

Board of Director's Meeting Agenda

Meeting Date/Time: August 21, 2025 - 6:30pm – 9:00pm

Location: Ann Arbor District Library (4th Floor - Virtual via [Zoom](#) Passcode: 983308

Members: Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Susan Pollay, Praveena Ramaswami, Georgia Valentine

Agenda Item	Info Type	Start Time	Details	Page #
1. OPENING ITEMS				
1.1 Approve Agenda	D	6:30	Mozak	
1.2 Public Comment	O			
1.3 General Announcements	O			
2. CONSENT AGENDA				
2.1 Board Meeting Minutes: July 24, 2025	D			3
2.2 Committee Meeting Summaries	D			7
2.3 Board of Director's Meeting Run Times	D			14
2.4 Add Determining Reasonableness Document to Board Policy Manual Appendix	D			16
3. OWNERSHIP LINKAGE				
3.1 Ownership Linkage Task Force Updates	O	6:35	Chang	Verbal
4. MONITORING / DEVELOPMENT				
4.1 Recommendation to Not Monitor Policy 2.5.12	D	6:40	Allemang	20
4.2 Governance Process Policies (3.0-3.4)	M		Mozak	21
5. POLICY DEVELOPMENT				
5.1 Policy Language Discussion (if needed)	O	7:00	Mozak	
5.1.1 Policy 3.2 Job Description	D		Mozak	38
6. BOARD EDUCATION / DISCUSSION				
7. OPERATIONAL UPDATES				
7.1 Draft Budget Budget Book pg.55 / Budget PPT pg. 120	D	7:20	Reed	39
7.1.1 Public Hearing RE: Budget	O		Mozak	
7.2 BTC Authorizations	O	8:00	Reed/Yang	40
7.3 FY25 Q3 Financial Report	O	8:20	Reed	45
7.4 CEO Report & Legislative Updates	O	8:40	Carpenter / Pfeifer	48
8. EMERGENT ITEMS				
9. CLOSING ITEMS				
9.1 Action Item Recap	O	8:50	Holt	
9.2 Topics for Next Meeting Budget Approval FY25 Q3 Service Report Financial Planning & Budgeting (2.4) Officer Elections Future: State Funding (Education)			Thursday, September 18, 2025	
9.3 Public Comment	O	8:55		
9.4 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 3.1.3 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

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

Board of Director's Meeting Minutes

Meeting Date/Time: July 24, 2025 - 6:30pm – 9:00pm

Location: Riverside Arts Center, Ypsilanti (4th Floor)

Virtual attendance available via Zoom

Members Present: Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Susan Pollay, Praveena Ramaswami, Georgia Valentine

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

Agenda Item
1. OPENING ITEMS
1.1 Approve Agenda
No additions or changes noted to the agenda.
Mr. Chang motioned to approve the agenda, seconded by Mr. Miller.
No discussion on the motion.
All in favor of approving the agenda:
Mr. Mike Allemang: Yes
Mr. Chris Allen: Yes
Mr. Simi Barr: Yes
Mr. Rich Chang: Yes
Ms. Julie Grand: Yes
Mr. Jesse Miller: Yes
Ms. Susan Pollay: Yes
Ms. Praveena Ramaswami: Yes
Ms. Georgia Valentine: Yes
Chairwoman Kathleen Mozak: Yes
The motion to approve the agenda passed unanimously.
1.2 Public Comment
Mr. Forest Gregg requested the organization find ways for long-term detour information to be more accessible with online trip planning tools. He explained the challenge of using current online rider tools with ongoing road construction projects and a lack of updated route information in transit apps.
1.3 General Announcements
Chairwoman Mozak welcomed new Board member, Praveena Ramaswami who will be filling a vacant position for the City of Ann Arbor. She shared that Board Officer Elections will be taking place in September along with committee chairs and committee assignments. She also highlighted the 75th anniversary of the Americans with Disability Act and noted the Disability Network of Washtenaw, Macomb, Livingston would be hosting an event celebration and AAATA had sponsored a food truck.

2. CONSENT AGENDA

2.1 Board Meeting Minutes: June 19, 2025

2.2 Committee Meeting Summaries

2.3 FY26 Committee/Board Meeting Dates & Alternative Meeting Location Dates

2.4 Board Administrative Budget

Mr. Allemang motioned to accept the Consent Agenda, seconded by Ms. Valentine.

No discussion on the motion.

