budgeted in 2018 at $3.25 million (only $2.4 million in federal operating assistance was programmed in grants). Other federal conditional assistance is higher due to capital costs of contracting for the vanpool program after contracting with Enterprise (an expense that was budgeted as a capital expenditure), and grant reimbursements for planning projects.

Expense: Projected costs for salaries, wages, and fringe benefits are down due to vacancies and employee turnover (due to turnover, some budgeted costs were not expended because new unionized employees are not eligible for benefits for 90 days) and lower-than-expected health premiums and worker’s compensation claims.
2. Work Plan & Capital Descriptions

This section provides detailed descriptions of operating and capital initiatives that will help to advance the priorities of the Strategic Business Plan and achieve the Board’s Ends policies.

Notable 2019 Events

- Adjustments to improve efficiency and performance of fixed-route services; to be implemented in 2019 as a result of short-term service review currently underway.
- Award of a new 5-year contract for the purchase of up to 40 large fixed-route buses for purchase in years 2020 to 2025; anticipated to be valued near $21 million; procurements will use state and federal grants.
- Receive report from the Federal Transit Administration (FTA) Triennial Review to be conducted in September 2018; implement improvements to ensure ongoing regulatory compliance.

Operating/Work Plan Initiatives

Planning for the Future

Long-Range Plan

With recent major transit studies completed, there is a need for a new long-term vision for public transit in the Ann Arbor/Ypsilanti area. Beginning in early 2019, TheRide will begin planning with our communities, riders and stakeholders to create that guiding vision. The efforts will take 1-2 years. (Policies 1.0, 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Planning and Innovation.

Fare Strategy

The Fare Study (to be completed by the end of FY2018) is developing options and recommendations for fare levels, collection technology, administration, and media, and will deliver a model that Planning and Finance staff can use to predict outcomes of fare changes upon revenue and ridership. As fixed-route fares were last adjusted in 2010, staff will evaluate changes to TheRide’s fare structure and recommend changes for public and Board consideration. No changes to fares are budgeted for 2019. Staff have planned for a high level of involvement and transparency in the review and in planning for the implementation of any recommended changes. (Policies 1.0, 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Finance, Planning and Innovation.
**Paratransit Review**

A comprehensive study of A-Ride service will be completed by the end of 2018 and will make recommendations for scheduling, service operation, fares, eligibility certification process, as well as provide an assessment of use by seniors and the integration of paratransit with accessible fixed-route service. Further review of the study’s results and impact on service will be conducted in 2019, with possible implementation of some of the study’s recommendations. Goals will be to continue and improve the level and quality of transportation services for people with disabilities and seniors at a sustainable cost. Staff have planned for a high level of involvement and transparency in the review and in planning for the implementation of any recommended changes. (Policies 1.0, 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Transportation, Planning and Innovation.

**Washtenaw Avenue Transit Priority Study**

Using the existing ReImagine Washtenaw plans and RTA planning, consultants and staff will prepare plans to improve operations on Washtenaw Avenue including design drawings for selected superstop, queue jump lane planning, and transit signal priority design. Goals include: improving the reliability and customer convenience on TheRide’s highest ridership route, consistent with long-term plans for BRT. (Policies 1.0, 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Planning and Innovation

**Ypsilanti Transit Center Planning**

Began in 2017, Staff and a consultant are analyzing and evaluating potential solutions to meet operational requirements, customer needs, and broader community aspirations at a conceptual level; along with budget implications for various alternatives. Goals include: alternatives that can be used for grant applications and input into a facility design. (Policies 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Planning and Innovation

**Advocacy Strategy (Land Development)**

As a part of the broader Long-Range Plan, we will develop an approach to advocating for development of land in ways that complements transit. This will need to be done in concert with the local municipalities that control land-use regulation. Timing is uncertain. (Policies 1.2.2.1, 2.8.5.6, 2.10, 2.10.2, 2.11).

- Budgeted Funds: Staff time from Executive Team, Finance, Planning and Innovation

**Express Bus Proposal**

Working with local partners, TheRide is pursuing a potential project for a new express bus service. It is not clear yet whether this idea will become a proposal. More information will be available in the near future. (Policies 1.3.5, 2.10, 2.11)
• Budgeted Funds: Staff time from Executive Team, Finance, Planning and Innovation

**Serving Customers**

**Short Range Improvements**

Implementation of tweaks to existing fixed-route services to address quality of service concerns. (Policies 1.0, 2.1).

  • Budgeted Funds: Staff time in Planning and Innovation.

**Service Pledge**

Create and distribute a promise to riders and customers about the quality of service they can expect to receive from us. This will be linked to performance measures and public reporting. (Policies 1.1.4, 2.1, 2.10.5).

