

## Board of Director's Meeting Agenda

Meeting Date/Time: May 21, 2020, 6:30-9:00pm

**Location:** REMOTE – Via Phone Conference Dial-in & Zoom

**Step 1. Audio:** To hear and be heard, please join the virtual meeting via your phone – using headphones, if possible:

Conference Dial-in: 734-436-0150

Conference ID: 380-6554

**Step 2. Visual:** To ALSO see and be seen, please join the virtual meeting by **6:15pm** from your computer, tablet or smartphone as follows:

**Note: You will still need to use the above phone conference for audio.**

1. Click on this link:

<https://zoom.us/j/92453747533> (If you are using an Ipad, you must download Zoom first.)

2. You will be prompted to register with your name and e-mail address, then go directly into the meeting.

**Important:** If you join via Zoom as well, please mute your microphone via the radio button on Zoom AND mute the speakers on your viewing device. This prevents feedback.

**Meeting Chair:** Eric Mahler

| Agenda Item                                       | Info Type | Details        | Page # |
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| <b>1. OPENING ITEMS</b>                           |           |                |        |
| 1.1 Approve Agenda                                | D         |                |        |
| 1.2 Public Comment                                | O         |                |        |
| 1.3 General Announcements                         | O         |                |        |
| <b>2. CONSENT AGENDA</b>                          |           |                |        |
| 2.1 Minutes                                       | D         |                | 3      |
| <b>3. EMERGENT BUSINESS</b>                       |           |                |        |
| 3.1 Coronavirus Update                            | O         | Carpenter      |        |
| 3.1.1 Recovery Plan                               | O         | Executive Team | 11     |
| 3.1.1.1 Pandemic Barrier (Budget Amdmnt)          | D         | Carpenter      | 32     |
| <b>4. POLICY MONITORING &amp; DEVELOPMENT</b>     |           |                |        |
| 4.1 Committee Reports                             |           |                |        |
| 4.1.1 Governance Committee                        | O         | Mahler         | 37     |
| 4.1.2 Finance Committee                           | O         | Allemang       | 40     |
| 4.1.3 Service Committee                           | O         | Hewitt         | 44     |
| 4.1.3.1 Construction Policy (Approval)            | D         | Hewitt         | 47     |
| 4.2 Monitoring Reports                            |           |                |        |
| 4.2.1 Cash & Investments (Policy 2.6)             | M         | Metzinger      | 53     |
| 4.3 CEO Contract                                  | D         | Mahler         | 61     |
| <b>5. STRATEGY &amp; OPERATIONAL UPDATES: CEO</b> |           |                |        |
| 5.1 Q2 Service Report                             | O         | Smith          | 73     |
| 5.2 Q2 Finance Report                             | O         | Metzinger      | 79     |
| 5.3 CEO Report                                    | O         | Carpenter      | 82     |

| Agenda Item  | Info Type | Details               | Page #                    |
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| <b>6. CLOSING ITEMS</b>                                      |           |                       |                           |
| 6.1 Topics for Next Meeting:<br>Asset Protection (2.8)       |           | Thurs., June 18, 2020 |                           |
| 6.2 Public Comment   |           |                       |                           |
| 6.3 <a href="#">Board Assessment of Meeting (Electronic)</a> |           |                       | <a href="#">Link Here</a> |
| 6.4 Adjournment  |           |                       |                           |

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

***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?

## Board of Director's Meeting Summary

Meeting Date/Time: April 16, 2020

**Location:** Remote

**Board Member Attendees:** Raymond Hess, Jesse Miller, Kyra Sims, Roger Hewitt, Kathleen Mozak-Betts, Richard Chang, Mike Allemang, Sue Gott, Ryan Hunter, Eric Mahler (Chair)

**AAATA Staff Attendees:** Matt Carpenter (CEO), Bryan Smith, John Metzinger, Mike Blackston, Rosa-Maria Njuki

Chairman Eric Mahler called the meeting to order at 6:34pm.

### 1. OPENING ITEMS

#### 1.1 Approve Agenda

Chairman Mahler suggested moving agenda item 4.3 (CEO Contract Update) to agenda item 6.3 and for the Board to go into a closed session to discuss the CEO Contract. He moved to approve the agenda with that amendment.

In support of the motion:

Mr. Mike Allemang: Yes

Mr. Rich Chang: Yes

Ms. Sue Gott: Not present for vote

Mr. Raymond Hess: Yes

Mr. Hewitt: Not present for vote

Mr. Jesse Miller: Yes

Ms. Kathleen Mozak-Betts: Yes

Ms. Kyra Sims: Yes

Mr. Ryan Hunter: Yes

Chairman Mahler: Yes

The motion was approved unanimously.

#### 1.2 Public Comment

Jim Mogensen discussed the need to have reimbursable expenses in order to use the funds provided by the CARES act and UofM qualifying for funds from the FTA because of arrangements made previously with their fares cards. He described managing funds and fares in this new environment.

Michelle Barney commented that we are doing a little bit better than other cities. She asked about the D2A2 service and CEO Carpenter answered that it has been suspended for about 2 weeks, to be reopened when circumstances permit.

#### 1.3 General Announcements

A moment of silence was taken in remembrance of a staff member who recently passed away.

## 2. CONSENT AGENDA

### 2.1 Minutes

Mr. Alleman moved to approve the minutes, seconded by Ms. Mozak-Betts. Chairman Mahler conducted a roll call vote.

In support of the motion:

Mr. Allemang: Yes

Mr. Chang: Yes

Ms. Gott: Yes

Mr. Hess: Yes

Mr. Hewitt: Not present for vote

Mr. Miller: Yes

Ms. Mozak-Betts: Yes

Ms. Sims: Yes

Mr. Hunter: Yes

Chairman Mahler: Yes

The motion carried and the minutes were moved into the record.

## 3. EMERGENT BUSINESS

### 3.1 Coronavirus Update

CEO Carpenter started by expressing gratitude to the staff and the Board for their dedication and support. He described a proactive course ahead and presented on a draft of the TheRide Pandemic Realignment Plan (in April packet).

Mr. Miller asked that the sources used to guide decision making and creating draft timelines be made public. CEO Carpenter pointed to the [Washington Post](#) citation and described the sources as an extrapolation of media reports and information from the CDC. As information is updated, he will add any citations that make sense. Mr. Allemang expressed his understanding of CEO Carpenter using multiple sources for information that he finds most credible to create his assumptions.

Chairman Mahler asked if there were any guidelines being used for how fast to ramp service back up. CEO Carpenter noted that the lifting of the stay at home orders and clear unambiguous instruction from state leadership would be helpful in that decision. He suggested that conflicting priorities might lead to more of a rolling restoration of services, dependent upon demand and maintaining the safety of our employees.

Mr. Bryan Smith presented on AAATA's operational response to COVID-19 as outlined below. Ridership is operating at about 10% of what it was before the pandemic began.

Employee safety measures taken:

- Ceased fare collection
- Instituted rear boarding
- Increased sanitation procedures
- Encouraged compliance with CDC and state guidelines for social distance in common spaces
- Instructed staff to work from home
- Providing hand sanitizers, masks, shields and PPE as it becomes available
- Adapting HR policies to allow employees to protect health

Public safety measures taken:

- Sanitizing facilities and buses regularly and frequently
- Closed YTC and BTC lobbies to prevent crowds and groups from forming
- Created advisory, precautionary and warning signage on buses and facilities

- Decreased maximum capacity of buses to 15 riders
- Only members of the same household per vehicle for A-Ride

Vehicle modifications:

- UM designed acrylic barrier is currently being installed at the standee line of every bus in service
- Added audio PSA announcements
- Signed seats to encourage appropriate distance

Service adjustments:

- Reduced service with informal, ad-hoc service reductions based on decreased demand
- Limited service schedule to Sunday Plus
- Responded to needs of essential workers and added early runs to service the hospital

Future:

- Prepare for an increase in demand after stay at home order lifted
- Expect and plan to maintain a decreased level of service into the fall, while remaining agile and responsive to ever changing needs
- Build a plan for a sustainable service that meets the new needs of the community and provides the greatest benefit

Chairman Mahler asked if the plan is to not collect fares for the foreseeable future. Mr. Smith described a need to explore new, safe ways of collecting fares.

Mr. John Metzinger presented on the financial impacts of COVID-19 on AAATA as outlined below:

Financial challenges could last years:

- Increased expenses for cleaning, sanitation, PPEs, paid employee leave, incentive pay for front-line employees reporting to work.
- Priority need for investments to promote employee and public safety, restore fare collection, restore service, and rebuild ridership.
- Total loss of fare and contract revenues.
- Concerns about potential losses in state and local funding for 2020 through 2022 due to recession.

Mr. Metzinger thanked the federal officials for quickly passing the CARES Act and bringing \$20.7M in federal funding to AAATA. The questions we're asking ourselves are how those funds should be used and how far will they go.

He walked the Board through a preliminary financial capacity projection for April 2020 through FY2022. He described the current scenario, staffing cost savings scenario, and worst case scenario with CARES Act funding applied to ongoing operations and service restoration.

Mr. Metzinger stated that the uncertainties and financial challenges that lie ahead lead him to recommend that AAATA move ahead with very careful control of our costs, that we need to take a very conservative approach to limit spending in order to assure that we have a sustainable future for the organization. He suggested that AAATA needs to be sure to expend CARES Act funding to preserve our mission, particularly with respect to those employees that are working each day on the front lines of our organization, especially during this crisis; however, it may not be the most effective or

productive use of these funds to continue to pay employee leave for an extended period of time. We do need to reserve a portion of CARES Act funding, suggesting 30%, to have those funds available to bring AAATA back on line when the timing is appropriate to do so, so that we can make appropriate operating and capital investments to promote safety and service restoration.

CEO Carpenter pointed out that policy 2.11 requires him to notify the Board of new risk (public health risk) and policy 2.4 requires him to act in avoidance of fiscal jeopardy, both of which he is doing. Policy 4.3.3 makes it clear that these choices are in the CEO's lap, but he would prefer to take action with the Board's support.

Mr. Hess applauded the staff. He also asked them to explain the significant declines in funding indicated in the charts another year past post pandemic predicted to begin around July 2021, guessing it has to do with the long-term economic downturn that may be reflected in reduced property tax, gas tax, and ridership. Mr. Metzinger pointed out that according to recent information from SEMCOG, tax collections from the state are expected to be down through 2022, but could recover quickly after that. CEO Carpenter pointed out that the CDC is reporting that the vaccine may take 12-18 months to deploy.

Mr. Allemang echoed Mr. Hess's compliments and asked if there are any service restorations in the current plan, and if so, what kind of assumptions were made in operating those. Mr. Metzinger pointed out that some level of service expansion begins to happen in August of this year, working its way back up to full schedule around Spring/Summer of 2021.

Mr. Metzinger explained to Ms. Mozak-Betts that the model is built by taking the year-to-date actuals through March as well as looking at what AAATA was spending through mid-March into April and projecting those forward.

Mr. Hewitt expressed that if significant cost reductions are needed, he would strongly support those.

Ms. Gott expressed that the leadership the staff is showing at this time is extraordinary.

Mr. Chang offered the Board's support to the staff. Mr. Hunter thanked the staff, and Ms. Sims complimented the transparency being exhibited.

Chairman Mahler pointed out that AAATA's funding comes from the federal government, state government, property taxes, and fares, and the cost reduction emphasis stems from AAATA's lack of alternative funding and inability to raise money at this time through debt or bonds. We either cost cut or raise revenue; AAATA is not a taxing authority that can raise taxes on their own without voter approval.

Mr. Hess requested the staff to take an iterative approach and re-adjust projections on a regular basis. Chairman Mahler cautioned also that AAATA needs to make sure they have cash on hand should the economy come back up as predicted. Mr. Allemang added that AAATA must preserve the operation and can't risk having a worse case that we're not ready for; we need to be conservative. He agreed with Mr. Hess that we don't need to reduce costs more than necessary, particularly when we know there is a human cost.

Mr. Miller described the current experience as very humbling, and complimented the stewardship of the executive team. He expressed that AAATA is a public good and

must remain so via our decisions, decisions focused on what is best for our community and employees.

#### **4. POLICY MONITORING & DEVELOPMENT**

##### 4.1 Committee Reports

##### 4.1.1 Governance Committee

##### 4.1.1.1 Board Retreat

Chairman Mahler suggested the Board may want to think about a different type of retreat, perhaps a virtual option a couple months from now, that does not put any kind of cost on AAATA or burden on the staff to plan, considering the pandemic.

##### 4.1.2 Finance Committee

Regarding the review of policy 2.5, Mr. Allemang highlighted that the Committee felt the CEO was in compliance, except as noted.

##### 4.1.3 Service Committee

Mr. Hewitt mentioned that the Committee discussed how to proceed with the Construction Policy. They will focus on a few specific points where there seems to be differences of opinion and try to work out a revised policy to bring back to the Board that at least the majority of the Committee will support, if not all support.

##### 4.2 Monitoring Reports

##### 4.2.1 Ends Monitoring Report

CEO Carpenter pointed out that this version includes the prior year's status added at the policy level so that the Board can see where it was rated last year.

Mr. Miller expressed his appreciation of policy 1.1.2 being noted as partially compliant.

Chairman Mahler pointed out the interpretation of the policy 1.2.3 and asked if the targets are where they should be. Mr. Hewitt described the policy as very aspirational, but he is satisfied with the policy and interpretation as long as it is understood that it will be non-compliant for quite a long time. Mr. Hess concurred with Mr. Hewitt that this will take years, though he is fine with it. Ms. Gott mentioned that this is one of the oldest topics for the Board, and we are fortunate to be in a county where there would be a lot of support for this. The relationship AAATA has and the opportunity to support transit oriented development makes it aspirational in a positive way, though there are some limitations by which CEO Carpenter is able to meet this, given other jurisdictional responsibilities. Ms. Mozak-Betts pointed out a typo / inconsistency indicating the policy both non-compliant and partially compliant. She agreed with keeping the policy as aspirational. CEO Carpenter expressed being on the same page as the Board with the policy.

Chairman Mahler discussed policy 1.3, pointing out the data to measure this is not where the Board or the CEO would like it to be. He asked if the goal should be adjusted or modified, in order to get data to track or determine if data is not needed. Mr. Hewitt described not knowing how to measure it, but he likes the idea of the policy. Chairman Mahler asked if the Board likes the ambiguity. Ms. Sims described a graph showing how accessible AAATA is to the grocery store, the court, and shopping centers that could be helpful in this evidence of this policy, GIS maps from SEMCOG's library. CEO Carpenter pointed out Rose Mercier's

suggestion that it is better to measure the right thing imprecisely than the wrong thing with great accuracy. Mr. Miller expressed being comfortable with data that circles around the goal.

Mr. Hewitt moved to accept the policy as making reasonable progress toward compliance (C), seconded by Ms. Gott. Chairman Mahler conducted a roll call vote.

In support of the motion:

Mr. Allemang: Yes  
Mr. Chang: Yes  
Ms. Gott: Yes  
Mr. Hess: Yes  
Mr. Hewitt: Yes  
Mr. Miller: Yes  
Ms. Mozak-Betts: Yes  
Ms. Sims: Yes  
Mr. Hunter: Yes  
Chairman Mahler: Yes

The motion passed unanimously.

#### 4.2.2 Financial Conditions (Policy 2.5)

Mr. Metzinger described the report as one of the ways that the Board reviews the audited financials. He pointed out non-compliance with the policy that deals with the Reserve, though it was better than in the past.

Chairman Mahler asked about policy 2.5.5: How do you define the limits within this; at what point would you indicate that you're making a substantial enough move that you need to tell the Board? CEO Carpenter agreed that the interpretation is envelope budgeting, allowing the Board to just look at the bottom line. He suggested that the Board could potentially add sub-policies within this policy if it is too vague, particularly with use of the word "overall".

Mr. Allemang commented that he thinks CEO Carpenter's interpretation is reasonable. He described a period of time at AAATA when the financial reporting was horrendous in the amount of detail, too detailed to be meaningful. The financial reporting is much more concise now and sufficient possibly because the financial recording has been so good. He suggested that it may now be too simplified and AAATA should rethink the financial reporting to find a balance, a task he would accept for the Finance Committee as priorities allow.

Ms. Mozak-Betts suggested that there should possibly be some sort of sub-policy giving some sort of number, what variances are acceptable.

CEO Carpenter encouraged the Board to seek a little more clarity with sub-policies.

Mr. Hewitt agreed with Mr. Allemang that this is something the Finance Committee should take a look at for future Boards when they have the time to deal with it.

Mr. Allemang moved to accept the CEO as in compliance except where noted (B), seconded by Ms. Mozak-Betts. Chairman Mahler conducted a roll call vote.

In support of the motion:

Mr. Allemang: Yes

Mr. Chang: Yes  
Ms. Gott: Yes  
Mr. Hess: Yes  
Mr. Hewitt: Yes  
Mr. Miller: Yes  
Ms. Mozak-Betts: Yes  
Ms. Sims: Yes  
Mr. Hunter: Yes  
Chairman Mahler: Yes

The motion passed unanimously.

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

### **5.1 FY2021 Budget Calendar**

Mr. Metzinger noted that the budgeting approach this year will be more stream-lined than previous years considering all that is going on and the budget is likely to be rather austere. This year we have cancelled the annual call for projects and call for staffing needs.

Regarding key dates for the Board, Mr. Allemang requested that the schedule be adjusted to have the preliminary budget go to the Finance Committee before going to the public. Mr. Metzinger agreed that the budget will be presented to the committees and full Board in July before going for public comment.

### **5.2 Service Changes Update**

Mr. Smith reported that AAATA has suspended their planning for the service changes in August due to COVID-19.

### **5.3 CEO Report**

Chairman Mahler asked if there was any more talk about the carbon emissions plan. CEO Carpenter commended the city's efforts and reported that City Council has begun their discussions but the environment around the discussion has changed radically. He suggested that finding the resources, now especially, may be the biggest challenge, but he is waiting to see where the city would like to go with it. Mr. Hess added that it is scheduled to go before City Council on April 20<sup>th</sup>.

## **6. CLOSING ITEMS**

### **6.1 Topics for Next Meeting:**

Communication Support to the Board  
(Policy 2.11);  
Governing Style (Policy 3.1);  
Board Job Description (Policy 3.2);  
Compensation & Benefits (Policy 2.3);  
Board Committee Principles (Policy 3.6);  
Board Committee Structure (Policy 3.7);  
Cash & Investments (Policy 2.6);  
Asset Protection (Policy 2.8);  
Q2 Financial Report;  
Q2 Service Report

CEO Carpenter expressed that we may not be able to sustain the schedule of the monitoring reports. A commitment to keep the Q2 Financial and Service Reports on schedule was made, with efforts toward the rest as prioritized.

6.2 Public Comment

Michelle Barney suggested that AAATA get in contact with an infection control physician or public health physician to understand the curve and CDC guidelines as they will be under a lot of pressure to re-open. She would like AAATA to include a medical expert in their meetings and decision-making.

Jim Mogensen commented on the CARES Act and how wonderfully astonishing it is that AAATA received \$20.7M. He noted that it will be harder to get choice riders back on the bus. He also discussed transit oriented development and the effect it has on public transit. Lastly, he requested that the presentations given at the meeting be shared on the website.

6.3 CEO Contract Update

Chairman Mahler moved that the Board go into a closed session to discuss the CEO contract, seconded by Mr. Hunter. He conducted a roll call vote for going into a closed session.

In support of the motion:

Mr. Allemang: Yes

Mr. Chang: Yes

Ms. Gott: Yes

Mr. Hess: Yes

Mr. Hewitt: Yes

Mr. Hunter: Yes

Mr. Miller: Yes

Ms. Mozak-Betts: Yes

Ms. Sims: Yes

Chairman Mahler: Yes

The motion passed unanimously, and the Board went into the closed session at 9:21pm. At 10:10pm, the Board voted unanimously to come out of closed session.