All in favor of accepting the Consent Agenda:

Mr. Mike Allemang: Yes
Mr. Chris Allen: Yes
Mr. Simi Barr: Yes
Mr. Rich Chang: Yes
Ms. Julie Grand: Yes
Mr. Jesse Miller: Yes
Ms. Susan Pollay: Yes
Ms. Praveena Ramaswami: Yes
Ms. Georgia Valentine: Yes
Chairwoman Kathleen Mozak: Yes

The motion to accept the Consent Agenda passed unanimously.

3. OWNERSHIP LINKAGE

3.1 Ownership Linkage Task Force Updates

Mr. Chang provided an update on meeting coordination's with Ann Arbor City Council members and Ypsilanti Township members. Scheduling conflicts have pushed out meeting dates to later summer.

4. MONITORING / DEVELOPMENT

4.1 Board Meeting Run Time

Chairwoman Mozak shared the results/ comments from a recent survey which gathered input from board members on ways to more efficiently conduct board meetings. Board members agreed to keep the meeting time to 2.5 hours (current time) and move the meeting start time back to 6pm. Board members decided not to implement speaking limits but (when possible) were receptive to receiving videos of presentations ahead of meetings. The video links would also be included with the publicly posted board packets. They also agreed that when monitoring report surveys had 100% approval responses, the report could be placed on the Consent Agenda for approval (but could be taken off if anyone wanted further discussion).

5. POLICY DEVELOPMENT

6. BOARD EDUCATION / DISCUSSION

6.1 Determining Reasonableness

Governance consultant Sue Radwan provided an educational presentation on the topic of reasonableness when assessing the CEO's interpretation of board policy ([7/24/25 AAATA Board of Director's meeting packet, pg. 30](#)). She shared guidance on the philosophical

foundations of Policy Governance and the concept of “any reasonable interpretation” and the importance of focusing on results rather than means when reviewing CEO monitoring reports.

Board members used a prior monitoring report on Environmental Sustainability as an example of when CEO interpretations may not have been clearly understood. Members also discussed the importance of clear communication and rationale in monitoring reports and look forward to continued Policy Governance educational opportunities.

Chairwoman Mozak recommended Ms. Radwan’s guidance would be a useful addition to the Board Policy Manual.

7. OPERATIONAL UPDATES

7.1 Business Plan

Mr. Carpenter thanked Board members and staff for feedback on the Business Plan and provided highlights on several changes – one major change requested by Board members was the removal of the term “low priority” which has been replaced with the categories of core services, ridership growth and value-added services. Work on the FY26 Corporate Business Plan is complete – however, Mr. Carpenter noted that it is a living document and subject to updates based on new information.

7.2 FY2026 Budget Preview

Ms. Reed presented the FY26 Budget preview ([7/24/25 AAATA Board of Director's meeting packet, pg. 88](#)) noting that the operating budget for FY26 is approximately \$70 million, balanced with no fare increases planned and all capital projects fully funded. State operating assistance is expected to be around 26%, a decrease from previous years that will have impact on the budget. The capital budget for FY26 is approximately \$29-30 million with federal and state funding contributions for capital projects. She also shared information on key risks which include fluctuations in state operating assistance and federal funding for capital projects. Board members were encouraged to provide feedback throughout the budget process to ensure alignment with the business plan and board goals

7.3 CEO Report & Legislative Updates

Mr. Carpenter congratulated staff on completing the NEPA process and Triennial Review. He also shared that the trademark process for logos is also nearing final completion.

Mr. Pfeifer shared updates on federal and state funding.

8. EMERGENT ITEMS

9. CLOSING ITEMS

9.1 Action Item Recap

- Staff will contact the AA District Library to confirm the 6pm Board meeting start time – beginning in October.
- Staff will send Board members the committee/board meeting calendar invitations for the next fiscal year
- Add reasonableness document to the Board Policy Manual appendix
- Corporate Business plan will be added to the website

9.2 Topics for Next Meeting

Governance Process Policies (3.0-3.4)
Policy Development - Policy 3.2 Job Description
BTC Authorizations
Draft Budget
Public Hearing RE: Budget
FY25 Q3 Financial Report
Future:
State Funding (Education)

9.3 Public Comment

No public commenters.

9.4 Adjournment

Ms. Valentine motioned to adjourn the meeting, seconded by Mr. Allemang.

There was no discussion on the motion.