  • Budgeted Funds: Staff time from Executive Team, Transportation

**Customer Management Software**

Purchase and implement a new customer relations software package to enable better tracking of, and responsiveness to, customer concerns. This tool is coupled with the new Customer Service Officer position created in 2018. (Policies 1.1.4, 2.1).

  • Budgeted Funds: $75,000 (Operating)

**In-Field Communications**

Replacement of dispatch-to-bus communications functions that were inadvertently lost during implementation of the CAD/AVL system. Will improve responsiveness, customer services and emergency response. This project will take 1-2 years. (Policies 1.1.4, 2.1, 2.2).

  • Budgeted Funds: $388,000 (Capital)

**Modernizing TheRide**

**Budget Software**

Presently, TheRide’s annual budget is developed and administered with a variety of legacy software programs, including Excel. To improve quality and transparency, and reduce the risk of error, we will select and implement a new corporate budgeting software package. This project may take 1-2 years to implement. (Policies 1.3.7, 2.4, 2.5, 2.8).

  • Budgeted Funds: $20,000 (Capital), $40,500 (Operating)
IT Strategy

Like many businesses, TheRide is increasingly dependent on back-office information technology. This study, conducted by external experts, will help administrative staff better understand what technology options to pursue and what resources will be required, as well as establish a strategy for IT. (Policies 2.2, 2.4, 2.8.5.6).

- Budgeted Funds: $150,000 (Operating)

50th Anniversary Celebration

TheRide was born in 1969, and 2019 will be our 50th Anniversary. A variety of promotions and celebrations are planned. A report on the history of TheRide is being developed. (Policies 2.2.1, 2.4.2).

- Budgeted Funds: $39,100 (Operating)

Capital Plan Initiatives

State of Good Repair / Maintain Existing Service and Assets

Board Policy 2.8 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 will produce a comprehensive Transit Asset Management (TAM) Plan by September 2018. This plan will establish performance targets to ensure state of good repair for the fleet, equipment, and facilities operated by TheRide and its grant subrecipients. This section also includes efforts proposed to help preserve existing services.

Large Bus Replacements

In 2019, eight large transit buses that have reached the end of their useful life will be replaced to maintain service levels and avoid additional maintenance costs. $506,625 is budgeted for each clean-diesel bus. These are the last buses to be ordered from the current contract before a new contract award is made for buses to be purchased in years 2020-2025 (Policies 2.4, 2.8.2(B)).

- Budgeted Funds: $4,053,000 (capital)

New 5-Year Contract for Large Bus Replacements

In FY2019 TheRide will award a new 5-year, competitively bid contract to purchase eight, clean-diesel buses each year. Several existing Board policies dictate how this and all other contracts should be structured and handled (e.g. Policies 2.0, 2.5, 2.7, 2.8.5.1, and 2.8.5.2). Over the life of the contract, costs for bus replacements are expected to be about $21 million. In addition, TheRide will attempt to future-proof this contract by seeking “options” (i.e. optional pricing) for purchasing articulated buses and
alternative propulsion systems. However, extra costs for those options would need to be approved by the Board at a future date.

As discussed in Appendix 3, the Board has a choice of how to handle the award of larger purchasing contracts. In the past, the Board has been content to pre-authorize the CEO to award contracts via a blanket authorization as part of the annual budget. If that is how this 5-year bus replacement contract were authorized, the final award would be made by the CEO (in accordance with existing Board policies). It could also require the CEO to provide regular updates to the Board on the procurement process and decision as part of policy 2.11.1.5(c). Alternately, the Board can also, by vote, indicate that it would like to approve the award of the contract itself at a later date.

- Budgeted Funds: Contract award is for future bus procurements; no FY2019 expenditure.

**Small/Medium Bus Replacement**

Replacement of two small buses for A-Ride that have reached the end of their useful life, and replacement of small/medium buses used by local non-profit agencies providing eligible human services transportation as subrecipients of Federal Section 5310 program funds (Policies 2.4, 2.6.2(B), 2.10.1).

- Budgeted Funds for Replacement of A-Ride Vehicles: $180,000 (capital)
- Budgeted Funds for Replacement of Subrecipient Vehicles: $145,000 (capital)

**Non-Revenue Vehicle Replacement**

TheRide requires a small fleet of utility vehicles (trucks, vans, etc.) to support regular operations. These vehicles are used for a variety of functions such as shuttling drivers, snow clearing, on-road repairs, business meetings, etc. One service truck and one supervisor van will be replaced in 2019 (Policies 2.4.5, 2.8.2(B)).

- Budgeted Funds for 1 Service Truck: $50,000 (capital)
- Budgeted Funds for 1 Supervisor Van: $50,000 (capital)

**Bus Components, Tools and Equipment**

Each year major bus components such as engines, transmissions, hybrid drives and batteries, and other major parts are needed to maintain the fleet in a state of good repair. Tools and equipment are also necessary to maintain the fleet; a refurbishment of the bus wash is planned. In 2019, Fleet Services will conduct two campaigns to improve ergonomic safety for Motor Coach Operators; replacing driver seating and enhancing buses with power steering systems (Policies 2.2, 2.8.2(B)).