6.3 [Board Assessment of Meeting \(Electronic\)](#)

6.4 Adjournment

Ms. Mozak-Betts moved to adjourn the meeting, seconded by Mr. Hunter. Chairman Mahler conducted a roll call vote for adjournment.

In support of adjournment:

Mr. Allemang: Yes

Mr. Chang: Yes

Ms. Gott: Yes

Mr. Hess: Yes

Mr. Hewitt: Yes

Mr. Hunter: Yes

Mr. Miller: Yes

Ms. Mozak-Betts: Yes

Ms. Sims: Yes

Chairman Mahler: Yes

Chairman Mahler adjourned the meeting at 10:14pm.

Respectfully submitted by: Keith Everett Book

Approved May 21, 2020

## ISSUE BRIEF: COVID-19 Recovery Plan

**Meeting: Board of Directors**

**Meeting Date: May 21, 2020**

|   |
|---|
| <b>INFORMATION TYPE:</b>  |
| Other   |
| <b>RECOMMENDED ACTION(S):</b>   |
| Receive for Information and provide feedback.   |
| <b>ALTERNATIVE OPTION(S):</b>   |
| Optional  |
| <b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>  |
| List of previous Board or Committee discussions or actions, to allow cross referencing and context.   |
| <b>ISSUE SUMMARY:</b>   |
| The CEO and staff have developed a Recovery Plan that outlines TheRide’s intended path to remain stable during the pandemic and eventually restore services.  |
| <b>BACKGROUND:</b>  |
| The CEO developed this plan to provide increased transparency for the public, staff, passengers, and others as to TheRide’s approach to maintaining safety and restoring services. The CEO welcomes feedback and suggestions. |
| <b>IMPACTS OF RECOMMENDED ACTION(S):</b>  |
| <ul style="list-style-type: none"> <li>• Budgetary/Fiscal: NA</li> <li>• Social: NA</li> <li>• Environmental: NA</li> <li>• Governance: The CEO is seeking feedback on the Recovery Plan from the Board.</li> </ul>           |
| <b>ATTACHMENTS:</b>   |
| 1. COVID-19 Recovery Plan   |



# COVID-19 Recovery Plan

ANN ARBOR AREA TRANSPORTATION AUTHORITY

5/15/2020



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## Introduction

The global Coronavirus (COVID-19) pandemic is forcing TheRide to quickly update its priorities in light of changing circumstances. This Recovery Plan provides a general overview of the situation and develops new priorities that TheRide is using to ensure staff and public health, maintain and restore services, and preserve the organization for the long-term. More details on specific actions and initiatives will be forthcoming.

The Board of Directors at TheRide sets the general goals for the organization and the CEO via written policy. The CEO then interprets those policies, develops and implements plans for achieving the Board's goals, and reports progress to the Board. In this situation, the CEO is abruptly changing his earlier plans and putting greater emphasis on the Board's expectations for safety, avoiding fiscal jeopardy, and meeting essential needs in the community.

*Note: This Recovery Plan document supersedes the FY 2020 Corporate Business Plan.*

# Pandemic Implications & Timelines

TheRide has explored data provided by the Center for Disease Control, United States Government Covid-19 Response Plan, Covid-19 Presidential Task Force briefings, among other sources to develop the following phases, phase characteristics, and respective phase timelines. Data gathered from these reviews is presented in a phased timeline for planning purposes and does not demonstrate firm predictions. Dates are extrapolations based on assumptions found in appdeix A<sup>1</sup>. Preferred transit priorities for each phase are also listed.

## **Phase 1: Emergence of the disease and initial reactions (Jan 2020 – March 2020)**

Characteristics include:

- The first cases of the virus are confirmed in North America.
- Social isolation orders begin to go into effect.
- There is an emphasis to “flatten the curve.”
- Essential services are defined. Public transit is considered an essential service.
- Ridership drops as people are asked to stay home.

- Fare collection is suspended.
- Feds provide CARES Act relief for transit.
- Labor force is less available as infections spread.

### **Transit Priority**

- Transit services focus on public and employee safety.
- Maintaining essential mobility needs.

## **Phase 2: Disease containment and associated impacts (Feb 2020 – Jan 2021)**

Characteristics include:

- A prolonged period of social isolation and endurance until a vaccine is developed.
- Agencies begin developing and deploying mitigation measures.
- Employers and schools may not reopen in fall 2020.
- Homelessness may increase.
- Disruption of supply chains

- Layoffs increase, operating costs increase, and labor relations will be impacted.
- Financial problems that affect capital budgets will emerge.

### **Transit Priority**

- Maintaining employee health and essential services to aid in containment and treatment
- Maintaining organization capacity to re-emerge

<sup>1</sup> Assumptions made in this document are available in Appendix A

**Phase 3: Restoring services in start-stop cycles (May 2020 – June 2021)**

Characteristics include:

- While containment efforts are still ongoing, early successes in containing the virus and pressure to reopen society will lead to loosening of quarantines, a start-stop cycle of rebounding infections, and pressure to increase transit services.
- There may be a second round of severe infections in fall 2020.

- The timing of this phase is unpredictable.
- Agencies will incur re-start costs.
- Timing and levels depend on local factors, labor availability/willingness, and finances.

**Transit priority**

- Gradual reintroduction of some services and fare collection.

**Phase 4: Vaccine deployment (Jan 2021 – June 2021)**

Characteristics include:

- Vaccine hoped for 12-18 months after initial emergence (Jan-June 2021).
- Mass deployment will take months after a vaccine is developed.

**Transit priority**

- Hope for early vaccinations for transit workers.

**Phase 5: Post-pandemic (June 2021 and beyond)**

Characteristics include:

- Transit may be seen as an important precursor to recovery, but the stigma of crowding will be a challenge.
- Future conditions may include high unemployment, social and emotional trauma in the society and workforces, lingering fear of infection and reduced

tax revenues that will cause secondary financial challenges.

**Transit priority**

- Recovery begins; focus on social and economic rebuilding, and emotional healing.

The chart below illustrates the pandemic timeline.

| Phase/Time | Calendar Year 2020                                |     |     |     |  |     |     |     |     |     |     |     | Calendar Year 2021 |     |                           |     |     |     |                      |     |  |  |
|------------|---|-----|-----|-----|--|-----|-----|-----|-----|-----|-----|-----|--------------------|-----|---------------------------|-----|-----|-----|----------------------|-----|--|--|
|            | Jan   | Feb | Mar | Apr | May  | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan                | Feb | Mar                       | Apr | May | Jun | Jul                  | Aug |  |  |
| Phase 1    | <b>Emergence of Covid-19</b>                      |     |     |     |  |     |     |     |     |     |     |     |                    |     |                           |     |     |     |                      |     |  |  |
| Phase 2    | <b>Disease containment and associated impacts</b> |     |     |     |  |     |     |     |     |     |     |     |                    |     |                           |     |     |     |                      |     |  |  |
| Phase 3    |   |     |     |     | <b>Restoring services in start-stop cycles</b> |     |     |     |     |     |     |     |                    |     |                           |     |     |     |                      |     |  |  |
| Phase 4    |   |     |     |     |  |     |     |     |     |     |     |     |                    |     | <b>Vaccine deployment</b> |     |     |     |                      |     |  |  |
| Phase 5    |   |     |     |     |  |     |     |     |     |     |     |     |                    |     |                           |     |     |     | <b>Post pandemic</b> |     |  |  |

Figure 1: Phased pandemic timeline

## Financial Stability

TheRide faces great uncertainty in its finances and this represents an immediate threat to the agency's mission in the community. Although the federal government has provided a relief package, the organization still faces growing costs, a long period without fare revenue, a likely decrease of state funding, and the possibility of lower property tax funding. We are facing a long period of financial uncertainty.

Like all transit agencies, TheRide's most significant expense is staffing costs. When Michigan went into a state of emergency on March 11th, 2020, TheRide kept all staff employed. The office staff worked from home, front-line staff who were on the job were paid time and a half, and many staff were paid full pay even as they stayed at home simply because there was no work to be done (mostly bus drivers). While TheRide was fortunate to afford this temporary stopgap, it could not continue this spending indefinitely. Projections suggested that unless spending was reduced, TheRide could become insolvent as early as the summer of 2021. Insolvency could happen sooner if unforeseen costs or additional loss of revenue is encountered. Faced with this unyielding reality, TheRide made the extremely difficult decision to reduce staffing costs with layoffs.

In late April, TheRide commenced staff layoffs and voluntary pay reductions for senior leaders. In total 44 positions were eliminated; this includes 37 unionized positions and seven non-union positions. This represented about 15% of the workforce. In addition, front-line staff will be paid straight time as before. The CEO and two Deputy CEOs also reduced their salary by 10% for at least the next six months. These steps will save TheRide about \$4.9 million during a full year. Immediate savings during the rest of 2020 will be less due to separation expenses. There are no plans to reduce capital expenses at this time. Federal funds used for capital projects, such as bus replacements, cannot legally be redirected to operations or payroll.

These cost savings, along with the federal CARES Act funding and TheRide's remaining reserve funds, leave the agency in a momentarily strong financial position. As seen in the chart below, in April TheRide received access to \$20.7 million in federal CARES Act funds. This was in addition to our own reserves. Over the coming months we will be spending these funds down.

The future remains very uncertain – the state may reduce funding, unforeseen expenses may occur, and the costs to restore services are not yet known. For those reasons, husbanding of resources now is a prudent strategy to ensure that TheRide will have enough funding left to meet the community's ongoing needs. We will not hoard resources however. Since the crisis began, we have already spent over \$800,000 on staff compensation, and will be asking the Board to approve a separate \$800,000 project to increase safety for bus drivers. We are anticipated significant costs tied to restarting services and maintaining social distancing for the rest of the year.

As the chart below illustrates, our latest financial projections suggest a path to remain solvent, but challenges remain. The dashed horizontal lines illustrate two important thresholds; a self-

imposed reserve target (dotted black), and a point where TheRide’s accounts run out of funds (dashed red). The CEO cannot allow our finances to drop far below the “reserve target,” as fiscal jeopardy would result, the avoidance of which is required by Board Policies 2.4 and 2.5.

Our possible cash-flow scenarios are represented by the black and green lines. Our cash-flow typically has a saw-tooth appearance due to the abrupt arrival of property tax revenue. The **green line** represents the CEO’s goal for our finances. It includes: the April staff reductions, loss of fares, and significant loss of tax revenue (2% less property tax revenue and one-third less state operating assistance). The **black line** represents a worse-case scenario where *most* state funding is lost and staffing costs remain at pre-April levels. The **shaded space** in-between the green and black lines represents the range of likely outcomes. While TheRide has some control over costs and revenues, there is a high likelihood of future unforeseen costs and economic uncertainty. Most likely our actual position will be somewhere in the shaded area. Our goal is to remain above the reserve target threshold.

**PRELIMINARY FINANCIAL CAPACITY PROJECTION (April 2020 through FY2022)**

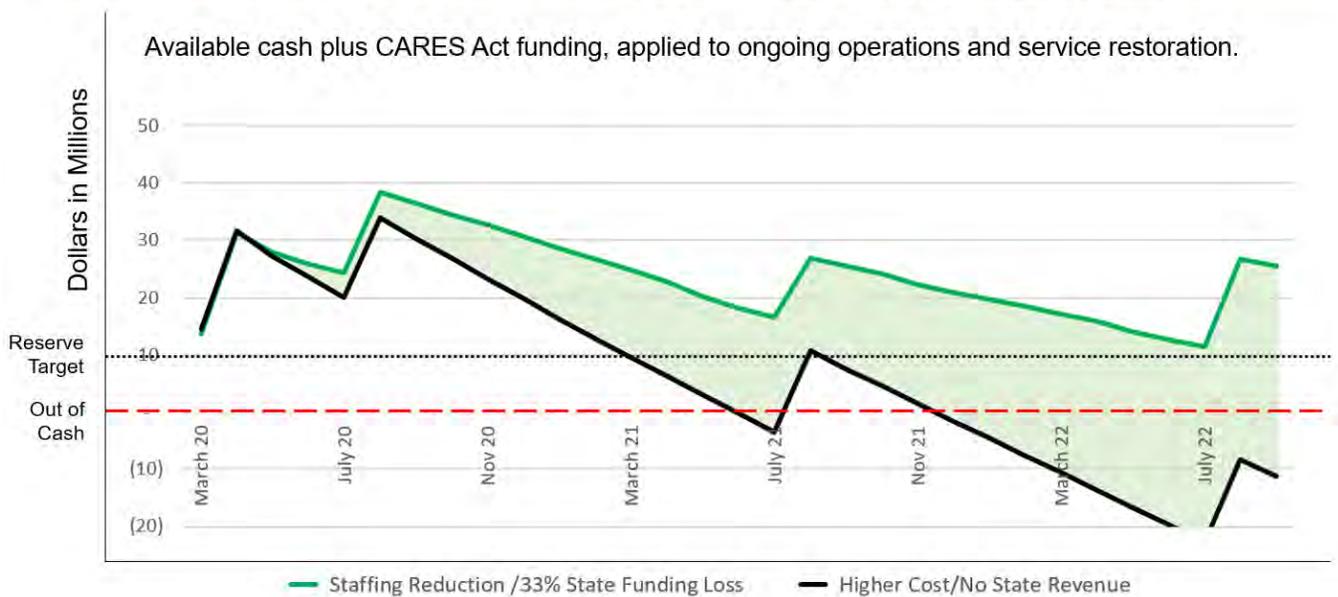


Figure 2: Scenario-based financial projections

Presently, TheRide is projecting operating deficits of \$8 million for FY2020, and \$7.9 million for FY2021. Federal aid (CARES Act) funding will be used to reimburse lost revenues and address higher costs to promote health and safety of employees and the public. This will keep us close to the green line scenario.

Our financial projections will be updated regularly and decisions made to keep TheRide as close as possible to the green line. If earlier cost reductions prove inadequate, more changes may be necessary. Should the situation permit, expenses may be increased.

# The Recovery Work Plan

The Executive Team has had numerous discussions about pandemic implications, TheRide's financial position, community service needs, and the Board's overall direction. These discussions have resulted in the formation of the following new corporate business priorities that will be the guiding principles of Recovery Plan.

**Executive Priority 1: Health and safety of the public and staff**

**Executive Priority 2: Maintain essential transport needs (continue and restore paratransit and fixed-route)**

**Executive Priority 3: Preserve the organization for the future (financial sustainability and capacity to re-emerge)**

As with the previous Corporate Business Plans, each of these priorities are thematic buckets established to help the organization make critical decisions and identify and prioritize specific projects.

## Service Restoration

The pandemic has forced TheRide to reduce services abruptly and dramatically; fixed-route service has been reduced by 70%, and A-Ride (paratransit) has been reduced by 75%. As the gubernatorial Stay-at-Home orders are rolled back, ridership is expected to increase. Therefore, TheRide is preparing to safely restore services as quickly as demand warrants.

In addition to the financial uncertainties previously mentioned, expensive new requirements for keeping staff safe, preventing crowding, re-starting fare collection, timing, and rebound infections are additional challenges that TheRide anticipates.

Under normal circumstances, changing public services or re-setting expectations is best done slowly and only after extensive public involvement. This is especially true when the changes could be controversial. Today, the pandemic has already re-set expectations for all services. Starting fresh will allow TheRide to weather immediate financial challenges, build a stronger foundation that can better support future expansion, and meet future challenges and opportunities. The organization that emerges will look different than it had been before, and the community will benefit from the changes. Specific directions for key services are as follows:

### Paratransit

Prior to the pandemic, TheRide had a complete blueprint for restructuring the A-Ride program. A 2018 consultant study had provided a new course that had been reviewed numerous times by the Local Advisory Council (LAC). The central idea was to slowly disentangle federally required "paratransit" services from additional "premium" services and then manage each one differently for better cost-effectiveness. Today, the pandemic has forced the disentangling to happen quickly, and TheRide is presently only providing federally required minimum services. As we



rebuild A-Ride, federally required minimum paratransit services will be restored first. Premium services will come later, and they will be presented as different programs. More information on these programs will be provided as they are developed and articulated.

In July, we will bring the A-Ride operations “in-house”. This will allow us to use our own us drivers, have more direct control over quality and costs, and defer the procurement of a new paratransit vendor to a future date. This decision saved about 50 staff positions at TheRide.

## Fixed-Route Service

TheRide’s fixed-route bus service delivers the bulk of the organization’s mission and benefit to the community. However, even prior to the onset of the pandemic, budget projections foresaw future deficits that warranted changes. Our new conditions require that TheRide implement a new service plan for August 2020 that incorporates earlier proposed reductions and more, to reduce costs and redeploy resources for the greater benefit. This plan also needs to include pandemic-related costs for social distancing.

Presently, our plan is to re-start fixed-route services in August at about 60% of what was operated in February 2020. This is highly dependent on still-changing external factors such as university attendance decisions, need for social distancing, state budget decisions, and labor force availability. It is TheRide’s intent to remain flexible and restore as much service as quickly as we can – when we are confident we can sustain it, afford it, and operate it safely. If circumstances permit, we may try to restore more than 60%.

In addition to regular fixed-route services there are related services we hope to re-start:

- **D2A2:** This new service only ran for a few weeks. This service may be re-launched when the Stay-Home orders are lifted. The RTA and TheRide will decide together.
- **AirRide:** This service will be re-launched when demand warrants and restrictions are lifted.
- **ExpressRide:** These routes will remain suspended until further notice.
- **FlexRide:** Demand responsive service continues to operate in Pittsfield and Ypsilanti townships, although with significantly reduced utilization.
- **NightRide/HolidayRide:** This service will remain suspended until further notice.

## Fare Collection

The loss of all fare revenue is a major financial challenge, representing about 15% of our budget. Restoring fare collection is a priority for financial reasons. However, this will need to be done in a new way to ensure driver and passenger safety. Staff is assessing what is needed in order to safely re-start fare collection, including fast-tracking physical barriers, the development of mobile ticketing and other contactless fare payment options, and possible changes to fares and the fare structure.

## Vanpool

A majority of the vanpools (93 of 129) continue to operate during the state of emergency, primarily for healthcare workers. The remaining 36 have been idled and it is unclear if demand will return once the Stay-Home order is lifted.

## Bikeshare

The ArborBike service was to re-launch in early 2020. After discussions with partners, TheRide has decided to cancel the re-launch and leave the equipment in storage until the program can be reassessed in light of the pandemic.

The figure below outlines specific actions and expected timelines during the pandemic period.

Figure 3: Recovery work-plan

| Executive Priorities             | Actions Steps                       | FY 2020    |            |            | FY 2021    |            |            |            |
|----------------------------------|-------------------------------------|------------|------------|------------|------------|------------|------------|------------|
|                                  |                                     | Jan-Mar Q2 | Apr-Jun Q3 | Jul-Sep Q4 | Oct-Dec Q1 | Jan-Mar Q2 | Apr-Jun Q3 | Jul-Sep Q4 |
| Health and Safety                | PPE for Staff                       |            |            |            |            |            |            |            |
|                                  | Enhanced cleaning                   |            |            |            |            |            |            |            |
|                                  | Masks for drivers                   |            |            |            |            |            |            |            |
|                                  | Modify buses (shields, etc)         |            |            |            |            |            |            |            |
|                                  | Masks for Passengers                |            |            |            |            |            |            |            |
|                                  | Sanitization of buses & facilities  |            |            |            |            |            |            |            |
|                                  | Fare suspension/Rear door boarding  |            |            |            |            |            |            |            |
|                                  | Admin staff work remotely           |            |            |            |            |            |            |            |
| Maintain and Restore Services    | <b>Fixed Route:</b>                 |            |            |            |            |            |            |            |
|                                  | Gradually increase level of service |            |            |            |            |            |            |            |
|                                  | Reopen terminals (TBD)              |            |            |            |            |            |            |            |
|                                  | Restore fixed-route bus to 60%      |            |            |            |            |            |            |            |
|                                  | Retrain all drivers                 |            |            |            |            |            |            |            |
|                                  | <b>Paratransit:</b>                 |            |            |            |            |            |            |            |
|                                  | Temporary Operations Paradigm       |            |            |            |            |            |            |            |
|                                  | Establish new program rules         |            |            |            |            |            |            |            |
| Onboard contractor, handover ops |                                     |            |            |            |            |            |            |            |
| Preserve Org for the Future      | Ensure financial sustainability     |            |            |            |            |            |            |            |
|                                  | Board Policy Updates (TBD)          |            |            |            |            |            |            |            |
|                                  | Re-Start Fare Collection (TBD)      |            |            |            |            |            |            |            |
|                                  | Position for Future                 |            |            |            |            |            |            |            |
|                                  | YTC (grant results)                 |            |            |            |            |            |            |            |
|                                  | Garage Study                        |            |            |            |            |            |            |            |
|                                  | BTC (TBD)                           |            |            |            |            |            |            |            |
|                                  | Departmental priorities             |            |            |            |            |            |            |            |

## Conclusion

TheRide is quickly realigning its resources to address the realities of a global pandemic. Implications of the pandemic have forced the organization to make difficult decisions and adapt quickly. With increased uncertainty in revenue sources, husbanding available resources is deemed essential. The Executive Team has developed new priorities focused on (1) staff and public health, (2) maintaining and restoring public services, and (3) sustaining the organization. These three priorities are the foundations of our decisions that will be made during the pandemic period.