All in favor of adjourning the meeting:

Mr. Mike Allemang: Yes
Mr. Chris Allen: Yes
Mr. Simi Barr: Yes
Mr. Rich Chang: Yes
Ms. Julie Grand: Yes
Mr. Jesse Miller: Yes
Ms. Susan Pollay: Yes
Ms. Praveena Ramaswami: Yes
Ms. Georgia Valentine: Yes
Chairwoman Kathleen Mozak: Yes

The motion to adjourn the meeting passed unanimously.

Chairwoman Mozak adjourned the meeting at 9:00pm.

Respectfully Submitted by Deborah Holt

Governance Committee Meeting Notes

Meeting Date/Time: Thursday, July 31, 2025 – 3:00 – 5:00pm

Members Present: Kathleen Mozak (Chair), Mike Allemang

Members Absent: Rich Chang (Excused)

Staff: Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Jeff Pfeifer, Rosa-Maria Kamau, Kevin Zelazny

Location: REMOTE – Via Zoom

Chairwoman Mozak called the meeting to order at 3:00pm

Agenda Item
1. OPENING ITEMS
1.1 Agenda (Additions, Approval) The agenda was reviewed, and no additions were made. The committee approved the agenda as presented.
1.2 Communications There were no new communications brought forward by the committee.
2. BOARD DEVELOPMENT
2.1 Recruitment / Training / Attendance Chairwoman Mozak stated that there was nothing significant to report under this item. She mentioned that the Governance Committee is “fully stocked with personnel until next year.”
2.2 OLTF There was no new report or update for the OLTF from Mr. Chang (who was unable to attend the meeting).
2.3 Ends Development & Priorities Chairwoman Mozak shared a proposed structure for reviewing the Board’s Ends policies in collaboration with consultant Sue Radwan. The plan includes two separate meetings:

A 2-hour meeting in October – intended to help the full Board reflect on the Ends policies by reviewing questions that will be sent in advance. This meeting is described as helping the Board “discern what it is we want to talk about” for the deeper session in December.

A 6-hour meeting in December – to conduct a deeper dive into the Ends, informed by insights gathered in the October meeting.

The committee will continue to work with the Governance Consultant to craft questions for the October meeting. Meeting date options are being reviewed.

3. POLICY MONITORING & DEVELOPMENT

3.1 Artificial Intelligence

Committee members discussed the emerging role of Artificial Intelligence in operations. Mr. Allemang raised interest in exploring AI for service planning, operational efficiency, and administrative functions. Mr. Carpenter outlined areas of potential application including customer service tools, internal productivity, and autonomous vehicles, and noted that while adoption across the industry is still limited, staff are monitoring developments and exploring possibilities. The importance of data readiness and infrastructure was also discussed.

4. STRATEGY & OPERATIONAL UPDATES: CEO

4.1 Draft Budget Update

Mr. Carpenter provided a brief update on the draft FY26 budget. He reported that there were no significant changes since the last committee review. The draft remains in development and will continue to be refined as part of the broader organizational planning process.

4.2 Legislative Updates

Mr. Pfeifer reported that there has been minimal movement in the state budget process. No new legislative updates were available at this time.

4.3 Low-No Grant Update

Ms. Reed and Mr. Pfeifer provided an update on the recent Low-No grant award. AAATA has been awarded \$750,000 in Congressionally Directed Spending, secured through requests to both Senator Peters’ and Congresswoman Slotkin’s offices. The funds will support security upgrades at the Ypsilanti Transit Center (YTC). While the legislation has not yet been signed into law, the funding has been incorporated into the federal budget and is expected to move forward. Some security features may be transferable to the future YTC facility.

4.4 Labor Update

Mr. Carpenter provided a brief update on labor relations. He reported that while no formal negotiations were currently underway, internal efforts to prepare for future discussions are ongoing. He acknowledged that staff continue to engage with union leadership on various operational concerns and expressed appreciation for the cooperative tone of recent interactions. No immediate labor issues requiring Board action were identified at this time.

4.5 4th Street Funding Update

Mr. Carpenter reported that AAATA is pursuing funding from the state to support the Fourth Street project. This funding will contribute to advancing site development

and infrastructure improvements. The agency is continuing to identify and pursue additional funding sources to fully support project implementation.

4.6 A2 South Update

Mr. Carpenter provided a brief update on the A2 South project. He noted that AAATA is finalizing environmental review documents and preparing for site plan submission. Coordination continues with city planning staff to ensure alignment with zoning and infrastructure requirements. No major issues have arisen, and the project remains on track.