- Budgeted Funds for Engine Replacements: $280,000 (capital)
- Budgeted Funds for Battery Refresh Kits: $350,000 (capital)
- Budgeted Funds for Bus Wash Refurbishment: $200,000 (capital)
• Budgeted Funds for Drivers Seat Replacement Campaign: $40,000 (capital)
• Budgeted Funds for Electric Steering Campaign: $420,000 (capital)

Facilities Rehabilitation

TheRide owns three major facilities: The Dawn Gabay Operations Center (DGOC), the Blake Transit Center (BTC) and the Ypsilanti Transit Center (YTC). These funds are being set aside to assure funding to address priority maintenance issues. A backlog of preventative and corrective maintenance needs at the DGOC will begin to be addressed in 2019, most notably replacement of HVAC systems, administrative office roof, and a new fire suppression system in the computer server room (Policies 2.2, 2.8.2(B)).

• Budgeted Funds: $920,000 (capital)

Architecture and Engineering

Facility rehabilitation projects will be guided by architecture and engineering design consultants who will provide design, engineering, bidding support, and project management for replacement of HVAC systems and the administration office roof. Additional A&E work will be needed in 2019 to plan a future administrative office interior rehabilitation and renovation of the Control Center (Policies 2.8.2(B)).

• Budgeted Funds: $180,000 (capital)

Furniture Replacement

Many of the furnishings at DGOC are original to the facility, purchased in 1984, and need to be replaced due to poor condition. Furniture replacements, along with planning for interior renovation, are necessary to modernize workspaces, improve ergonomic function, and enhance TheRide’s objective to be a workplace of choice (Policies 2.2.1, 2.8.2(B)).

• Budgeted Funds: $150,000 (capital)

IT – Hardware and Software

Capital funds are budgeted for the replacement of obsolete or at-risk computers, network servers, software and other technology infrastructure aboard buses and in facilities. Notable projects include updates to A-Ride scheduling software, radio communications between the Control Center and Motor Coach Operators, and replacement of security cameras at the YTC (Policies 2.1, 2.2, 2.4.5, 2.8.2(B)).

• Budgeted Funds for State of Good Repair: $668,000 (capital)
Value Added / Make Things Work Better

Initiatives in this category are focused on finding innovative ways to enhance services, or an existing part of TheRide’s operations.

Rider Amenities and Accessibility

The bus stop is where riders access TheRide’s services. Each year investment is needed for replacement and improvement of bus stop infrastructure including concrete landing pads and other amenities, all with an eye toward ensuring accessibility for riders with disabilities. Staff in the Planning and Innovation Division are developing a list of priority locations for enhancement in 2019. The budget for this item is being increased by $50,000 from 2018 Budget levels (Policy 2.1.1).

- Budgeted Funds: $150,000 (capital)

IT – Hardware and Software

More than ever, TheRide and our riders rely on technology in delivery of public transportation. As part of the initiative to improve customer service, more real-time information tools online are planned for 2019. Planned enhancements include improved trip planning, bus tracking, additional bus tracking through Third-Party Apps, viewing route and schedule information, viewing live maps, and texting for bus stop information, all using the General Transit Feed Specification (GTFS) (Policies 2.1.3).

- Budgeted Funds for Expansion: $32,000 (capital)

Expansion / Implementing New, Approved Service

New Mobility Pilot

The Planning and Innovation Division has assigned one employee full time to the planning and testing of innovative New Mobility Toolbox options with value-added pilot services. The objective is for TheRide to learn how new mobility options such as on-demand services may be best implemented. Investment will be made in non-traditional modes connecting with fixed-route transit that may help lower costs and indicate a sustainable future direction (Policies 1.0, 2.8.5.6, 2.11).

- Budgeted Funds for New Mobility: $47,000 (capital), $47,500 (operating)

Research and Development / Explorations to Advance Innovation

Emergent R&D Projects

Capital funds are reserved for emergent research and development projects that may develop in 2019. This is a budget placeholder for exploratory projects that could advance the organization’s Ends by leading to new services, infrastructure, or business relationships. The Board’s policies require the CEO to explore opportunities for innovation (2.8.5.6) and collaborative relationships (2.10).
• Budgeted Funds for Research and Development: $50,000 (capital)
3. Contracts

The Board’s Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to $250,000, and disallows the splitting of purchases or contracts into smaller amounts to avoid this limitation. Listed below are the contracts that are anticipated to be awarded in FY2019 sorted from the highest value to the lowest value.

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 FY2019 is a new five-year contract to replace up to 40 public transit buses, anticipated to be valued near $21 million.

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<td>Bus Transfers</td>
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