This new Recovery Plan exists as a general blueprint for how TheRide will proceed to achieve its new priorities, and as a means to increase the transparency of the agency's decisions. More details on specific projects and initiatives will be forthcoming.

As always, TheRide welcomes feedback. Feedback on this Recovery Plan can be directed to [TellUs@theride.org](mailto:TellUs@theride.org).

**Note: As the situation unfolds, TheRide will frequently reassess and update this document to keep it as current as possible.**



## Appendix: Facts and Assumptions

### Facts

The following information is confirmed at the time of writing this document.

1. COVID-19 vaccine research, development, production, and distribution are under rapid development and will take an extended time to develop.
2. The recovery phase may be prolonged since clinical research on the effectiveness of existing medications, and COVID-19 antivirals require extended time for U.S. Food and Drug Administration (FDA) to review and the Emergency Use Authorization to approve.
3. As of April 2020, federal and state leaders are under pressure to reopen the economy after millions of people file for unemployment benefits and businesses experience massive losses.
4. The spread and severity of COVID-19 will be challenging to forecast and characterize due to numerous variables.
5. TheRide continues to provide essential rides.
6. The re-opening of schools, businesses and local social events will impact the level of service provided by TheRide.

### Assumptions

For planning purposes, this document has extrapolated data gathered from various sources to include the Center for Disease Control (CDC) and the United States Government COVID-19 Response Plan. This recovery plan is based on the following assumptions:

1. A pandemic will last 18 months or longer and could include multiple waves of illness.
2. Increasing COVID-19 suspected or confirmed cases in the U.S. will result in increased hospitalizations among at-risk individuals, straining the healthcare system, businesses and the TheRide's operations.
3. Supply chain and transportation impacts due to ongoing COVID-19 outbreak will result in significant shortages for the government, private sector, and individual consumers.
4. The pandemic will evolve beyond a medical situation and have significant secondary effects on daily operations country-wide. These effects will be felt for a period beyond the epidemic.
5. The federal government may inject stimuli via infrastructure funding to alleviate the economic impact of the pandemic.
6. Agencies that depend on state and local funding may experience further economic hardships as these resources struggle to generate funds.
7. Pressure to re-open the economy will lead to start-stop cycles, which may result in waves of the illness.
8. People will have a preference for contactless technology over human to human interactions post-pandemic. E.g., online learning, telemedicine, etc.
9. How and when universities reopen with in-person attendance represents a significant challenges to allocating resources and maintaining social distancing.
10. Revenue will continue to be volatile for many months.

## Recommendation for Expediting Board Oversight of Pandemic Recovery

**Meeting: Board**

**Meeting Date: May 21, 2020**

|  |
|--|
| <b>INFORMATION TYPE:</b>   |
| Monitoring   |
| <b>RECOMMENDED ACTION(S):</b>  |
| Consider a recommendation from the CEO for expediting and focusing the Board’s oversight of pandemic recovery activities via more frequent monitoring of fewer policies.   |
| <b>ALTERNATIVE OPTION(S):</b>  |
| Continue monitoring policy compliance as normal.   |
| <b>ISSUE SUMMARY:</b>  |
| During the pandemic, the Board may wish to monitor certain critical or time-sensitive policies more frequently, and defer monitoring lower priority policies. This may provide greater accountability and transparency than the traditional monitoring process.  |
| <b>BACKGROUND:</b>   |
| <p>The Board always has the right to monitor a policy, or part of any policy, as frequently as it deems necessary. The pandemic necessitate rapid responses on the part of staff. By focusing the monitoring, the Board can provide more timely oversight of crucial policies during a stressful and rapidly changing time.</p> <p>The Board would need to change its policy monitoring schedule with a motion and vote. This period could last until the end of December 2020. The CEO would still be accountable for compliance with <i>all</i> policies, and this decision would only effect the timing of Board monitoring activities. The attachment identifies the policies the CEO would suggest are the most important for the Board to monitor at this time, about 1/3 of all policies.</p> |
| <b>IMPACTS OF RECOMMENDED ACTION(S):</b>   |
| <ul style="list-style-type: none"> <li>• Budgetary/Fiscal: NA</li> <li>• Social: NA</li> <li>• Environmental: NA</li> <li>• Governance: Adjustment to Board oversight process.</li> </ul>  |
| <b>ATTACHMENTS:</b>  |
| <p><b>Attachment 1 – Select Policies for More Frequent Monitoring</b><br/>(In this attachment, policies warranted more frequent monitoring have been highlighted in yellow, and all other policies have been struck through. All policies remain in effect.)</p>   |

## Attachment 1 – Select Policies for More frequent Monitoring

### 1. ENDS

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The Board establishes its Ends policies within its Vision for public transportation:

A robust public transportation system that adapts to the area's evolving needs, environment, and quality of life.

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

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

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

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

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

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

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

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

1.2.4. Relevant public policy is transit supportive.

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

**1.3.1. Public transportation facilitates labor mobility.**

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

1.3.3. Visitors use public transportation in the area.

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

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

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

## 2: EXECUTIVE LIMITATIONS

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### 2.0 GLOBAL EXECUTIVE CONSTRAINT

The CEO shall not cause, allow or fail to address any practice, activity, decision, or organizational circumstance that is either unlawful, imprudent, or in violation of commonly accepted business practices or professional ethics.

### 2.1 TREATMENT OF THE TRAVELING PUBLIC

With respect to the agency's operations and interactions with riders, potential riders, pedestrians, cyclists, other road users, and the general public the CEO shall not cause, allow or fail to address conditions, procedures, or decisions that are unsafe, undignified, disrespectful, unclear, or overly intrusive. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

~~2.1.1 Provide facilities, vehicles, or services that are not reasonably accessible to potential riders regardless of mobility limitations.~~

~~2.1.2 Allow anyone, including people who have disabilities or seniors, to be discriminated against with respect to the AAATA's services.~~

2.1.3 Operate without providing effective, comprehensible, accessible, and timely information.

~~2.1.3.1 Fail to respond to questions or complaints in a timely and reasonable manner.~~

~~2.1.4 Discourage persons from asking questions, airing a complaint, or being heard.~~

2.1.5 Operate without established and enforceable standards for customer service and the safety of the public including pedestrians, cyclists and other road users.

2.1.5.1 Fail to communicate standards and expectations to the public and riders.

~~2.1.6 Use methods of collecting, reviewing, transmitting, or storing personal information that allows improper access or inappropriate disclosure~~

~~2.1.6.1 Use forms that elicit personal information for which there is no clear necessity.~~

### 2.2 TREATMENT OF STAFF

The CEO will not cause or allow employment conditions that are inconsistent, discriminatory, unfair, unsafe, unhealthy, undignified, disorganized, or unclear. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

~~2.2.1 Operate in a manner that undermines the organization as a workplace of choice.~~

~~2.2.1.1 Operate with a work environment that devalues the humanity, creativity and knowledgeable contribution of its workforce or inhibits the recruitment of highly qualified people.~~

~~2.2.2 Operate without up-to-date, clear, available, written, and enforced personnel rules or contracts that clarify standards and expectations, provide for effective handling of grievances, and protect against wrongful conditions, such as nepotism and unfairly preferential treatment for personal reasons~~

~~2.2.2.1 Fail to provide internal controls necessary to enforce such policies.~~

~~2.2.3 Allow retaliation against any staff member for non-disruptive expression of dissent.~~

~~2.2.4 Allow staff to be unprepared to deal with emergency situations.~~

~~2.2.5 Operate without an adequate labor agreement covering unionized personnel.~~

### ~~2.3 COMPENSATION AND BENEFITS~~

~~With respect to employment compensation and benefits, the CEO will not cause, allow or fail to respond to any situation which jeopardizes to the agency's effectiveness, fiscal integrity, or public image. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:~~

~~2.3.1 Operate without a compensation and benefits program that attracts and retains highly qualified employees.~~

~~2.3.1.1 Offer a benefits program that does not include health insurance.~~

~~2.3.2 Establish compensation and benefits that deviate materially from the geographic or professional market for the skills employed.~~

~~2.3.3 Change the CEO's own paid compensation and benefits, except to make his or her benefits consistent with a package for all other non-unionized employees, without Board approval.~~

~~2.3.4 Operate without a robust, impartial, and transparent process for determining employee compensation.~~

~~2.3.4.1 Allow compensation for agency employees (union and non-union), suppliers, or contracted employees to be less than a "living wage", as defined by ordinance of the City of Ann Arbor.~~

~~2.3.5 Establish or change retirement benefits so as to cause unpredictable or inequitable situations, including those that:~~

~~A. Incur unfunded liabilities.~~

~~B. Provide less than some basic level of benefits to all full-time employees.~~

~~C. Treat the CEO differently from other senior employees.~~

### ~~2.4 FINANCIAL PLANNING/BUDGETING~~

~~Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan.~~

~~Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:~~

~~2.4.1 Risks incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."~~

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

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

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

~~2.4.5 Causes deficit spending.~~

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

~~2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.~~

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

2.5 FINANCIAL CONDITION AND ACTIVITIES

With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

~~2.5.1 Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.~~

2.5.2 Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.

~~2.5.3 Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.~~

~~2.5.4 Compromise the independence the Board's audit or other external monitoring or advice.~~

~~2.5.4.1 Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.~~

~~2.5.4.2 Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.~~

2.5.5 Allow expenditures that exceed the overall Board-approved budget.

2.5.5.1 Allow cost overruns on capital projects.

2.5.6 Authorize contracts not anticipated in the current budget with a value greater than \$250,000.

2.5.6.1 Split purchases or contracts into smaller amounts in order to avoid the above limit.

2.5.7 Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.

~~2.5.8 Adjust transit passenger fares or tax rates assessed by the Authority.~~

~~2.5.9 Acquire, encumber, or dispose of real estate.~~

2.5.10 Encumber the agency with financial debt without previous authorization from the Board.

~~2.6 CASH AND INVESTMENTS~~

~~The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board's investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.~~

~~Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:~~

~~2.6.1 Hold AAATA operating cash or surplus capital in insecure instruments, including federally-uninsured checking accounts or non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.~~

~~2.6.2 Deviate from the "Investment Policy to Comply with Michigan PA 20 of 1943" as stated in the Appendices, invest in instruments other than those so authorized, or invest unlawfully with respect to state and federal laws, including Michigan PA 20 of 1943.~~

## 2.7 ENDS FOCUS OF GRANTS OR CONTRACTS

The CEO may not enter into any grant or contract arrangements that fail to directly support the Ends and Executive Limitations policies enumerated herein.

## 2.8 ASSET PROTECTION

The CEO will not cause, allow or fail to address circumstances in which corporate assets are to be unprotected, inadequately maintained, or unnecessarily risked. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

- ~~2.8.1 Allow Board members, staff, and the organization itself to be inadequately insured against theft, embezzlement, casualty, and liability losses.~~
- 2.8.2 Operate without ensuring appropriate risk management.
  - ~~A. Subject property, plant, and equipment to improper wear and tear or insufficient maintenance.~~
  - B. Fail to proactively anticipate the financial requirements needed to maintain assets.
  - ~~C. Operate without internal processes, procedures and systems that encourage informed decisions and would deter and prevent theft, fraud or malfeasance.~~
- ~~2.8.3 Unreasonably expose the organization, its Board or staff to claims of liability.~~
- ~~2.8.4 Allow intellectual property, information and files to be exposed to loss, significant damage or unauthorized access.~~
- 2.8.5 Endanger the organization's public image, credibility, or its ability to accomplish Ends by.
  - 2.8.5.1 Operating the organization in a manner that jeopardizes grantor relationships.
  - ~~2.8.5.2 Ignoring the social, environmental and economic implications of major decisions.~~
  - ~~2.8.5.3 Allowing third party advertising that violates stated agency guidelines for community standards.~~
  - ~~2.8.5.4 Hiring a former Board member as an agency employee or supplier within one year of that member's departure from the Board.~~
  - ~~2.8.5.5 Hiring a sitting elected official or former elected official that has not been out of office for at least one year from any jurisdiction that appoints members to the AAATA Board.~~
  - ~~2.8.5.6 Ignoring exploration for innovation or opportunities that open capacity for the organization.~~

## 2.9 EMERGENCY CEO SUCCESSION

In order to protect the Board from sudden loss of CEO services, the CEO may have no fewer than one, and preferably two, other executives who are sufficiently familiar with Board and CEO issues and processes to be able to temporarily assume the duties of CEO.

## 2.10 EXTERNAL RELATIONSHIPS

In order to facilitate the continued success of AAATA and its achievement of Ends, the CEO shall not operate without creating collaborative, strategic relationships with external stakeholders.

Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

- ~~2.10.1 Ignore opportunities for collaboration for the community benefit.~~
- ~~2.10.2 Ignore opportunities to promote multi-modal solutions, transit-supportive land development, or first mile/last mile considerations whether internally or to outside decision makers.~~
- ~~2.10.3 Fail to develop relationships with community stakeholders, including elected officials, which contribute to community support for the AAATA.~~
- 2.10.4 Fail to reasonably engage riders, residents, and stakeholders when considering material changes to services, programs, fares, or transit facilities.
- 2.10.5 Fail to operate in a publicly transparent manner.

## 2.11 COMMUNICATION AND SUPPORT TO THE BOARD

The CEO will not permit the Board to be uninformed or unsupported in its work.

Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

- 2.11.1 Withhold, impede, or confound information relevant to the Board's informed accomplishment of its job.
  - 2.11.1.1 Neglect to submit monitoring data required by the Board in Board-Management Delegation policy "Monitoring CEO Performance" in a timely, accurate and understandable fashion, directly addressing provisions of Board policies being monitored, and including CEO interpretations consistent with Board-Management Delegation policy "Delegation to the CEO," as well as relevant data.
  - 2.11.1.2 Allow the Board to be unaware of any actual or anticipated noncompliance with any Ends or Executive Limitations policy, regardless of the Board's monitoring schedule.
  - 2.11.1.3 Allow the Board to be without decision information required periodically by the Board, including the agency and situational context and implications for a decision.
  - 2.11.1.4 Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation, and other.
  - 2.11.1.5 Let the Board be unaware of material internal changes, including changes in policy interpretation, significant reputational, legal, political, or financial risks, developments that have significant negative implications for the budget, threatened or pending lawsuits, relevant trends and any other incidental information requested by the Board. Incidental information includes:
    - A. operational and financial performance metrics
    - ~~B. customer satisfaction metrics,~~

- ~~C. updates on capital improvement projects,~~
- ~~D. quarterly budget to actual financial reports,~~
- ~~E. timely notification of execution of budgeted items over \$250,000 and grant requests or awards over \$100,000.~~
- ~~F. unbiased information on industry norms for CEO compensation at least every two years.~~
- ~~G. advance notification of intended changes to staff rules (unionized or non-unionized), procurement manual, benefits, or compensation structure.~~
- ~~H. CEO's personal expense report to the Governance Committee of the Board at least quarterly, with explicit notation of the expenses of any other employee which benefited the CEO, aside from group expenses where the CEO's participation was incidental.~~

2.11.1.6 ~~Fail to provide Board education on the business of the agency relevant to the public at the request of the Board or in anticipation of the Board's need to be responsive to community concerns.~~

~~2.11.1.6.1 - Fail to periodically update the Board regarding the longer-term strategic context in which delegated decisions are being made.~~

~~2.11.1.7 Let the Board be unaware if, in the CEO's professional opinion, the Board or individual Board members may not be in compliance with the Board's own policies on Governance Process and Board Management Delegation, particularly in the case of Board behavior that could be detrimental to the agency's reputation or the working relationship between the Board and the CEO.~~

~~2.11.2 Withhold from the Board and its processes logistical and clerical assistance.~~

~~2.11.2.1 Allow the Board to be deprived of a legal, workable, user friendly mechanism for official Board, officer, or committee communications.~~

~~2.11.2.2 Allow the Board to be deprived of pleasant, productive and efficient settings and arrangements for Board and committee meetings.~~

~~2.11.2.3 Hinder access to the Board for any person who alleges unethical or unlawful action or circumstance in the organization or by its representatives.~~

~~2.11.2.4 Neglect to transfer policy updates to the official record of the Board's Policy Manual in a timely manner.~~

## Authorization of Funds for On-Board Pandemic Barriers

**Meeting: Board Meeting**

**Meeting Date: May 21, 2020**

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| <b>INFORMATION TYPE:</b>   |
| Decision Preparation   |
| <b>RECOMMENDED ACTION(S):</b>  |
| <p>The CEO recommends that the Board consider:</p> <ol style="list-style-type: none"> <li>1. Amending FY2020 Capital Budget to authorize up to \$800,000 for the purpose of purchasing shield doors for existing fixed-route buses. These funds are to be drawn from the \$20.7 million in CARES Act funds allocated to the AAATA by the federal government.</li> <li>2. Authorizing the CEO to enter into contracts not to exceed \$800,000 for purchase and installation of shield doors.</li> </ol>   |
| <b>ALTERNATIVE OPTION(S):</b>  |
| Request more information. Defer or reject action.  |
| <b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>   |
| <p>Board Policy 2.1 Treatment of the Traveling Public: <i>"With respect to the agency's operations and interaction with riders...the CEO shall not cause, allow or fail to address conditions...that are <b>unsafe</b>..."</i></p> <p>Board Policy 2.2 Treatment of Staff <i>"The CEO will not cause or allow employment conditions that are ...<b>unsafe, unhealthy</b>..."</i></p> <p>Board Policy 2.5.6 regarding CEO's signing authority and contract authorization.</p>   |
| <b>ISSUE SUMMARY:</b>  |
| <p>As part of a larger plan to increase the safety of bus drivers and passengers, and to re-start fare collection, the CEO is asking the Board for permission to spend federal CARES Act funds for the purchase of permanent shield doors that will create a solid glass barrier between bus drivers and passengers. While no one step can prevent all risk, barriers can mitigate risk and allow closer proximity.</p> <p>The costs for this additional equipment is estimated to be no more than \$800,000. In this instance, the CEO cannot make this purchase without approvals from the Board. This expense was not anticipated in the Board-approved FY2020 budget, necessitating an amendment to the Budget. In addition, the contracts for this purchase exceeds the CEO's signing authority and was not previous approved by the Board, necessitating an authorization for the CEO to enter into a contract to implement this decision.</p> |

**BACKGROUND:**

The onset of COVID-19 and the need to maintain a six foot distance between people creates challenges in the confined spaces aboard a bus. Several efforts are ongoing to address these many challenges. In order to maintain proper distance between a bus driver and bus riders, for example, the AAATA is presently not collecting fares because the farebox is only two feet from the driver. This would put fare-paying passengers in close proximity to the driver many times a day.

The AAATA has already installed quickly-built Plexiglas barriers to greater separation in a confined area. However, these barriers are relatively flimsy and may not last long. In addition. There is also some liability concern. These should be considered a temporary solution. Similar protections are now provided in most grocery stores.

Permanent, interior security doors for bus drivers are available for purchase. Such doors provide a sturdy, retractable glass partition between bus drivers and any passengers. Although these doors were not initially intended to reduce the risk of infection, they can help with this goal and provide additional sense of safety for staff. The permanency of these products would ensure they function well for many years and in future circumstances. If introduced as a public health measure, such doors may not suggest concern for security. Pictures of the interim Plexiglas barrier and purpose-built security doors are provided in the attachments below.

The purchase costs for these permanent doors are estimated at no more than \$800,000. This will provide enough funds to retrofit all 103 fixed-route buses in the AAATA fixed-route bus fleet. Some older buses that are being mothballed during the pandemic *may* be retired rather than retrofitted. Any excess funds would be available for other priorities. Any new buses will have the shield doors installed at the factory before delivery (these costs can be accommodated in previously-authorized capital budgets). There will be additional operating expenses associated with maintaining the doors, however staff believe these costs can be absorbed in the existing operating budget.

The shield doors are only one part of an evolving plan to increase safety and restart fare collection. However, they require 3+ months to manufacture, deliver and install. Staff would like to begin the project as soon as possible. Should the Board approve funding and authorize the CEO to enter into a contract, staff are exploring options to expedite the procurement, which may be important if factories become backlogged.

**IMPACTS OF RECOMMENDED ACTION(S):**

**Budgetary/Fiscal:** Staff will use the CARES Act funding to cover this expenditure, so it will be 100% federally funded. This is also a step towards restarting fare collection. The AAATA received \$20.7 million in CARES Act funds and has already spent about \$850,000 before staffing costs were reduced.

**Social:** Increased public safety. The barriers do not impede wheelchairs.

**Environmental:** N/A

**Governance:** This aligns with the Board's expectations for safety and budgeting procedures.

**ATTACHMENTS:**

1. Current Temporary Plexiglas Barriers
2. Example of Permanent Shield Doors
3. Proposed Budget Amendment Resolution

**Attachment 1 – Current Temporary Plexiglas Barriers (Pictures)**



**Attachment 2 – Example of Permanent Shield Doors (Pictures)**

(These are computer drawings. Final configuration may look different. The forward section of glass slides forward and backward.)



## Attachment 3 – Proposed Budget Amendment Resolution

Resolution 03/2020

AMENDMENT OF FY 2020 CAPITAL BUDGET

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

**WHEREAS**, the Ann Arbor Area Transportation Authority (AAATA) Board of Directors (Board) is required by the Michigan Uniform Budgeting and Accounting Act of 1968 to adopt a balanced operating and capital budget for each fiscal year, and

**WHEREAS**, a capital budget with expenditures of \$17,987,928 was adopted for FY2020 by the Board in September 2019 (Resolution No. 06/2019), and

**WHEREAS**, the COVID-19 pandemic has created the need for social distancing in order to prevent viral spread, and shield doors for fixed-route buses can help increase the safety of bus operator and passengers, and the cost to purchase and install shield doors on the fleet will not exceed \$800,000, and

**WHEREAS**, the AAATA was awarded additional federal funding under the CARES Act as assistance to mitigate the impacts of the COVID-19 pandemic, and these funds will pay 100% share of the cost of shield doors, and

**WHEREAS**, amending the AAATA's 2020 capital budget will authorize the CEO to expend up to \$800,000 to install shield doors, and

**WHEREAS**, the declaration of a state of emergency by the Governor has prompted the CEO to declare this procurement to be emergency procurement under the terms of the AAATA Purchasing Manual section 2.5,

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby approves an amendment to the AAATA FY2020 Capital Budget as its general appropriations act to increase total expenses by \$800,000 to \$18,787,928, and that the Board of Directors hereby authorizes the CEO to enter into contracts for the procurement and installation of shield doors to reduce the spread of COVID-19.

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Eric A. Mahler, Chair  
May 21, 2020

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Kyra Sims, Secretary  
May 21, 2020

## Governance Committee Meeting Summary

**Meeting Date/Time: April 23, 2020, 9:00-10:30am**

**Location:** REMOTE – Via GoToMeeting

**Meeting Chair:** Eric Mahler

**Committee Meeting Attendees:** Mike Allemang, Roger Hewitt, Kyra Sims

**AAATA Staff Attendees:** Matt Carpenter, Bryan Smith, John Metzinger

Chairman Eric Mahler called the meeting to order at 9:04 am.

| Discussion Items   |
|--|
| <b>1. OPENING ITEMS</b>  |
| 1.1 Agenda (Additions, Approval)<br>Under agenda section 4, CEO Carpenter asked to add discussions of Ann Arbor’s A2Zero plan, a Y-Lot update, and the RTA / 3-County Plan.  |
| 1.2 Communications<br>None.  |
| <b>2. EMERGENT ISSUES</b>  |
| 2.1 Coronavirus Update<br>A potential new corporate business plan was discussed with a focus on financial sustainability. CEO Carpenter commented that there are a lot of similarities between AAATA and UM’s plans going forward thus far.<br><br>Mr. Metzinger led discussion on the preliminary financial capacity projection, which was presented at the April 16 <sup>th</sup> AAATA Board meeting. Since the Board meeting, a predicted / actual projection was added for discussion. Mr. Metzinger noted that the projections are based on a possible 33% reduction in state funding. Both Mr. Allemang and Mr. Hewitt discussed AAATA needing to be very conservative on property tax assumptions.<br><br>CEO Carpenter commented that a state revenue forecast meeting is potentially being scheduled in Lansing the week of May 18 <sup>th</sup> – which is the earliest that AAATA would get information on the pandemic’s effect on the state budget and AAATA’s state funding.<br><br>Discussion ensued on potential plans for restoring service, which may need to come back together in a different way than before the pandemic. Mr. Smith reported the potential for approximately 150,000 service hours being added back to fixed routes in August 2020. He noted that planning is working to make sure there is enough frequency of service to avoid over-crowding on restored service. He highlighted a current 75% reduction of ridership in paratransit service, as opposed to a 90% reduction of ridership on fixed routes.<br><br>CEO Carpenter recommended a restart of Fare Study discussions in the Finance and Service Committee meetings. |

| <b>Discussion Items</b>  |
|--|
| <p>Of the challenges discussed for AAATA moving forward, the following were highlighted:</p> <ul style="list-style-type: none"> <li>• UofM live classes returning or <i>not</i> returning in August (40% of AAATA's ridership)</li> <li>• Ongoing personal protection equipment (PPE) needs</li> <li>• Fare collection</li> </ul>  |
| <p>2.2 Recovery Plan<br/>An outlined blueprint of a recovery plan was discussed.</p>   |
| <b>3. POLICY MONITORING &amp; DEVELOPMENT</b>  |
| <p>3.1 Monitoring Reports<br/>None.</p>  |
| <p>3.2 Committee Agendas<br/><u>Service Committee:</u><br/>A discussion of Fare Policy was added to the agenda.</p> <p><u>Finance Committee:</u><br/>Mr. Allemang suggested putting monitoring reports at the end, especially that of the Asset Protection Policy, to be discussed as time allows.</p> <p><u>Board Meeting:</u><br/>Chairman Mahler suggested leaving the agenda as it is, but plan to make an announcement at the Board meeting that discussions of the Asset Protection Policy and Cash &amp; Investment Policy may be postponed if time runs short.</p> |
| <p>3.3 Other Governance Issues (as assigned)</p>   |
| <p>3.3.1 Meeting Assessment (4/16)<br/>Chairman Mahler noted that it was positive feedback.</p>  |
| <p>3.4 CEO Contract Update<br/>Chairman Mahler announced that a proposal should be sent to CEO Carpenter today or tomorrow for discussion.</p>   |
| <b>4. STRATEGY &amp; OPERATIONAL UPDATES: CEO</b>  |
| <p>4.1 A2Zero Plan Update<br/>CEO Carpenter announced that the A2Zero plan was accepted, but not adopted. Discussion ensued.</p>   |
| <p>4.2 Y-Lot Update<br/>CEO Carpenter reported that the Y-Lot plan approval process has taken a step forward.</p>  |
| <p>4.3 RTA / 3-County Plan Update<br/>CEO Carpenter announced that Matt Webb has resigned, replaced by Ben Stupka, and 3-County Plan discussions are starting back up.</p>   |
| <b>5. CLOSING ITEMS</b>  |
| <p>5.1 Topics for Next Meeting<br/>Possible topics for a Board Retreat, such as building for the future</p>  |

**Discussion Items**

5.2 Adjournment

Chairman Mahler adjourned the meeting at 10:45am.

Respectfully submitted by: Keith Everett Book

## Finance Committee Meeting Summary

**Meeting Date/Time: May 12, 2020, 3:00-5:00pm**

**Location:** REMOTE – Via GoToMeeting

**Meeting Chair:** Mike Allemang

**Committee Meeting Attendees:** Kyra Sims, Rich Chang, Raymond Hess

**AAATA Staff Attendees:** Matt Carpenter, Bryan Smith, John Metzinger, Rosa-Maria Njuki, LaTasha Thompson

Chairman Mike Allemang called the meeting to order at 3:03pm.

| Discussion Items  |
|---|
| <b>1. OPENING ITEMS</b>   |
| 1.1 Agenda (Additions, Approval)<br>Approved.   |
| 1.2 Communications<br>Mr. Bryan Smith announced that a lawsuit resulting from an accident incurred by the current paratransit provider has been settled, and TheRide had no exposure.   |
| <b>2. EMERGENT ISSUES</b>   |
| 2.1 Coronavirus Update  |
| 2.1.1 Recovery Plan<br>CEO Carpenter introduced this document to the Committee for their consideration and feedback. The Recovery Plan pulls together the decisions that TheRide has made and intends to consider for the future. Suggestions and questions were raised, but the Committee was in support of the document overall. They have no reservations to the document going public.<br><br>CEO Carpenter announced that the state’s revenue conference is scheduled for this Friday, May 15, which will hopefully provide some insight on the state budget. He warned that the Recovery Plan document may change based on said conference. |
| 2.1.2 Pandemic Barrier Proposal<br>CEO Carpenter walked the Committee through the proposal to install permanent pandemic barriers.<br><br>Mr. Chang asked if there is any worry of the barriers impeding new fare boxes, to which CEO Carpenter said no, that there will always be some sort of device in that area as TheRide is legally obligated to offer a cash payment option.<br><br>Ms. Sims is in support of the budget amendment. Mr. Hess expressed his support as well.<br><br>Chairman Allemang suggests that the resolution wording be amended to say more plainly that the budget is being increased by \$800K.                     |

## Discussion Items

### 2.1.3 Cash Flow

Mr. Metzinger informed the Committee that to date TheRide has \$4.7M cash in the banking accounts, which puts us in the position to cover 1.2 months of operations. Investments on top of that are at \$8.8M. This is a combined cash and investments of \$13.5M covering about 3.4 months of operations in total. That should be sufficient to carry us into August, at which point TheRide is expecting \$17M in property tax receipts, which could be lower due to the potentially slower collection of property taxes.

\$836K has been spent of the CARES Act thus far. The biggest part of that was on no-bid paid leave in the amount of \$625K. TheRide paid an overtime premium of \$153K to front line employees who were working. Some additional money was spent on sick leave that was COVID-19 related. Lastly, TheRide spent about \$52K on purchased services, materials, and supplies (janitorial services, PPE, cleaning materials and supplies).

Projections show that TheRide could potentially be short between \$7M and \$8M this year due to loss of fare and related revenues. The CARES Act funds will be used to stopgap that loss. Goal at year end is a balanced operating budget, with no deficit or surplus.

Mr. Metzinger responded to Chairman Allemang's inquiring that the federal government has made CARES Act funds available very quickly. The funds are now available to draw upon.

Mr. Metzinger will continue to bring this verbal report every month.

## 3. STRATEGY & OPERATIONAL UPDATES: CEO

### 3.1 Q2 Financial Report

Mr. Metzinger reported that TheRide operated on budget for the second quarter. There was a small operating surplus of \$20K at the end of March. Fare revenues were down \$1.6M for the quarter due to the pandemic. Reserve balance was at \$10.1M, with 2.57 months of operations in Reserve at the end of March.

He noted that the impact of the CARES Act will be significant in the third quarter report, helping to provide fairly normal financial statements with the exception of fare revenues being down and certain costs being higher.

The quarter ended with cash adequate to cover expenses with a balance of \$13.9M in cash and investments.

It was discussed to potentially separate out the CARES Act funds from the rest of the federal funds in future statements.

Mr. Hess asked staff to speculate when fares may resume. Mr. Metzinger explained that some operations employees are looking forward to fares being collected again to avoid riders loitering without a destination. Other staff would like to see the barriers installed before collections begin. He noted the possibility of fares resuming in late Summer or early Fall. TheRide would also like to fast track the mobile ticket option capabilities as much as possible.

## Discussion Items

CEO Carpenter expressed that his hope is that as soon as the barriers are in, that might be the last thing needed before starting fare collections again, but he is hesitant to push too far too fast.

Chairman Allemang provided feedback on the report but expressed that changes to the report need not be made prior to presenting it to the Board. He started out with the background section of the issue brief. He noted that it should be made clearer that results are for year-to-date rather than for the quarter. He pointed out it would be helpful to see how the bottom line performed against the budget. Regarding the revenue expense statement, he noted that the total revenue gain or losses where negative should be red. Lastly, on the Balance Sheet, he described the perception of a slight inconsistency about the investments, seemingly about a \$100K less discrepancy in the details. He said that he still finds the terminology confusing when trying to determine whether or not cash includes investments. Ms. LaTasha Thompson offered explanation of the investments, that the discrepancy is due to the investments income not being reflected, only the investment instruments. Ms. Thompson will review that for clarity.

### 4. POLICY MONITORING & DEVELOPMENT

#### 4.1 Cash & Investments (Policy 2.6)

Mr. Metzinger walked the Committee through the key take-aways of the report.

Chairman Allemang noted an error in the issue brief that the options of recommended actions taken by the Board needs to include "A: In compliance", which is the action he would like to take. He also noted that the report could use some work on terminology in the future to help with rationalization.

#### 4.2 Fare Policy

CEO Carpenter described that bringing back fares (however so) will be challenging and staff would find great value in the Board giving direction on fares. He suggested that both the Finance and Service Committees work on a Fare Policy, possibly working with Rose Mercier, and then bringing it all back to the Board. This could be germane for budgeting and planning.

Ms. Sims expressed that she is happy to work on fares but wonders if the Committees can break the issues down into separate issues and delegate those amongst the Service and Finance Committee. She doesn't want there to be any overlap of work. CEO Carpenter suggested using part of a Board meeting as a fares policy workshop, so that all could be together at the same time. He also suggested initially having Rose Mercier work with both Committees separately. Once Rose has drafts of some wordsmithing, then that could be brought to the full Board.

Chairman Allemang's expressed that his biggest concern is that the Board and Committees get too much into the weeds with the fare policy. He suggested that the Board should initially agree on the objectives and general policy criteria, and then reviewing the staff's expert recommendations at the end of the process. He expressed his opinion that the fares need to be simpler and there should be less types of fares. CEO Carpenter explained that the fare specifics would come through in the development of the budget - what staff is looking for is the strategy direction for the fare policy development.

## Discussion Items

Chairman Allemang suggested that it be made clear what is needed from the Committees. CEO Carpenter expressed that the values of the Board in fare development would be the main objective.

Mr. Hess expressed that he is happy to volunteer working on the fare policy.

CEO Carpenter encouraged the Committee to be involved.

Chairman Allemang would like advice from Rose Mercier in the beginning as to what the Committee would and should be doing. Regarding public involvement, CEO Carpenter suggested that the soonest opportunity for that might be in the new fiscal year.

## 5. CLOSING ITEMS

### 5.1 Topics for Next Meeting

Asset Management (Policy 2.8)  
Staff Compensation and Benefits (Policy 2.11)  
Emergency CEO Succession  
Budget development

Mr. Chang suggested further coordination between TheRide and the DDA, and expressed that he might like to attend the meetings that CEO Carpenter attends every other month with the DDA Partners.

Chairman Allemang asked how announcement of staff reductions went, as well as how the recruiting for a Deputy CEO, Planning & Innovation is going.

Discussion ensued about the efforts made to accommodate laid off staff and extensively communicate with the staff as a whole throughout the process. CEO Carpenter, Mr. Metzinger, and Mr. Smith expressed the high level of difficulty involved in having to perform the layoffs. They described a wide range of reactions from staff, with a response of understanding and acceptance overall.

CEO Carpenter responded that the announcement of a Deputy CEO, Planning & Innovation is currently on hold due to pandemic complications and timing considerations.

### 5.2 Adjournment

Chairman Allemang adjourned the meeting at 4:55pm

Respectfully submitted by: Keith Everett Book

## Service Committee Meeting Summary

**Meeting Date/Time: May 6, 2020, 3:00-5:00pm**

**Location:** REMOTE – Via GoToMeeting

**Meeting Chair:** Roger Hewitt

**Committee Meeting Attendees:** Sue Gott, Kathleen Mozak-Betts, Jesse Miller

**AAATA Staff Attendees:** Matt Carpenter, Bryan Smith, John Metzinger, Rosa-Maria Njuki

Chairman Roger Hewitt called the meeting to order at 3:03 pm.

| Discussion Items  |
|---|
| <b>1. OPENING ITEMS</b>   |
| <p>1.1 Agenda (Additions, Approval)<br/>CEO Carpenter asked to add a brief discussion of the Pandemic Barriers Proposal as agenda item 2.1.1. With that addition, the agenda was approved unanimously by a virtual show of hands.</p>   |
| <p>1.2 Communications<br/>Ms. Sue Gott announced she will need to leave this meeting at 3:55pm.</p>   |
| <b>2. EMERGENT ISSUES</b>   |
| <p>2.1 Coronavirus Recovery Plan<br/>CEO Carpenter introduced this document to the Committee for their consideration and feedback. The Recovery Plan pulls together the decisions that TheRide has made and intends to consider for the future. Suggestions and questions were raised, but the Committee was in support of the document overall.</p>  |
| <p>2.1.1 Pandemic Barrier Proposal<br/>CEO Carpenter walked the Committee through the proposal to install permanent pandemic barriers.</p> <p>Chairman Hewitt expressed that it seems like an appropriate expenditure.</p> <p>Ms. Gott expressed her support and would be interested to know what other funding needs could emerge to verify this is where TheRide should be committing funds at the moment.</p> <p>Ms. Mozak-Betts asked about the cost factor of the temporary plexiglass installations. Mr. Smith and CEO Carpenter described the cost to install the temporary installations to be about \$500/bus.</p> <p>Ms. Mozak-Betts asked about the effects of not operating some of the fleet. CEO Carpenter explained that diesel run buses do better than hybrids do when not being operated. Mr. Smith expects that there should not be an issue with the fleet if TheRide starts a gradual return to service over 6 months.</p> |

## Discussion Items

Mr. Miller expressed his support of the permanent barriers, erring on the side of caution at this time.

CEO Carpenter described this as the only capital expense he can see on the current horizon. Mr. Miller asked if there was a restriction for using the CARES Acts funds toward this. Mr. Metzinger expressed that this falls within the scope of the law.

### 2.1.1 Phase 2 Study of Bus Garage (verbal)

CEO Carpenter reminded the committee that phase 1 of the bus garage study was completed in 2017, suggesting a new garage to grow service. He described 4 ways of dealing with adding space that the study spoke to.

CEO Carpenter also described the potential for the federal government's response to the pandemic to be a capital expense stimulus, and the garage could be the largest and best use of federal capital funds. Restarting the garage study to get the project shovel ready may be advisable. The importance of the Construction Policy is increasing with the potential of having YTC, BTC, and garage projects.

Ms. Mozak-Betts asked if applying for one of these or all of these affects the others. CEO Carpenter shared that starting the garage study doesn't commit TheRide to anything and would take about 10 months before it would even be done. Mr. Hewitt shared that his experience with stimulus is that shovel ready projects are preferred.

Mr. Miller expressed concern that putting out too many proposals and having the decision made for TheRide could hurt improving the state of the YTC. But he has no objection to getting the garage project shovel ready with phase 2 of the study. CEO Carpenter described making the actual asks over different years and being glad that TheRide has got the YTC already submitted first. He expressed just getting ducks in a row so that when TheRide wants to pursue a garage grant application, they are shovel ready.

## 3. POLICY MONITORING & DEVELOPMENT

### 3.1 Construction Policy

Chairman Hewitt expressed that policies 3, 4, and 5 may leave very little room for the CEO to act and are in some ways redundant. He described policies 2.5.2, 2.5.5, 2.5.6, 2.8.2, 2.8.3, and 2.8.5.1 as already providing similar direction. He would like to propose coming back to the Board with the policy as written, as well as with another draft eliminating policies 3, 4, 5, but suggests adding a note to the shortened draft that the limitations found in other policies like he cited apply here as well. He suggests then having the Board discuss and make the decision.

Ms. Mozak-Betts suggests bringing both versions to the Board.

Mr. Miller expressed that not leaving 3, 4, and 5 in might be leaving it too much up to interpretation. He asked CEO Carpenter if he found them to be directive or limiting. CEO Carpenter suggested giving an interpretation of what a major construction project is. He sees the most value in policies 1, 2, 6, 7, and 8. He described that policies 3, 4, and 5 give the impression of forcing a certain path by eliminating other options and will definitely take an increased level of staff work, though he does not object to doing that work. He finds 3, 4, and 5 to be more project management oriented and suggested using the book ends of the policy to start and then doing a project to see how it fleshes out, at which point additional policies or edits could be made.

## Discussion Items

The Committee decided to bring back the two versions at the next Board meeting and hopefully coming to a conclusion.

### 3.2 Fare Policy

CEO Carpenter described that bringing back fares (however so) will be challenging and staff would find great value in the Board giving direction on fares. He suggested that both the Finance and Service Committees work on a Fare Policy, possibly working with Rose Mercier, and then bringing it all back to the Board. This could be germane for budgeting and planning.

Chairman Hewitt suggests that if the Construction Policy gets decided upon, that would open up time for the Service Committee to work on a Fare Policy. Ms. Mozak-Betts and Mr. Miller agreed and would like to discuss a Fare Policy.

## 4. STRATEGY & OPERATIONAL UPDATES: CEO

### 4.1 Q2 Service Report

Mr. Smith described many challenges of reporting numbers during this time. Numbers can be misleading due to the low amount of ridership. With few cars on the road, on-time performance is nearly at 100%. Mr. Miller asked about the content of the complaints or compliments. Mr. Smith reported that in terms of complaints there is a constant request that TheRide run more and later service. There was also an uptick in complaints about people being denied boarding without a mask.

Ms. Mozak-Betts asked about making masks available to riders. She suggested reaching out to the public to see if they would be willing to donate masks for riders. CEO Carpenter expressed the first priority was outfitting the staff. He described Detroit's attempt to provide riders with masks in March (20,000 masks). Those were all gone by lunch on the first day. But he expressed that the discussion is worth having still. He cautioned that being able to provide the masks consistently may be a challenge. Mr. Smith described efforts being made to understand what the costs would be.

Mr. Miller expressed his concerns about the drivers being in such an incredibly at-risk position. He described understanding why TheRide cannot continue with additional pay but wishes they could.

## 5. CLOSING ITEMS

### 5.1 Topics for Next Meeting

Fare Policy

Updates on the Recovery Plan

Chairman Hewitt will bring discussion of a staff letter resolution to the next Governance Committee.

### 5.2 Adjournment

With the consent of the Committee via a virtual show of hands, Chairman Hewitt adjourned the meeting at 4:59pm.

Respectfully submitted by: Keith Everett Book

## ISSUE BRIEF: Policy Development for Construction Projects

**Meeting: Board of Directors**

**Meeting Date: May 21, 2020**

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|--|
| <b>INFORMATION TYPE:</b>   |
| Decision Preparation   |
| <b>RECOMMENDED ACTION(S):</b>  |
| Consider adoption of new policies regarding construction projects.   |
| <b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>   |
| <p>In September 2019, the Board directed the CEO to not take further steps to implement the rebuilding of the Ypsilanti Transit Center until the Board had an opportunity to consider the need for new Executive Limitations policies regarding construction projects. The work of assessing the need for these policies was assigned to the Service Committee. When the Board reviewed the Committee’s work in December 2019 a few concerns were raised about the level of detail and why some requirements were included but others were not, and about the definition of the term “major renovation” (attachment 2). The Board then asked the Committee to review the draft policy further.</p> <p>The Committee revisited the issue in March 2020 and is returning to the Board for further discussion and possibly a decision.</p>  |
| <b>ISSUE SUMMARY:</b>  |
| <p>The Committee met on March 4, 2020. There was still general support for a construction policy but uncertainty how to address the Board’s concerns. There were mixed feelings about some elements of the draft policy. The Committee decided to return the draft policy without alteration to the Board for additional discussion.</p> <p>The CEO made an observation that most of the value of the policy likely rests in points 1, 2, 6, and 8; and that most of the concerns raised by board members rested in points 3, 4, and 5. The CEO made two suggestions:</p> <ul style="list-style-type: none"> <li>• Consider deleting points 3, 4, and 5 for now and approve the rest of the policy. After the Board has experienced a project, it may be in a better position to know if additional policy detailed were still desirable.</li> <li>• Allow the CEO to provide an interpretation of “major renovation” for the Board to consider accepting (attachment 3).</li> </ul> <p>This might side-step the questions that were raised in December (mostly with points 3, 4, and 5) and allow the policy to be approved and give clear guidance to staff.</p> |
| <b>ATTACHMENTS:</b>  |
| <ol style="list-style-type: none"> <li>1. Two Versions of Proposed Construction Policy</li> <li>2. Notes on December 2019 Board Discussion</li> <li>3. Preliminary CEO Interpretation and Definition of “Major Renovation”</li> </ol>  |

## Attachment 1- Two Versions of Proposed Construction Policy

### Version 1 – Full Version of Original Committee Proposal

The CEO shall not allow construction of a new building or facility or major renovation that is inconsistent with industry standards and grantor expectations, environmentally irresponsible or aesthetically displeasing, risks financial jeopardy, or is not aligned with achievement of the board's Ends.

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

1. Proceed with grant applications, detailed architecture or engineering, procurement of construction services, or real-estate transactions for a construction or major renovation project.
  - 1.1. Request authorization to proceed with a project prior to providing information that demonstrates that such construction is fiscally responsible and aligned with achievement of the board's Ends, and without providing data that supports an informed decision by the board – including but not limited to clearly articulated information about the following:
    - a. Definition of the project's purpose and goals.
    - b. Definition of the project's key elements and rationale for their inclusion.
    - c. Definition of the project's strategic context, and contribution to advancing the board's Ends or other policies.
    - d. Explanation of the project's priority relative to other capital needs.
    - e. Estimates of the capital cost, ongoing operating and maintenance costs, and expected useful life associated with the project.
    - f. Explanation of anticipated funding sources and financing mechanisms.
    - g. Definition of risks associated with the project.
    - h. Project timeline.
    - i. Public involvement process.
  - 1.2. Request authorization to proceed with a project without incorporating it into an annual budget or a budget amendment.
2. Expend funds on a construction project prior to having confirmed funding for that stage.
3. *Contract for architectural, engineering or construction services that do not include the following elements as part of the contractual agreements:*
  - a. *Clear identification of a defined scope of work and related terms and conditions.*
  - b. *Performance obligations.*
  - c. *Consistency with industry standards for nomenclature.*
4. *Proceed with construction without designs and/or schematic drawings sufficient to meet the following criteria:*
  - a. *Derived from the board-approved project elements and concept design.*
  - b. *Provide sufficiently comprehensive instructions that clarify roles and expectations, and mitigate against unnecessary cost overruns.*
  - c. *Incorporate the grantor's required standards.*
  - d. *Do not jeopardize project funding.*
5. *Undertake capital construction projects without qualified personnel and documented policies and guidelines consistent with industry standard procedures that mitigate risks arising from unforeseen events such as, but not limited to:*
  - a. *Changes in staff or project personnel.*

- b. Schedule delays or cost overruns arising from natural disasters or unpreventable accidents.*
- 5.1. *Authorize contracts for a construction manager or general contractor that are inconsistent with industry standards, omit grantor requirements, lack clarity, or do not mitigate risk to the Authority.*
- 6. Proceed with construction that does not minimize inconvenience to the travelling public and those businesses and residences directly impacted to the extent that is reasonably practicable.
  - 6.1. Proceed without providing timely and accurate information to the travelling public, residents and business owners.
  - 6.2. Proceed with construction project or changes to the project that could be foreseen to create significant resistance from the traveling public and external stakeholders because they had not had the opportunity for consultation.
- 7. Allow the board to be unaware of political, residents' and businesses' issues related to the proposed construction.
- 8. Allow the board to be without regular reports on the project's implementation, including but not limited to:
  - a. Changes to the anticipated cost of the project.
  - b. Changes to the elements/scope of the project.
  - c. Changes to scheduled completion, delays or impacts to timelines.
  - d. Timely notice of possible cost overruns and planned action to reduce impact.

Version 2 – Same as Version 1 but with three sections 3, 4 and 5 deleted

The CEO shall not allow construction of a new building or facility or major renovation that is inconsistent with industry standards and grantor expectations, environmentally irresponsible or aesthetically displeasing, risks financial jeopardy, or is not aligned with achievement of the board's Ends.

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

1. Proceed with grant applications, detailed architecture or engineering, procurement of construction services, or real-estate transactions for a construction or major renovation project.
  - 1.1. Request authorization to proceed with a project prior to providing information that demonstrates that such construction is fiscally responsible and aligned with achievement of the board's Ends, and without providing data that supports an informed decision by the board – including but not limited to clearly articulated information about the following:
    - j. Definition of the project's purpose and goals.
    - k. Definition of the project's key elements and rationale for their inclusion.
    - l. Definition of the project's strategic context, and contribution to advancing the board's Ends or other policies.
    - m. Explanation of the project's priority relative to other capital needs.
    - n. Estimates of the capital cost, ongoing operating and maintenance costs, and expected useful life associated with the project.
    - o. Explanation of anticipated funding sources and financing mechanisms.
    - p. Definition of risks associated with the project.
    - q. Project timeline.
    - r. Public involvement process.
  - 1.2. Request authorization to proceed with a project without incorporating it into an annual budget or a budget amendment.
2. Expend funds on a construction project prior to having confirmed funding for that stage.
3. Proceed with construction that does not minimize inconvenience to the travelling public and those businesses and residences directly impacted to the extent that is reasonably practicable.
  - 3.1. Proceed without providing timely and accurate information to the travelling public, residents and business owners.
  - 3.2. Proceed with construction project or changes to the project that could be foreseen to create significant resistance from the traveling public and external stakeholders because they had not had the opportunity for consultation.
4. Allow the board to be unaware of political, residents' and businesses' issues related to the proposed construction.
5. Allow the board to be without regular reports on the project's implementation, including but not limited to:
  - e. Changes to the anticipated cost of the project.
  - f. Changes to the elements/scope of the project.
  - g. Changes to scheduled completion, delays or impacts to timelines.
  - h. Timely notice of possible cost overruns and planned action to reduce impact.

## Attachment 2 – Notes on December 19, 2019 Board Discussion of Original Policy

At the December 2019 meeting the Board discussed the original construction policy. Below are notes of that conversation. The video of the full discussion can be reviewed on-line [here](#) (1:02-1:40).

### Notes

Ms. Sims expressed her opinion that the phrase “esthetically displeasing” could be very subjective and possibly difficult to form a consensus on. Chairman Mahler expressed having similar concerns. He also pointed out that what is “environmentally responsible” could be subjective or redundant with other policies.

The absence of the phrase “without Board permission” was discussed. No Executive Limitations include this phrase and its absence implies that the CEO requires Board approval for otherwise prohibited steps in a process. This is standard Policy Governance wording. Nevertheless, the absence of the phrase caused some discussion.

Chairman Mahler asked why the phrase “strategic context” is needed and if it was redundant with other policies, which Ms. Gott spoke to. Mr. Hewitt mentioned that this would also apply to the Long-Range Business Plan, with which Mr. Miller also agreed.

Section 3: Chairman Mahler asked why “architectural, engineering or construction services” were chosen specifically. He asked why certain details were required while other standard features of construction contracts were not included, such as standard reps and warranties, insurance coverage, etc. Mr. Allemang agreed that there could be language in the policy that requires a contract be reviewed by a competent lawyer. Ms. Sims and Chairman Mahler agreed with Mr. Allemang’s suggestion, and Mr. Hewitt agreed to take that back to the Service Committee.

Mr. Hess expressed that he still has issue with a lack of definition of "major renovations". Didn't want language that was too onerous for staff or the Board and expressed concern that the Board might be getting too much in the weeds when dictating what must steps must be followed. Urged board to be clear what it was trying to achieve and write language minimal language accordingly. Chairman Mahler suggested adding “Major renovation contracts that exceed \$250,000” without getting into the weeds. Hess agreed on high-level thresholds. Hess asked what reiterating this threshold here would achieve, if it is already stated elsewhere. He pointed out that he didn't want to impede constructions of bus shelters. Mahler noted that large projects were already approved in the capital budget. Mr. Hewitt pointed out that there is already a \$250,000 limit in place on contracts that must be approved by the Board. Miller said he doesn't want a report on every new bus shelter. Was hesitant to assign an arbitrary dollar threshold, was confident to let the CEO present an interpretation of "major renovation". Not certain as to whether a bus shelter would be covered by this policy.

Ms. Sims supported Hess's concern that we should focus on what we are trying to achieve with this policy. Noted that we have some time. Was concerned about redundancy with other policies.

Mr. Hewitt and Chairman Mahler agreed that this should go back to the Committee. CEO Carpenter described that this is the first wholly new executive limitation that this Board has created, and the policy governance allows the Board to go to whatever level of detail they would like to go. He advised that the policy should go into as much detail as needed only until they get to where a reasonable interpretation can be made (*see attachment 3, below*).

## Attachment 3 - Preliminary CEO Interpretation and Definition of “Major Renovation”

### Policy

*“The CEO shall not allow construction of a new building or facility or major renovation that is inconsistent with industry standards and grantor expectations, environmentally irresponsible or aesthetically displeasing, risks financial jeopardy, or is not aligned with achievement of the board’s Ends.”*

### CEO Interpretation (Preliminary Example)

Compliance with this policy will be demonstrated when:

1. Construction activities and projects adhere to relevant federal (FTA) guidelines, regulations and laws; and to local building codes;
2. Applicable legal expectation for environmental impacts are achieved or exceeded, and any additional expectations approved during scoping and budget approval for the project are achieved or exceeded;
3. The exterior appearance of a facility or building has been subject to public feedback prior to a final decision;
4. Capital and operating costs remain within the approved budget;
5. The project advances an identified element of the Board’s Ends.

This policy applies to the production of “new buildings or facilities”, or “major renovations”. In this context I interpret these terms to mean:

- A “building” is an edifice or structure with walls and a roof which remains in one place and is intended to be permanent. This does not include structures such as bus shelters or temporary storage structures.
- A “facility” is a significant piece of infrastructure that remains in one place (e.g. a bus terminal platform, a park n ride lot, a storage yard, a rail line, roads, power lines, sewers, etc). A building can be a part of a larger facility. Due to their ubiquity and small scale, bus stops, pads and adjoining sidewalks are excluded.
- A “major renovation” is a significant, permanent change to an existing building or facility that 1) changes the exterior dimensions, or 2) fundamentally changes the function of a structure or a significant part of a structure. This does not include maintenance activities, repairs or routine upgrades, replacement of worn out elements, or cosmetic maintenance, etc. Such relatively minor changes are addressed through annual budgets and are not reported on under this policy. Any individual maintenance projects costing more than \$250,000 will be identified individually in an annual budget proposal to increase transparency.

### A Thought on Controversy

Today, any sort of decision can attract public and/or political outrage, whether warranted or not. While seeking out and listening to feedback is proper, allowing loud outside critics to arbitrarily define what is acceptable means that a Board has surrendered its policy-making role. Thoughtful policies can help Board members anticipate and prevent the sorts of *legitimate* criticisms they wish to avoid.

**ISSUE BRIEF:**  
**Monitoring Report 2.6 Cash and Investments**

**Finance Committee Review Date: May 12, 2020**

**Board Meeting Review Date: May 21, 2020**

|   |
|---|
| <b>INFORMATION TYPE:</b>  |
| Decision  |
| <b>RECOMMENDED ACTION(S):</b>   |
| <p>Board considers accepting this monitoring report in May as either level:</p> <ul style="list-style-type: none"> <li>• A -- Is in compliance OR</li> <li>• B – In compliance, except for item(s) noted, OR</li> <li>• C – Making reasonable progress toward compliance.</li> </ul>  |
| <b>ISSUE SUMMARY:</b>   |
| <p>TheRide’s Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO’s interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board’s written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.</p> <p>I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.</p> |
| <b>BACKGROUND:</b>  |
| <p>Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:</p> <ol style="list-style-type: none"> <li>1. CEO sends Monitoring Report to all board members</li> <li>2. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)</li> </ol>   |
| <b>IMPACTS OF RECOMMENDED ACTION(S):</b>  |
| <ul style="list-style-type: none"> <li>• Governance: Perform key Policy Governance process</li> <li>• Financial: Demonstrates financial responsibility of cash and investments during the reporting period</li> </ul>   |
| <b>ATTACHMENTS:</b>   |
| <ol style="list-style-type: none"> <li>1. Policy Monitoring Report for Policy 2.6 Cash and Investments</li> </ol>   |

## Table of Contents

| POLICY TITLE: EXECUTIVE LIMITATION POLICY 2.6: CASH AND INVESTMENTS   | Page # | Compliance  |
|---|--------|---|
| <p>2.6 The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board’s investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing.</p> <p>Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:</p> | 3      |  |
| <p>2.6.1. Hold AAATA operating cash or surplus capital in insecure instruments, including federally-uninsured checking accounts or non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.</p>   | 6      |  |
| <p>2.6.2. Deviate from the “Investment Policy to Comply with Michigan PA 20 of 1943” as stated in the Appendices, invest in instruments other than those so authorized, or invest unlawfully with respect to Michigan PA 20 of 1943.</p>  | 7      |  |

 Fully Compliant    
  Partially Compliant    
  Non-Compliant

## CEO Interpretations and Evidence

### EXECUTIVE LIMITATIONS POLICY 2.6:

The CEO will not fail to hold cash for short-term operations or surplus capital for investment according to the Board's investing priorities: first ensuring safety of principal, next providing adequate liquidity, and third, returning the highest yield compatible with prudent investing. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

**Degree of Compliance: In Compliance**

### EXECUTIVE LIMITATIONS POLICY 2.6: Interpretation

For the purposes of this policy I understand "cash" to mean liquid financial resources held by AAATA in bank checking and savings accounts to cover operating costs over the next 2-3 months, and "surplus capital" to be cash held in investments for use later.

I must ensure that cash and surplus capital are held in financial instruments which accomplish priorities set by the Board:

1. The highest priority is to protect the original sum invested (the "principal") from risk of loss.
2. The second priority is to ensure that an amount of capital adequate to meet short-term needs is available (or "liquid") for the Authority's use.
3. The third priority is to invest in instruments that generate the highest possible financial return ("yield") keeping in mind the principles of prudent investing as stated in the *"Investment Policy to Comply with Michigan PA 20 of 1943"* from the Board Policy Manual Appendix F.

I also understand this policy to mean that capital must be held in bank accounts that are insured by the FDIC to the level of at least \$250,000 for each account, and must be held in accounts which generate interest. This policy allows an exception for capital that needs to be available for immediate use to fund operations, otherwise known as operating cash.

This policy requires compliance with Public Act 20 of 1943 and the Board's Investments Policy. The Investment Policy authorizes the use of Certificates of Deposits, Bonds and other direct obligations of the U.S. (with maturity limited to 3 years or less), or Government Mutual Funds.

## EXECUTIVE LIMITATIONS POLICY 2.6: Evidence

As evidence I point to the balance of cash and investments as of March 31, 2020 as shown on the Q2 financial statements. Bank account statements are available for direct inspection by Board members upon request.

1. AAATA held \$5.1 million in cash, checking, and savings accounts (dollars in thousands):

| Account Name:        | Balance as of<br>3/31/2020 |
|----------------------|----------------------------|
| IMPREST              | \$ 379                     |
| OPERATING            | 903                        |
| PAYROLL              | 53                         |
| CHANGERS/PETTY       | 3                          |
| PASSES/TOKENS        | 16                         |
| CAPITAL              | 115                        |
| FLEX SPENDING        | 46                         |
| MONEY MARKET SAVINGS | 3,104                      |
| GETDOWNTOWN          | 444                        |
| <b>Total Cash:</b>   | <b>\$ 5,063</b>            |

2. \$8.7 million was held in investments as shown below (dollars in thousands):

| Investment Instrument     | Date of Maturity | Interest Rate | Total as of      |                   | Total as of 3/31/2020 |
|---------------------------|------------------|---------------|------------------|-------------------|-----------------------|
|                           |                  |               | 12/31/2019       | Transactions      |                       |
| U.S. Treasury Bill        | 10/15/2019       | 1.7%          | -                |                   | -                     |
| U.S. Treasury Bill        | 11/19/2019       | 1.7%          | -                |                   | -                     |
| U.S. Treasury Bill        | 12/26/2019       | 1.8%          | -                |                   | -                     |
| U.S. Treasury Bill        | 2/20/2020        | 1.8%          | 2,000            | (2,000)           | -                     |
| U.S. Treasury Note        | 2/15/2020        | 1.8%          | 1,000            | (1,000)           | -                     |
| U.S. Treasury Note        | 8/15/2020        | 1.6%          | 1,494            |                   | 1,494                 |
| U.S. Treasury Note        | 8/31/2020        | 1.7%          | 2,000            |                   | 2,000                 |
| CD Other                  | 1/3/2020         | 1.7%          | 240              | (240)             | -                     |
| CD Other                  | 3/18/2020        | 1.6%          | 240              | (240)             | -                     |
| CD Other                  | 3/30/2020        | 1.6%          | 240              | (240)             | -                     |
| CD Other                  | 11/17/2020       | 1.7%          | 240              | (240)             | -                     |
| CD Other                  | 1/15/2021        | 1.7%          | -                | 240               | 240                   |
| CD Other                  | 1/21/2021        | 1.7%          | -                | 240               | 240                   |
| U.S. Agency Bond          | 9/28/2020        | 1.6%          | 150              |                   | 150                   |
| U.S. Agency Bond          | 10/30/2020       | 1.7%          | 2,000            |                   | 2,000                 |
| U.S. Agency Bond          | 4/9/2021         | 1.6%          |                  | 1,000             | 1,000                 |
| U.S. Agency Bond          | 8/5/2022         | 1.6%          |                  | 1,500             | 1,500                 |
| Money Market Funds        | N/A              | 2.0%          | 2,037            | (1,965)           | 72                    |
| <b>Total Investments:</b> |                  |               | <b>\$ 11,641</b> | <b>\$ (2,945)</b> | <b>\$ 8,696</b>       |

### Safety of Principal:

Cash was held in checking and savings accounts at the Bank of Ann Arbor. Bank accounts are Federal Deposit Insurance Corporation (FDIC) insured.

AAATA's investments were held in Certificates of Deposits (CDs), U.S. Treasury Bills, U.S. Treasury Notes, U.S. Agency Bonds, and Money Market Savings at the Bank of Ann Arbor. All funds are federally-insured or direct obligations of the U.S. government.

### Adequate Liquidity:

Cash held in checking and savings accounts is immediately available. Capital held in investments is available within 30-days' notice to the Bank of Ann Arbor. Liquidity has been sufficient to meet the operating needs during the monitoring period as evidenced by the fact that AAATA has been able pay its expenses without using debt, and no expense was deferred due to insufficient liquidity of capital.

Highest Yield Compatible with Prudent Investing:

Yields on investments (1.6 to 2.0%) are the highest rates available considering the limited investment options available due to policy and regulatory limits, and the priorities for safety and liquidity. AAATA's portfolio yielded \$141,824 for FY2019, nearly four times the investments yield over the prior year. FY2020 investment income through the Second Quarter has been \$151,243, so investments performed well during the first half of the year. Investment income will be lower during the Third and Fourth quarters as funds will be needed to support operations.

Attestation:

The financial data presented as of March 31, 2020 demonstrates compliance at a single point in time with Policy 2.6 and the Board's Investment Policy. Additionally, I attest that cash and investments were held in compliance with this policy throughout the monitoring period. Monthly account statements are available for inspection.

**EXECUTIVE LIMITATIONS POLICY 2.6.1:**

Hold AAATA operating cash or surplus capital in insecure instruments, including federally-uninsured checking accounts or non-interest-bearing accounts except where necessary to facilitate ease in operational transactions.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.6.1: Interpretation**

I understand this policy to mean that capital must be held in bank accounts that are insured by the FDIC to the level of at least \$250,000 for each account, and must be held in accounts which generate interest. This policy allows an exception for capital that needs to be available for immediate use to fund operations, otherwise known as operating cash.

**EXECUTIVE LIMITATIONS POLICY 2.6.1: Evidence**

I have not caused, allowed, or failed to address any deviation from this policy as supported by the following evidence:

- All funds held in U.S. Treasury Bills, Treasury Notes, and Agency Bonds are federally-guaranteed.
- Funds managed by Bank of Ann Arbor in CDs and Money Market Savings are federally-insured.
- Bank accounts with balances above the FDIC insured limit of \$250,000 are for needed for short term operations, according to the exception in this policy.
- Each is an interest-bearing account, with interest rates listed in the table above.
- Account statements are available to Board Members as source documentation for direct inspection upon request.

**EXECUTIVE LIMITATIONS POLICY 2.6.2:**

Deviate from the “Investment Policy to Comply with Michigan PA 20 of 1943” as stated in the Appendices, invest in instruments other than those so authorized, or invest unlawfully with respect to Michigan PA 20 of 1943.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.6.2: Interpretation**

I interpret this policy to mean that the AAATA must comply with Public Act 20 of 1943, have the required Board-approved policy, and is limited to investment instruments outlined in that policy. Public Act 20 requires public agencies to have an adopted policy that states purpose, scope, and objectives, delegates authority to make investments, sets standards for safety, safekeeping and prudent investing, and lists the types of investment instruments that are authorized. AAATA must have a Board-adopted policy for investments that includes the required elements.

The Investment Policy authorizes use of the following investment instruments: Certificates of Deposits, Bonds and other direct obligations of the U.S. (maturity limited to 3 years or less), or Government Mutual Funds. The policy notes that it does not apply to employee pension funds.

**EXECUTIVE LIMITATIONS POLICY 2.6.2: Evidence**

As evidence of compliance I submit the following:

1. The Board adopted the referenced investment policy including the elements required by Public Act 20 in January 2018. It has been added to Appendix F of the Board’s Policy Manual.
2. Invested funds were/continue to be held in Certificates of Deposit accounts and U.S. Treasury Bills, Notes, and Agency Bonds, which are authorized investment instruments.
3. Funds invested in the MERS Retirement Savings are pension funds managed by Municipal Employee’s Retirement System of Michigan. The investment policy states it does not apply to pension funds.

**Monitoring Policy 2.6 Cash & Investments**

**Guidance on Determining “Reasonableness” of CEO Interpretations**

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

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

*Defensible measures and standards are those that:*

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

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

**Board’s conclusion on monitoring report**

The Finance Committee has received and reviewed the CEO’s Monitoring Report references above. Following the Finance Committee’s review and discussion with the CEO, the committee makes the following conclusions:

**Executive Limitations Report (select one)**

The Finance Committee finds that the CEO:

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

**Finance Committee notes: (If applicable)**

## ISSUE BRIEF: CEO Employment Agreement

**Meeting: Board of Directors**

**Meeting Date: May 21, 2020**

|   |
|---|
| <b>INFORMATION TYPE:</b>  |
| Decision  |
| <b>RECOMMENDED ACTION(S):</b>   |
| Approve   |
| <b>ALTERNATIVE OPTION(S):</b>   |
| Decline   |
| <b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>  |
| Policies 4.0, 4.2, 4.3, 4.4   |
| <b>ISSUE SUMMARY:</b>   |
| Chief Executive Officer Matt Carpenter’s contract expires on May 30, 2020. The Governance Committee has reached a tentative agreement with Mr. Carpenter and both parties recommend of the tentative agreement for Board approval.  |
| <b>BACKGROUND:</b>  |
| <p>Matt Carpenter began his tenure as Chief Executive Officer (CEO) with the Ann Arbor Area Transportation Authority on June 1, 2015 and signed a five-year contract effective the same date.</p> <p>The Governance Committee, on behalf of the Board, began engaging Mr. Carpenter in negotiations to reach a new Agreement to retain Mr. Carpenter as CEO in 2019. The Governance Committee and Mr. Carpenter have reached a tentative agreement that is included as an attachment with this packet.</p> <p>Important highlights include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Five-year term</li> <li>• \$185,000/year minimum; flexibility for financial reasons</li> <li>• Delay of \$10,000.00 payment to deferred compensation until June 2021</li> <li>• Redefining the mandatory resignation due to disability (7.3(d))</li> <li>• Redefining “with cause” (7.3(f))</li> <li>• Increase of separation payment of base salary from six months to twelve months</li> <li>• Addition of supplemental disability insurance</li> <li>• Mandatory arbitration of all employment-related legal claims</li> </ul> |
| <b>IMPACTS OF RECOMMENDED ACTION(S):</b>  |
| <ul style="list-style-type: none"> <li>• Budgetary/Fiscal: CEO compensation is budgeted for in current fiscal budget</li> <li>• Social: N/A</li> <li>• Environmental: N/A</li> <li>• Governance: N/A</li> </ul>   |
| <b>ATTACHMENTS:</b>   |
| 1. Agreement  |

## AGREEMENT

Between  
Matthew Carpenter  
And

The Ann Arbor Area Transportation Authority Board of Directors for  
Employment as the Authority's Chief Executive Officer

This Agreement is made and entered into by and between the Ann Arbor Area Transportation Authority (hereinafter referred to as "AAATA"), through its Board of Directors (hereinafter referred to as the "Board"), and Matthew Carpenter (hereinafter sometimes referred to as the "Employee"). The AAATA and Employee are each a Party and collectively are the Parties.

**WHEREAS**, the Board is empowered by Act 55 of the Public Acts of Michigan of 1963 to appoint an executive staff person of the AAATA, and

**WHEREAS**, the Board appointed Employee as the Chief Executive Officer of the AAATA (hereinafter referred to as "CEO") effective June 1, 2015, and

**WHEREAS**, the Parties entered into an Employment Agreement effective June 1, 2015 through May 31, 2020, and

**WHEREAS**, the Board is desirous of continuing Employee's employment as CEO, and

**WHEREAS**, Employee is desirous of continuing his employment as CEO, and

**WHEREAS**, the Parties have determined that it would be mutually beneficial to enter into a new employment agreement setting forth the agreements and understandings that provide the terms and conditions under which Matthew Carpenter will serve as the CEO of AAATA,

**NOW, THEREFORE**, in consideration of the mutual covenants and promises, which the parties set forth below, the Board and Matthew Carpenter agree as follows:

### ARTICLE I APPOINTMENT OF MATTHEW CARPENTER

- 1.1. The Board hereby re-appoints Employee as the Chief Executive Officer of the AAATA, and Employee hereby accepts such re-appointment upon the terms and conditions below.

### ARTICLE II CEO RESPONSIBILITIES

- 2.1. The Board agrees to employ Matthew Carpenter as CEO of AAATA.
- 2.2. Employee shall have, and agrees to perform in good faith, the duties and responsibilities of CEO as outlined in Board policies, resolutions, motions, and other documents (e.g., performance review documents) as issued by the Board. As such, Employee shall work to

achieve the objectives of the organization and comply with expectations of the Board, provide general supervision and management of the affairs of the AATA, assist the Board in conducting its oversight role, and shall perform such other legally permissible and proper duties and functions as may be required from time to time by the Board.

### **ARTICLE III CONDITIONS OF EMPLOYMENT**

- 3.1. Employee shall faithfully perform his duties to the best of his ability in accordance with the highest professional and ethical standards, and shall comply with all general rules, policies, and regulations established by the Board or required by law.
- 3.2. Employee shall devote his full time, energies, and abilities to the performance of the duties and responsibilities of CEO and shall not engage in any activities or employment that conflict with, or interfere with, the performance of this Agreement.
- 3.3. Employee shall not engage in any activity which is or may become a conflict of interest or conflict of loyalty, is prohibited by contract, or which may create an incompatibility of office under applicable law and regulations. The Employee shall complete such disclosure forms as may be required by law or by the Board.
- 3.4. The Employee may, from time to time and with approval from the Board, which approval will not be unreasonably withheld, participate in governance boards, teaching engagements or peer advisory activities and receive compensation for same from the entity with whom he participated. Such activities must not negatively impact the CEO's obligations to the Board or the AATA.
- 3.5. Employee acknowledges that the duties of his position may require an average of more than forty (40) hours per week, and that some day-to-day hours may vary significantly. Employee's position is exempt from the overtime provisions of state and federal law and his salary covers all hours worked in a workweek. Employee will be expected to maintain a full-time work schedule including working extra hours as needed to fulfill the job responsibilities.

### **ARTICLE IV TERM OF EMPLOYMENT**

- 4.1. This Agreement shall be effective June 1, 2020 (the "Effective Date"), and shall continue until May 31, 2025 (the "Term"), unless terminated as provided for elsewhere in this Agreement. This Agreement may be extended at any time during its term by mutual agreement of the Board and Employee.
- 4.2. No less than ten (10) months prior to the expiration of this Agreement, the Board and Employee shall meet to begin discussing the renewal of this Agreement, the process and timeline for renewal, and any changes the parties may wish to mutually make or negotiate with respect to its terms and conditions.

- 4.3. Should the Board choose to not renew the Agreement, the Board will provide the Employee with written notification of same not less than six (6) months before the end of the term.

## **ARTICLE V SALARY AND COMPENSATION**

- 5.1. As compensation to Employee for the services rendered to the AAATA during the term of this Agreement, Employee shall be paid a base annual salary of \$185,000, payable in accordance with the AAATA's regular payroll procedures, and subject to customary and mandatory withholdings.
- 5.2. During the term of the Agreement, the base salary can be increased in such amounts as the Board may approve based on a performance evaluation to be conducted at least once a year in accordance with this Agreement. Notwithstanding the above, the Board may reduce Employee's salary due to financial considerations.

## **ARTICLE VI BENEFITS**

- 6.1. Except as provided otherwise by this Agreement, the AAATA shall provide Employee the same benefits and privileges as those provided to other AAATA non-union represented employees, as they may be amended from time to time.
- 6.2. As used herein, the term "benefits" shall include, but is not limited to: holidays, sick leave, vacation, pension plan contributions, health insurance, vision insurance, dental insurance, health care savings plan contributions, short and long term disability insurance, life insurance, flexible benefits plan, and tuition reimbursement.
- 6.3. The Employee will be provided with 20 days of vacation annually to be accumulated in the same manner as other non-union employees. Employee will not be allowed to accumulate more than the amount of annual vacation to which he is entitled, and any excess unused vacation will be forfeited each September 30 unless the Board grants an exception to this limitation or adopts a policy allowing Employee to convert all or part of his unused vacation.
- 6.4. Effective June 21, 2021, the Board will pay a minimum of \$10,000.00 annually to a deferred compensation vehicle established for Employee by the AAATA. Payments will be made on a bi-weekly basis beginning in June 2021.
- 6.5. Employee may use AAATA fleet automobiles for purposes of performing AAATA business.
- 6.6. Employee will be offered the opportunity to enroll in a supplement disability plan at no extra cost to the employee.

**ARTICLE VII  
TERMINATION/SUSPENSION**

- 7.1. Regardless of any other provision in this Agreement, Employee understands and acknowledges that the position of CEO is an “At-Will” position which is exempt from accruing or receiving property rights, other than set forth in this Agreement, and that the Employee serves at the pleasure and at the will of the Board.
- 7.2. Nothing within this Agreement shall prevent, limit, or otherwise interfere with the right of the Board to terminate this Agreement and Employee’s employment, with or without cause at any time, subject to Employee’s contract rights hereunder, except to the extent prohibited by state or federal law.
- 7.3. This Agreement and Employee’s employment may be terminated as follows:
- a) By the Board without cause.
  - b) By mutual agreement and upon such terms and conditions as agreed to in writing by Employee and the Board;
  - c) By resignation of Employee;
  - d) If Employee is disabled. When used herein “Disability” means the inability of Employee to perform the essential functions of his position, with or without a reasonable accommodation, by reason of a physical or mental impairment that has lasted for at least sixty (60) consecutive days, or ninety (90) days within a one hundred and twenty (120) day period. If the parties do not agree that Employee is disabled, the determination will be made by the Board in consultation with an independent physician retained by the AAATA (the “Physician”). For purposes of making a determination as to whether a Disability exists, at the AAATA’s request, Employee agrees to make himself available and to cooperate in a reasonable examination by the Physician and to authorize the disclosure and release to the Board of medical records related to such examination and the determination of whether a Disability exists. The determination of Disability made by the Physician shall be final and conclusive for all purposes of the Agreement.
  - e) By the death of Employee.
  - f) By the Board for cause. When used herein, “Cause” is defined as the following:
    - i. The consumption or possession of alcohol, or drugs classified as illegal under state or federal law, or Employee having his ability to perform his job duties affected by such consumption, any of which occur while performing his job duties;
    - ii. Theft, dishonesty, fraud, falsification of AAATA records or conduct

amounting to a conflict of interest by Employee;

iii. Engagement by Employee in inappropriate conduct that could cause harm to the public reputation or standing of the AAATA or which could impair Employee's public credibility to such an extent that he cannot adequately perform his duties;

iv. The material failure of Employee to perform his duties under this Agreement after sixty (60) days' written notice and an opportunity to cure; or

v. Employee's engagement in acts which would constitute grounds for immediate dismissal of any non-union employee by the AAATA under policies in existence at that time.

- 7.4. A vote on a resolution by the Board to terminate this Agreement and Employee's employment will only be made in an open public session. Discussions prior to a decision to terminate this Agreement and Employee's employment may take place in closed session consistent with the Michigan Open Meetings Act. Prior to a vote on any termination resolution, the Employee will be provided with at least thirty (30) days prior notice, a written statement of reasons for the resolution, and will be provided with an opportunity to appear before the Board in both a confidential and public setting.
- 7.5. The Employee shall be provided with the opportunity to choose to resign his office instead of being terminated. In such an event, the public announcement shall state that Employee has resigned.
- 7.6. Nothing within this Agreement shall prevent, limit, or otherwise interfere with the right of Employee to resign at any time from his position; provided, however, that Employee shall give the Board written notice at least sixty (60) days prior to the effective date of such resignation (except as otherwise noted above).
- 7.7. Regardless of the reason for Employee's termination, for a period of one (1) year after such termination, Employee agrees not to disrupt relations or business of the Board by soliciting employees to terminate their employment with the AAATA. Upon termination of this Agreement and Employee's employment all data, studies, reports and other documents prepared by or on behalf of Employee while performing his duties during the term of this Agreement shall be furnished to and become the property of the Board without restriction or limitation on their use.
- 7.8. The Board may suspend the Employee with full pay and benefits by the affirmative vote of a majority of the Board of Directors. The Employee will be provided with a written statement of reasons for the suspension, and will be provided with an opportunity to appear before the Board.

**ARTICLE VIII  
COMPENSATION AFTER TERMINATION**

- 8.1 If this Agreement and Employee's employment are terminated by the Board for a reason set forth in Section 7.3(b) – (f), Employee shall not be entitled to any severance and the AAATA shall have no further obligation under this Agreement except to pay Employee through Employee's termination date and to provide benefits to Employee to which other salaried AAATA employees would be entitled to upon termination of employment.
- 8.2 If Employee is terminated without cause pursuant to Section 7.3(a), in addition to that which Employee would be entitled under Section 8.1, Employee shall receive severance pay that shall consist of the following:
- a) The equivalent of Employee's annual salary at termination for twelve (12) months, less applicable taxes and withholding;
  - b) An amount equal to six (6) times the monthly contribution of what the AAATA would have contributed on behalf of Employee to AAATA's deferred compensation and pension programs less applicable taxes; and
  - c) An amount equal to the value of six months of AAATA's normal contribution to Employee's health insurance plan for the tier of coverage selected as of the date of separation, or if no coverage is selected, the amount available to other AAATA management employees who waive health insurance coverage, less applicable taxes.
- Employee shall receive the total amount of severance due in the form of one lump sum payment.
- 8.3 As a condition to the payment of any severance, Employee shall deliver to the Board a signed Agreement and Release, in the form prescribed by the Board (and not thereafter exercise any right Employee has to revoke his execution of said Agreement and Release), holding AAATA and the Board harmless and releasing AAATA, the Board, and their officers, agents, attorneys and employees, past and present, from any and all liability relative to the Employee's employment, including termination of this Agreement and his employment.

**ARTICLE IX  
PERFORMANCE REVIEWS,  
EVALUATIONS AND COMPENSATION ADJUSTMENTS**

- 9.1. The Board shall review and evaluate the performance of Employee at least once annually based upon criteria developed by the Board in consultation with the Employee. Such criteria must be developed and made available to the Employee prior to the beginning of the period covered by the evaluation.
- 9.2. Employee's reviews and performance evaluations shall be conducted annually unless otherwise agreed to by the Board and Employee.
- 9.3. The Board agrees to consider increasing the base salary and/or other benefits of Employee, in such amounts and to such an extent as the Board may determine that it is desirable to do so, on the basis of annual salary and performance reviews.
- 9.4. Employee's annual compensation, including any one-time bonus payments for exceptional performance, may be adjusted at the discretion of the Board at an official Board meeting.

**ARTICLE X  
EXPENSES**

- 10.1. The AAATA shall pay for or reimburse Employee for reasonable and necessary business expenses of the Employee, as determined by the Board, incurred in the performance of the duties and responsibilities set out in this Agreement, and in accordance with AAATA policy.
- 10.2. Reasonable expenses include business-related travel, accommodations, meals and tips, mileage, and professional development. The Employee will seek cost-effective and practical means of fulfilling his duties. On a quarterly basis, Employee shall report his expenses to the Board.

Expenses that will not generally be eligible for payment or reimbursement include, but are not limited to, the following:

- Personal expenses not directly related to AAATA business.
- Unnecessarily costly or luxurious expenses that could suggest an excessive personal benefit such as first-class travel, luxury accommodations, or high-end meals.
- Personal items and gifts.
- Wine, beer, liquor, or other alcoholic spirits.
- Entertainment costs such as movies, concerts, athletic events, etc.
- Expenses of family members or friends.
- Personal phone calls.
- Social club dues.
- Non-business related club dues.

- Any expenses requiring pre-approval that were not pre-approved.
- 10.3. In accordance with Board policy, AAATA shall pay reasonable professional dues and subscriptions of Employee for his participation in international, national, regional, state, and local associations, and organizations deemed by the Board as appropriate for his continued professional development and/or for the benefit of AAATA.
- 10.4. The Board shall pay the full cost of any fidelity or other bonds required of or for Employee pursuant to any law, ordinance, or Board policy.

## **ARTICLE XI INDEMNIFICATION**

- 11.1. The Board shall defend, hold harmless and indemnify Employee against and from any and all claims, legal or administrative actions or demands, consistent with the provisions of law, including actions for equitable relief whether groundless or otherwise, including attorney's fees and costs, arising from any act or omission either alleged or real, which occur or occurred during his employment as CEO of AAATA, and which are within the scope of the CEO's employment and performance of his duties as CEO, so long as Employee acted in good faith and in a manner reasonably believed not to be opposed to AAATA's interests.
- 11.2. The Board may compromise and settle any claim or suit and pay the amount of any settlement or judgment rendered thereon, together with attorney's fees associated therewith. Employee shall cooperate fully with counsel representing the AAATA in the defense, compromise, or settlement of any claims, actions, or demands for which Board defends, holds him harmless, or indemnifies him.
- 11.3. Any unreasonable failure by Employee to provide complete and accurate information or to cooperate with counsel representing the AAATA shall be cause for the Board to deny or withdraw its obligation to defend, hold harmless and/or indemnify Employee under this Article.
- 11.4. The Board and Employee acknowledge and agree that even though the Board may proceed to handle a claim, action or demand against Employee, the Board reserves the right not to indemnify, or to recover costs of indemnification, if it is determined that the Employee's actions did not satisfy the standards of this Article.
- 11.5. The obligations of this Article shall survive the termination of this Agreement however terminated.

## **ARTICLE XII DISPUTE RESOLUTION, JURISDICTION, VENUE AND GOVERNING LAW**

- 12.1. With the exception of disputes arising under Section 7.7, and claims related to unemployment compensation and worker's disability compensation benefits, disputes

arising out of Employee's employment, including claims arising under federal or state law, shall be submitted to binding arbitration for resolution. The party invoking Article 12 (the "Moving Party") shall provide the other party (the "Non-Moving Party") with a Notice of Dispute, setting forth the nature of the dispute and the relief sought, said notice to be provided within ninety (90) days of the events giving rise to the dispute (the "Notice Period"), otherwise the right to arbitration is waived. Within the Notice Period, the Moving Party shall meet in good faith with the Non-Moving Party in an attempt to resolve said dispute. If the parties are unable to resolve the dispute and are unable to agree upon an arbitrator within thirty (30) days of the Notice of Dispute, then a neutral and impartial arbitrator shall be appointed in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (the "AAA"). Provided, however, if the Moving Party does not submit a demand for arbitration to the AAA within forty-five (45) days of the Notice of Dispute, the Moving Party will have waived its right to arbitration.

- 12.2. The arbitrator will hear the evidence presented and render a written decision within thirty (30) calendar days from the date of the conclusion of all hearings or submission of briefs, whichever is later. The arbitrator shall not have jurisdiction to subtract from or modify any of the terms of this Agreement or any written amendments hereof, or to specify the terms of a new Agreement, or to substitute her/his discretion for that of the parties. The arbitrator shall have the authority to rule on dispositive motions, including a motion to dismiss and/or summary judgment brought by either party and shall have the authority to compel adequate discovery for the resolution of the dispute (including subpoena power). The arbitrator shall apply the same substantive law and have the authority to provide the same remedies that would apply if the claims were brought in a court of law. All filing and administrative fees and other such costs related to the arbitration shall be paid by the AAATA. All other costs, including attorneys' fees, (unless allowed by the arbitrator) shall be borne by the party incurring the costs. The decision of the arbitrator shall be final, conclusive, and binding upon both parties and the parties agree that they shall have no recourse to the arbitrator's decision. Judgment upon an award rendered by an arbitrator may be entered in and enforced by any court having jurisdiction.
- 12.3. For disputes arising out of Section 7.7, the Board and Employee hereby irrevocably submit to the jurisdiction of the state courts located in Washtenaw County or the U.S. District Court for the Eastern District of Michigan, and irrevocably agree that venue for any such dispute shall be exclusively in the state courts located in Washtenaw County or in the U.S. District Court for the Eastern District of Michigan.
- 12.4. This Agreement shall be construed by and controlled under the laws of the State of Michigan.

### **ARTICLE XIII SEVERABILITY**

- 13.1. If any provision or any portion hereof contained in this Agreement is held to be unconstitutional, invalid, or unenforceable, said provision or portion thereof shall be deemed severable, and the remainder of this Agreement shall not be affected, and shall

remain in full force and effect.

**ARTICLE XIV  
ENTIRE AGREEMENT**

- 14.1. Employee and the Board acknowledge and agree that this Agreement constitutes their final understanding and agreement with respect to the subject matter hereof, and supersedes all prior or contemporaneous negotiations, promises, covenants, agreements, or representations concerning all matters directly or indirectly, or collaterally related to the subject matter of this Agreement.
- 14.2. Employee and the Board acknowledge, understand, and agree that nothing within this Agreement can be modified, amended, or revoked except by and with the express written consent of both Employee and the Board.

**ARTICLE XV  
WAIVER**

- 15.1 No waiver by either Party of any breach of this Agreement shall be a waiver of any preceding or succeeding breach.

**ARTICLE XVI  
ASSIGNMENT**

- 16.1. This Agreement is not assignable by either the Board or Employee. Any assignment by either party shall be void.

**ARTICLE XVII  
ACKNOWLEDGEMENT**

- 17.1. Employee hereby acknowledges that he was provided with this Agreement prior to its execution, and that he had the time and opportunity to review this Agreement and provide comment prior to his execution of this Agreement. Employee agrees that he has had an opportunity to consult with an attorney of his choice on the terms and conditions of this Agreement and has had an opportunity to clarify any terms and conditions which were not understood by him. Employee further acknowledges that he has read this Agreement; and by his signature below acknowledges that he fully understands and agrees to the contents, terms, and conditions of this Agreement.

**ARTICLE XVIII  
NOTICES**

- 18.1. Any notices required by this Agreement shall be in writing and either given in person or by first class mail with the postage prepaid and addressed as follows:

**TO THE BOARD:** Chair of the Board  
Ann Arbor Area Transportation Authority  
2700 South Industrial Highway

Ann Arbor, Michigan 48104  
United States

**TO EMPLOYEE:** Matthew Carpenter  
[To address on file with AAATA]

Changes of addresses of either party shall be relayed to the other party within ten (10) days of such changes becoming effective.

**ARTICLE XIX  
COUNTERPARTS**

19.1. This Agreement shall be executed simultaneously in three counterparts and each shall be deemed an original, but all of which together shall constitute one and the same instrument.

**ARTICLE XX  
SURVIVAL OF CERTAIN OBLIGATIONS**

20.1 The provisions in Article VII, Section 7.7, Article VIII, Sections 8.2 and 8.3, Article XI, Sections 11.1 – 11.5, and Article XII, 12.1 – 12.3, of this Agreement shall survive the expiration of the Agreement or its earlier termination under any provision of the Agreement.

**IN WITNESS WHEREOF**, The Board has caused this Agreement to be signed and executed in its behalf by its Chairperson, duly attested, and executed by Matthew Carpenter this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Matthew Carpenter

\_\_\_\_\_  
Eric Mahler  
Chair, Board of Directors of the Ann Arbor Area Transportation Authority

ATTEST:

\_\_\_\_\_  
Kyra Sims  
Board Secretary, Board of Directors of the Ann Arbor Area Transportation Authority

## ISSUE BRIEF: 2020 Q2 Satisfaction and Service Report

**Service Committee Meeting Date: May 6, 2020**

**Board Meeting Date: May 21, 2020**

|   |
|---|
| <b>RECOMMENDED ACTION(S):</b>   |
| Receive as CEO Operational Update.  |
| <b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>  |
| <ul style="list-style-type: none"> <li>2.11.1.5 CEO shall not...Let the Board be unaware of...operational... [and] customer satisfaction metrics...</li> <li>Appendix A: Informational Reports schedule specifies quarterly Customer Satisfaction and Service Performance reports in Nov, Feb, May, Sept</li> </ul>   |
| <b>ISSUE SUMMARY:</b>   |
| <p>In accordance with the Board’s Policy Manual, I present the Quarterly Satisfaction and Service Report. I certify that the information is true and complete, and I request that the Board accept this as an operational update.</p> <p>This report is populated with currently available and reportable data/targets for Fixed Route, Paratransit, and Vanpool service. Targets, when possible, will be set in Ends Policy Interpretations. A glossary of terms for currently tracked metrics is attached.</p> <p>It should be noted that the data collection and reporting for the Q2 2020 period are impacted by the onset of the COVID-19 Emergency in mid-March. Ridership began to decrease the second week of March. We went off scheduled service on March 22.</p> <p>Metrics that are normally reported as quarterly averages, do not accurately reflect performance under typical conditions.</p> <p>Decreases in service routes, passenger loads, traffic volumes, commuting demand were all observed beginning in early March. Stay at home orders and progressive business closures all further reduced travel and use of AAATA Services.</p> |
| <b>ATTACHMENTS:</b>   |
| <ol style="list-style-type: none"> <li>1. Highlights Brief</li> <li>2. FY 2020 Q2 Satisfaction and Service Report</li> <li>3. Glossary of Terms</li> </ol>  |

## Service and Satisfaction Report Highlights

January 1, 2020 – March 31, 2020

It should be noted that the data collection and reporting for the Q2 period was seriously impacted the COVID-19 Emergency that began mid-March. Metrics that rely on a quarterly average do not reflect performance under typical conditions.

### **Ridership**

In three preceding quarters, ridership has followed a downward trend consistent with national trends. Full and accurate ridership data is unable to be reported for the second quarter due to the COVID-19 emergency.

### **Safety**

Safety is always top priority. Safety statistics are not reported for this quarter. Significantly fewer road miles were driven, passengers transported, and traffic congestion was considerably lighter. Averages of quarterly data would not account for these unusual circumstances and would show artificially improved safety statistics.

### **Fixed Route: On-Time Performance**

We continue to track the new metric focused on how many *passengers* are on an on-time bus. Decreases in services, passenger loads, and improved traffic conditions in March all produce an average that does not capture or reflect regular on-time performance.

### **Complaints and Compliments**

Each complaint is investigated, its validity is evaluated, and efforts are made for appropriate resolution. Complaints showed a significant decline this quarter compared to 2019, but this is likely the result of decreased number of boardings overall.

### **Fixed Route: Bus Condition and Road Calls**

Miles between road calls continues to be high. In Quarter 2 there were 37,390 miles. Bus condition continues to improve by 3.6 percent this quarter.

Staff uses service route closure and MCO observation and reports to estimate that as of the end of Q2, ridership has dropped approximately 90%.

The Ann Arbor Area Community still has a great need for paratransit services despite the low numbers observed during the COVID-19 Emergency.

### **Paratransit: Ridership**

Paratransit ridership has consistently increased in quarter to quarter comparisons. However, the COVID-19 emergency decreased ridership by 75% by the end of Q2. The obligation to observe social distancing and appropriate practices for medically compromised passengers has increased our Cost/Boarding and Boardings per Revenue Hour. The decreased number of trips and passengers per vehicle result in a 100% on-time performance.

### **Vanpool**

At the end of Quarter 2 of 2020, despite the unusual conditions, Vanpool numbers remain higher than those observed in 2019.

Riders continue to increase use of Vanpools as commuting needs change.

FY 2020 Q1 Satisfaction and Service Report (continued)

| Service            | Fixed Route  | FY 2019   | FY 2020   | Q2-Q2   |
|--------------------|--|-----------|-----------|---------|
| End/Outcome        | Measure  | Q2        | Q2        |         |
| <b>Ridership</b>   | Boardings  | 1,533,512 | 1,387,503 | -9.5%   |
|                    | Boarding Per Capita (Service Area)                             | 6.7       | 5.4       | -20.1%  |
| <b>Safe</b>        | Preventable Accidents and Passenger Injury/100,000 miles       | 1.65      | 0         | -100.0% |
| <b>Reliable</b>    | On-time Performance (within 5 minutes at timepoints)           | 78.0%     | 80.0%*    | 2.6%    |
|                    | Percent of Passengers on an Ontime Bus                         | 76%       | 79%       | 3.9%    |
|                    | Miles Between Road Calls                                       | 20,446    | 37,390    | 82.9%   |
|                    | Average Age of Fleet   | 6.5       | 6.2       | -4.6%   |
| <b>Courteous</b>   | Complaints/100,000 Boardings                                   | 3.3       | 1.2       | -62.4%  |
|                    | Complements/100,000 Boardings                                  | 3.8       | 2.7       | -25.0%  |
| <b>Comfortable</b> | Condition and Cleanliness of Buses (% of buses scoring 80/100) | 84%       | 87%       | 3.6%    |
| <b>Stewardship</b> | Boardings/Revenue Hour   | 22.0      | 19.9      | -9.4%   |
|                    | Cost/Revenue Hour  |           | \$121.25  |         |

\*=On time performance from Jan 1<sup>st</sup> to March 22, 2020 was at 80%. After the Stay at Home orders, on-time performance increased to 100%

| Service            | Paratransit                                      | FY 2019 | FY 2020 | Q2-Q2   |
|--------------------|--|---------|---------|---------|
| End/Outcome        | Measure  | Q2      | Q2      |         |
| <b>Access</b>      | ADA Service Denials/ADA Boardings                | 0.28%   | 0.00%   | -100.0% |
| <b>Ridership</b>   | ADA Trips  | 29,760  | 24,476  | -17.8%  |
|                    | Senior Trips                                     | 3,386   | 2,422   | -28.5%  |
|                    | Total ADA and Senior Trips                       | 33,449  | 26,898  | -18.8%  |
|                    | ADA Boardings/Capita                             | 0.13    | 0.10    | -23.2%  |
| <b>Reliable</b>    | Ontime Performance with 30 Minute Service Window | 96%     | 96%*    | 0.0%    |
| <b>Courteous</b>   | Complaints/Boardings (reported as percent)       | 0.05%   | 0.13%   | 0.0%    |
| <b>Stewardship</b> | Boardings/Revenue Hour                           | 1.54    | 1.24    | -19.5%  |
|                    | Cost/Boarding                                    | \$37.37 | \$44.77 | 19.8%   |

\*=On time performance data from Jan 1<sup>st</sup> to March 22, 2020 was at 96%. After the Stay at Home orders, on-time performance increased to 100%

FY 2020 Q1 Satisfaction and Service Report (continued)

| Service                    | Vanpool                              | FY 2019 | FY 2020 | Q2-Q2 |
|----------------------------|--------------------------------------|---------|---------|-------|
| End/Outcome                | Measure                              | Q2      | Q2      |       |
| <b>Ridership</b>           | Number of Vanpools at End of Quarter | 103.3   | 123.0   | 19.0% |
|                            | Number of Rider Trips Taken          | 59,698  | 64,454  | 8.0%  |
| <b>Alternative to Auto</b> | Avg Fuel Cost to User                | \$28.62 | \$27.85 | -2.7% |
|                            | Avg Monthly Passenger Miles/Traveler | 1,124   | 1,064   | -5.4% |
| <b>Stewardship</b>         | Federal Subsidy/Passenger Trip       | \$2.92  | \$3.05  | 4.5%  |
|                            | Passenger Miles/Gallon               | 90.4    | 87.0    | -3.7% |

## Quarterly Satisfaction and Service Report: Glossary of 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. Reported to the National Transit Database.

### **Per Capita in-Service Area**

Population that lives in the AAATA service area, calculated using census tracts (retrospective measure). 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 of 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 investigated 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 Vehicles**

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).

## ISSUE BRIEF: FY2020 Q2 Financial Statement

**Finance Committee Review Date: May 12, 2020**

**Board Meeting Review Date: May 21, 2020**

|   |
|---|
| <b>INFORMATION TYPE:</b>  |
| Receive as CEO operational update   |
| <b>RECOMMENDED ACTION(S):</b>   |
| Receive as CEO operational update   |
| <b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>  |
| <ul style="list-style-type: none"> <li>• 2.11.1.5 CEO shall not...Let the Board be unaware of... incidental information (including) quarterly budget to actual financial reports.</li> <li>• Appendix A: Informational Reports schedule specifies quarterly Financial Statement reports in November, February, May, and August.</li> <li>• Policy 2.6 Investments and Appendix F Investment Policy were adopted in June 2018.</li> </ul>  |
| <b>ISSUE SUMMARY:</b>   |
| Staff present the Second Quarter Financial Statement with currently available and reportable financial information for the period ending March 31, 2020. Revenues and expenses are reported year-to-date for the fiscal year.   |
| <b>BACKGROUND:</b>  |
| <p>Financial highlights from the second quarter (January, February, March 2020) include:</p> <ul style="list-style-type: none"> <li>• The reserve was at 2.57 months of annual operating expense, exceeding the target of 2.5 months. The reserve balance was \$10.1 million, \$1.2 million higher than second quarter end last year.</li> <li>• TheRide operated within the budget for the second quarter of the year.</li> <li>• There was a \$20,602 surplus of revenue over expense, which represents a contingency margin of 0.0001% of the adopted budget (FY2020 to date). The surplus was \$405 thousand off from the budgeted surplus.</li> <li>• Expenses were \$1.2 million lower than budgeted. Savings were from lower wages, fringe benefits, fuel, materials, contracted services, and other costs.</li> <li>• Revenues were lower than budgeted by \$1.6 with less than expected passenger fares, subcontract fares, state operating assistance and federal operating assistance.</li> <li>• Cash flow was adequate to cover expense; Q2 ended at \$13.9 million in cash/ investments.</li> </ul> |
| <b>IMPACTS OF RECOMMENDED ACTION(S):</b>  |
| <ul style="list-style-type: none"> <li>• Budgetary/Fiscal: Demonstrates financial performance for the reporting period</li> <li>• Governance: Supports Board in financial oversight/fiduciary responsibility</li> </ul>   |
| <b>ATTACHMENTS:</b>   |
| 1. FY2020 Q2 Financial Statement (Income Statement and Balance Sheet)   |

## Income Statement

For the Period Ended March 31, 2020

### Revenue and Expense (Budget to Actual)

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

BLACK = FAVORABLE  
RED = UNFAVORABLE

| REVENUES                        | Actual Quarter 1 | Actual Quarter 2 | Actual Quarter 3 | Actual Quarter 4 | Actual YTD       | Budgeted YTD     | Variance (Dollars) | Variance (Percent) |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| Fares and Contracts             | \$ 2,402         | \$ 1,885         |                  |                  | \$ 4,288         | \$ 4,777         | \$ (490)           | -10.3%             |
| Local Property Taxes            | 4,378            | \$ 4,378         |                  |                  | 8,756            | 8,756            | -                  | 0.0%               |
| State Operating Assist.         | 3,502            | \$ 3,615         |                  |                  | 7,117            | 7,799            | (682)              | -8.7%              |
| Federal Operating Assist.       | 1,122            | \$ 828           |                  |                  | 1,949            | 2,354            | (405)              | -17.2%             |
| Other Revenues                  | 94               | \$ 138           |                  |                  | 232              | 232              | 1                  | 0.4%               |
| <b>Total Operating Revenues</b> | <b>\$ 11,498</b> | <b>\$ 10,845</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 22,342</b> | <b>\$ 23,919</b> | <b>\$ (1,576)</b>  | <b>-6.6%</b>       |
| EXPENSES                        |                  |                  |                  |                  |                  |                  |                    |                    |
| Salaries, Wages, Benefits       | \$ 6,498         | \$ 6,313         |                  |                  | \$ 12,811        | \$ 13,177        | \$ 366             | 2.8%               |
| Purchased Transportation        | 2,821            | \$ 2,545         |                  |                  | 5,366            | 5,422            | 56                 | 1.0%               |
| Fuel, Material, Supplies        | 1,114            | \$ 899           |                  |                  | 2,013            | 2,352            | 339                | 14.4%              |
| Contracted Services             | 381              | \$ 579           |                  |                  | 960              | 1,365            | 406                | 29.7%              |
| Other Expenses                  | 557              | \$ 615           |                  |                  | 1,172            | 1,176            | 4                  | 0.3%               |
| <b>Total Operating Exp.</b>     | <b>\$ 11,371</b> | <b>\$ 10,951</b> | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 22,322</b> | <b>\$ 23,492</b> | <b>\$ 1,171</b>    | <b>5.0%</b>        |
| <b>GAIN(LOSS) FROM OPS.</b>     | <b>\$ 127</b>    | <b>\$ (106)</b>  | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 21</b>     | <b>\$ 426</b>    | <b>\$ (405)</b>    | <b>0.1%</b>        |



**REVENUE**  
\$1,576,390

Revenues were lower than budgeted by \$1,576,390 with lower than expected fares, state operating revenues and federal operating revenues.



**EXPENSE**  
\$1,170,506

Expenses were \$1,170,506 lower than budgeted due to lower than expected wages/benefits, material/ supplies and contracted service costs.



TheRide had a \$20,602 surplus at the end of the second 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).

|                                | Overhead       | Fixed Route            | Demand Response   | Non-Urban                    | Express Ride            | AirRide D2A2                   | Other Modes                  | TOTAL ACTUAL    |
|--------------------------------|----------------|------------------------|---|------------------------------|-------------------------|--------------------------------|------------------------------|-----------------|
|                                |                | <i>Fixed Route Bus</i> | <i>A-Ride, FlexRide, HolidayRide, MyRide, NightRide</i> | <i>WAVE, Peoples Express</i> | <i>Commuter Express</i> | <i>Airport/Detroit Shuttle</i> | <i>VanRide, Ride Sharing</i> |                 |
| DIRECT REVENUE                 |                |                        |   |                              |                         |                                |                              |                 |
| Fare Revenue                   | -              | 2,189                  | 383   | 60                           | 46                      | 614                            | -                            | 3,292           |
| Contract Revenues              | -              | 458                    | 104   | 339                          | 8                       | -                              | 88                           | 996             |
| Advertising, Interest, Other   | -              | 224                    | -   | -                            | -                       | -                              | 9                            | 232             |
| State Operating                | -              | 5,085                  | 1,103   | 358                          | 40                      | 339                            | 192                          | 7,117           |
| <b>Total Direct Revenue</b>    | <b>-</b>       | <b>7,955</b>           | <b>1,590</b>  | <b>757</b>                   | <b>93</b>               | <b>953</b>                     | <b>289</b>                   | <b>11,637</b>   |
| DIRECT EXPENSE                 |                |                        |   |                              |                         |                                |                              |                 |
| Salaries, Wages, Benefits      | 2,055          | 10,392                 | 192   | -                            | 84                      | -                              | 87                           | 12,811          |
| Purchased Transportation       | -              | -                      | 3,128   | 1,091                        | -                       | 789                            | 358                          | 5,366           |
| Fuel, Material, Supplies       | 476            | 1,524                  | -   | -                            | 12                      | 0                              | 1                            | 2,013           |
| Contracted Services            | 454            | 440                    | -   | -                            | 4                       | -                              | 63                           | 960             |
| Other Expenses                 | 853            | 254                    | -   | -                            | 7                       | 44                             | 15                           | 1,172           |
| <b>Total Operating Expense</b> | <b>3,838</b>   | <b>12,610</b>          | <b>3,320</b>  | <b>1,091</b>                 | <b>107</b>              | <b>834</b>                     | <b>523</b>                   | <b>22,322</b>   |
| <b>Gain(Loss) from Ops.</b>    | <b>(3,838)</b> | <b>(4,655)</b>         | <b>(1,730)</b>  | <b>(334)</b>                 | <b>(14)</b>             | <b>120</b>                     | <b>(235)</b>                 | <b>(10,685)</b> |
| ALLOCATED REVENUE              |                |                        |   |                              |                         |                                |                              |                 |
| Local Property Taxes           | 3,838          | 3,046                  | 1,730   | -                            | -                       | 142                            | -                            | 8,756           |
| Federal Operating              | -              | 1,629                  | -   | 334                          | 14                      | (262)                          | 235                          | 1,949           |
| <b>GAIN(LOSS) TOTAL:</b>       | <b>-</b>       | <b>21</b>              | <b>-</b>  | <b>-</b>                     | <b>-</b>                | <b>-</b>                       | <b>-</b>                     | <b>21</b>       |

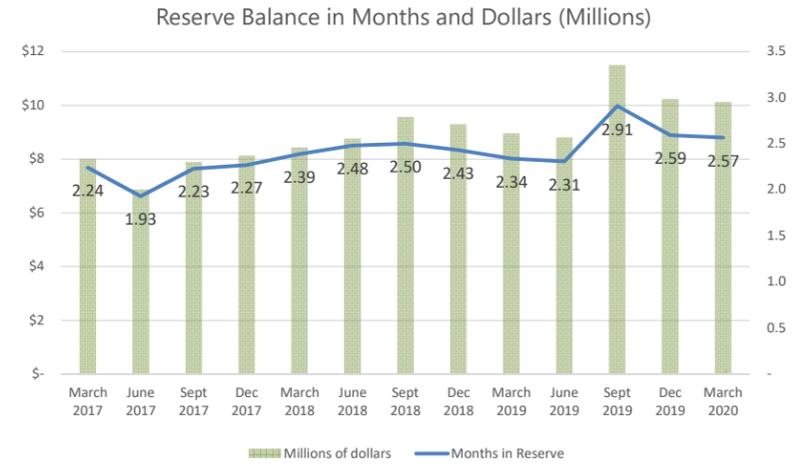
## Balance Sheet

For the Period Ended March 31, 2020

### Balance Sheet and Reserve

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

|                          | Q2 2019<br>3/31/2019 | Q1 2020<br>12/31/2019 | Q2 2020<br>3/31/2020 |
|--------------------------|----------------------|-----------------------|----------------------|
| <b>ASSETS</b>            |                      |                       |                      |
| Cash                     | \$ 6,496             | \$ 6,899              | \$ 5,063             |
| Investments              | \$ 7,116             | \$ 11,698             | \$ 8,790             |
| Other Current Assets     | 12,623               | 10,698                | 14,806               |
| Capital Assets           | 52,283               | 47,904                | 52,477               |
| <b>Total Assets</b>      | <b>\$ 78,518</b>     | <b>\$ 77,199</b>      | <b>\$ 81,135</b>     |
| <b>LIABILITIES</b>       | 5,250                | 5,842                 | 5,320                |
| <b>NET POSITION</b>      | <b>\$ 73,268</b>     | <b>\$ 71,357</b>      | <b>\$ 75,815</b>     |
| <br>                     |                      |                       |                      |
| <b>Reserve Balance</b>   | <b>\$ 8,957</b>      | <b>\$ 10,248</b>      | <b>\$ 10,134</b>     |
| <b>Months in Reserve</b> | <b>2.34</b>          | <b>2.59</b>           | <b>2.57</b>          |



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

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

| Historical Cash Flows     | Fiscal Year 2018 |                   |                   |                  | Fiscal Year 2019  |                   |                   |                  | Fiscal Year 2020  |                   |
|---------------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                           | Quarter 1        | Quarter 2         | Quarter 3         | Quarter 4        | Quarter 1         | Quarter 2         | Quarter 3         | Quarter 4        | Quarter 1         | Quarter 2         |
| <b>Beginning Balance:</b> | \$ 15,638        | \$ 15,119         | \$ 12,511         | \$ 9,064         | \$ 19,824         | \$ 16,403         | \$ 13,612         | \$ 9,427         | \$ 21,872         | \$ 18,597         |
| Cash from Operations      | (1,519)          | (3,584)           | (5,417)           | 2,725            | (5,289)           | 115               | (3,040)           | 2,273            | (4,626)           | (1,495)           |
| Cash from Capital         | -                | (5)               | (31)              | (2)              | (50)              | 628               | 465               | 1,031            | 1,351             | (304)             |
| Cash from Investments     | 1,000            | 980               | 2,001             | 8,037            | 1,918             | (3,534)           | (1,610)           | 9,141            | -                 | (2,945)           |
| <b>Cash Flow:</b>         | <b>\$ (519)</b>  | <b>\$ (2,609)</b> | <b>\$ (3,447)</b> | <b>\$ 10,760</b> | <b>\$ (3,421)</b> | <b>\$ (2,791)</b> | <b>\$ (4,185)</b> | <b>\$ 12,445</b> | <b>\$ (3,275)</b> | <b>\$ (4,744)</b> |
| <b>Ending Balance:</b>    | <b>\$ 15,119</b> | <b>\$ 12,511</b>  | <b>\$ 9,064</b>   | <b>\$ 19,824</b> | <b>\$ 16,403</b>  | <b>\$ 13,612</b>  | <b>\$ 9,427</b>   | <b>\$ 21,872</b> | <b>\$ 18,597</b>  | <b>\$ 13,853</b>  |

**Q2 cash flow was negative at \$4.7 million**  
 The Statement of Cash Flows summarizes the amount of cash and cash equivalents entering and leaving AAATA during the reporting period. It measures how AAATA generates cash to fund its operating, capital, and investing needs. **Negative cash flow is the normal position for all quarters except 4th quarter, when property tax receipts generate positive cash flow.**

### Investments Summary

In Thousands of Dollars (which means add a comma and three zeros). \*\*Summary below excludes investment income

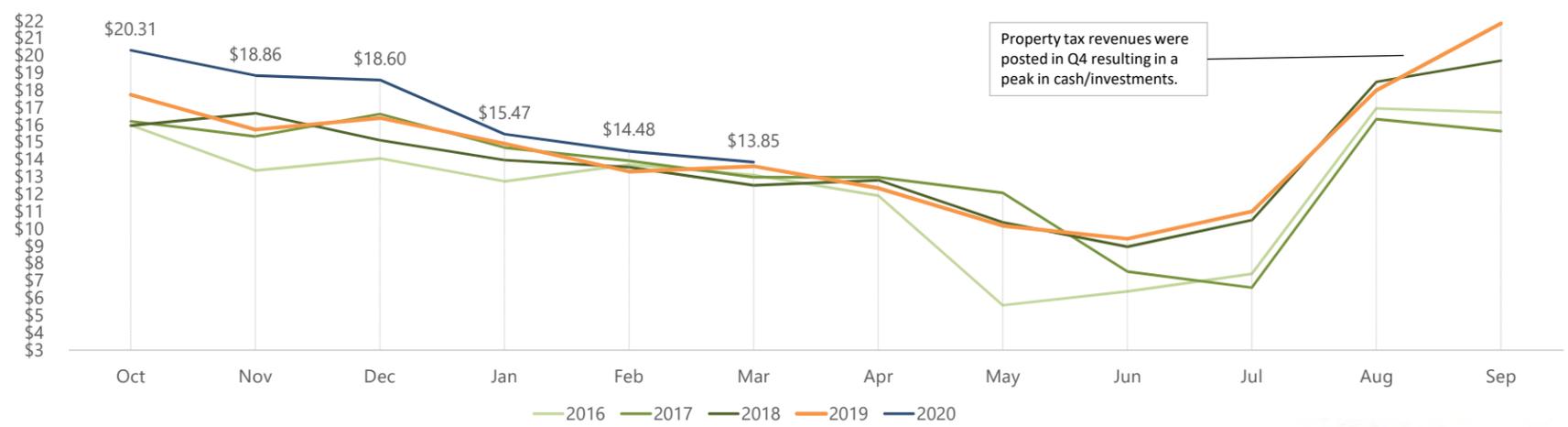
| Investment Instrument     | Date of Maturity | Interest Rate | Total as of 12/31/2019 |                   | Total as of 3/31/2020 |
|---------------------------|------------------|---------------|------------------------|-------------------|-----------------------|
|                           |                  |               | Transactions           | Value             |                       |
| U.S. Treasury Bill        | 10/15/2019       | 1.7%          | -                      | -                 | -                     |
| U.S. Treasury Bill        | 11/19/2019       | 1.7%          | -                      | -                 | -                     |
| U.S. Treasury Bill        | 12/26/2019       | 1.8%          | -                      | -                 | -                     |
| U.S. Treasury Bill        | 2/20/2020        | 1.8%          | 2,000                  | (2,000)           | -                     |
| U.S. Treasury Note        | 2/15/2020        | 1.8%          | 1,000                  | (1,000)           | -                     |
| U.S. Treasury Note        | 8/15/2020        | 1.6%          | 1,494                  | -                 | 1,494                 |
| U.S. Treasury Note        | 8/31/2020        | 1.7%          | 2,000                  | -                 | 2,000                 |
| CD Other                  | 1/3/2020         | 1.7%          | 240                    | (240)             | -                     |
| CD Other                  | 3/18/2020        | 1.6%          | 240                    | (240)             | -                     |
| CD Other                  | 3/30/2020        | 1.6%          | 240                    | (240)             | -                     |
| CD Other                  | 11/17/2020       | 1.7%          | 240                    | (240)             | -                     |
| CD Other                  | 1/15/2021        | 1.7%          | -                      | 240               | 240                   |
| CD Other                  | 1/21/2021        | 1.7%          | -                      | 240               | 240                   |
| U.S. Agency Bond          | 9/28/2020        | 1.6%          | 150                    | -                 | 150                   |
| U.S. Agency Bond          | 10/30/2020       | 1.7%          | 2,000                  | -                 | 2,000                 |
| U.S. Agency Bond          | 4/9/2021         | 1.6%          | -                      | 1,000             | 1,000                 |
| U.S. Agency Bond          | 8/5/2022         | 1.6%          | -                      | 1,500             | 1,500                 |
| Money Market Funds        | N/A              | 2.0%          | 2,037                  | (1,965)           | 72                    |
| <b>Total Investments:</b> |                  |               | <b>\$ 11,641</b>       | <b>\$ (2,945)</b> | <b>\$ 8,696</b>       |

**Q2 2020 Investment Income: \$157,243**

The majority of Operating Capital and Long Term Reserves are federally insured. U.S. Treasury Bills, Notes, and Agency Bonds are short term bonds (several months to 10 years) backed by the Treasury Department of the U.S. Government. The rates shown for the current investments represent the gross yield-to-maturity rates (before the annual fee of .28%). Accounts that are not FDIC insured or with balances above the FDIC insurance threshold are used for day-to-day working capital.

### Cash and Investments History

Total Cash and Investments by Month and Year (2016 to 2020 YTD)  
 In Millions of Dollars.



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## ISSUE BRIEF: CEO Report

**Meeting: Board of Directors**

**Meeting Date: May 21, 2020**

### INFORMATION TYPE:

Other

### OPERATIONAL & PROJECT UPDATES

- **CORONAVIRUS**

TheRide continues to implement information designed to safeguard the health of staff and passengers during the pandemic. Staff will be bringing more up-to-date information to the Board meeting.

Financial stresses are becoming apparent at other transit agencies and local institutions. Across the country, more transit agencies are announcing layoffs or furloughs. Locally, the State government and major educational institutions are taking steps that suggest financial challenges.

- **REGIONAL TRANSIT**

In early May, the CEO met with technical staff of the RTA to clarify some ideas regarding regional transit in Washtenaw County. TheRide will continue to meet with County stakeholders to refine these ideas. The RTA will likely not be attempting to seek a referendum on regional transit in 2020. Their next window will be 2022. The CEO of the RTA, Mr. Matt Webb has resigned from the RTA. We are not aware of the RTA's plans to find a replacement.

- **Y-LOT**

The City of Ann Arbor is moving forward with activities to pre-entitle development plans for the Y-Lot. The concept for development continues to include a bus lane on the first floor of the building. If approved, this approach could streamline the next attempt to develop this property next to the Blake Transit Center. Staff will continue working with the City to refine these ideas. The next Council approval may occur in early 2021.

- **A2Zero**

The City of Ann Arbor continues to discuss their carbon neutrality aspirations. Another Council discussion will occur on May 18, 2020.

- **AAATA STAFFING**

The candidate selected to step into the role of Manager of Bus Operations suddenly changed their mind four days before they were supposed to arrive. They will not be joining our team after all. Interim staffing and alternative recruitment strategies are being implemented to maintain continuity and continue the search.

- **WATS POLICY COMMITTEE UPDATE**

There was no April WATS Policy Committee meeting.

- **TRANSPORTATION COMMISSION**

Due to staffing challenges, no AAATA staff are attending the Commission at the time.