5. EMERGENT ITEMS

6. CLOSING ITEMS

6.1 Committee Agendas

Chairwoman Mozak and Mr. Carpenter discussed upcoming committee agendas. No major adjustments were proposed. Committee chairs will continue to work with staff to finalize items for future meetings. Governance Committee members were encouraged to provide input or suggest additional topics as needed.

6.2 Action Item Recap

- Schedule Ends Policy discussion meeting with Sue Radwan when Ms. Holt returns
- Mr. Carpenter to consult with Executive Committee regarding Low-No grant strategy
- Plan for Mr. Allemang's absence at the September Board Meeting

6.3 Topics for Next Meeting

Guidance on Sustainability Policy
Budget Update

Future:
Advocacy & Regionalism, Governance Training
Options, Policy Manual Mock-Up

6.4 Adjournment

Chairwoman Mozak thanked the committee and staff and adjourned the meeting at 4:55 pm.

Respectfully submitted by Kevin Zelazny

Service Committee Meeting Notes

Meeting Date/Time: August 5, 2025, 3:00pm – 5:00 pm

Members Present: Simi Barr (Interim Chair), Jesse Miller, Susan Pollay, Rich Chang, Praveena Ramaswami

Staff: Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Jeff Pfeifer, Deb Holt, Sue Radwan

Location: REMOTE – Via Zoom

Mr. Barr called the meeting to order at 3:01pm

Agenda Item
1. OPENING ITEMS
<p>1.1 Agenda (Additions, Approval)</p> <p>No additions or changes noted to the agenda.</p> <p>1.2 Communications</p> <p>No new communications.</p>
2. POLICY MONITORING & DEVELOPMENT
<p>2.1 Environmental Sustainability (End vs. EL)</p> <p>The committee continued their discussion on whether Environmental Sustainability is an Executive Limitation policy or an Ends policy. Governance consultant Sue Radwan provided guidance on the developing the policy under the Ends. Members discussed whether the proposed policy language encapsulates the entire organization or is focused on vehicle emissions. Ms. Radwan provided a suggestion of an additional policy that addresses organization-wide sustainability as a value that might be placed under Asset Protection or perhaps Financial Conditions and Activities. Committee members were favorable to her suggestion and will recommend to the Board that Environmental Sustainability is an Ends policy and then begin to work on policy language discussion for an policy under the Executive Limitations.</p>
3. STRATEGY & OPERATIONAL UPDATES: CEO
<p>3.1 Budget Update</p> <p>Ms. Reed provided an update on the budget process – no major changes or adjustments since the Board meeting. Staff are currently conducting project initiative reviews which will be included along with the draft budget in the August Board packet.</p> <p>3.2 Legislative Update</p> <p>Mr. Pfeifer shared that he has no updates to provide on the State budget. He noted that two funding requests have moved forward in the Senate appropriations.</p>

3.3 Low-No Grant Update

Mr. Carpenter and the committee discussed recent updates on the Low-No Grant.

3.4 Labor Update

Mr. Carpenter provided a brief labor update.

3.5 A2 South Update

Mr. Carpenter shared an update on the A2 South development proposal project and potential transit implications.

3.6 Quarterly Service Report Input

The committee confirmed that D2A2 data no longer needs to be included in quarterly service reports.

4. CLOSING ITEMS

4.1 Action Item Recap

- Service Committee will recommend to the Board that Environmental Sustainability belongs as an Ends policy and will be included in the overall Ends review.

4.2 Topics for the Next Meeting

FY25 Q3 Service Report

Future:

4.3 Adjournment

Mr. Barr thanked the committee and staff and adjourned the meeting at 4:54 pm.

Respectfully Submitted by Deborah Holt

Finance Committee Meeting Notes

Meeting Date/Time: Tuesday, August 12, 2025 - 3:00 – 5:00pm

Members: Mike Allemang (Chair/Treasurer), Chris Allen, Julie Grand, Georgia Valentine

Staff: Matt Carpenter, Dina Reed, Forest Yang, George Brooks, Jeff Pfeifer, Rosa-Maria Kamau, Andy Huber, Deb Holt

Location: REMOTE – Via Zoom

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

Agenda Item	
1. OPENING ITEMS	
1.1 Agenda (Additions, Approval)	No changes noted for the agenda.
1.2 Communications	No new communications.
2. POLICY MONITORING & DEVELOPMENT	
3. STRATEGY AND OPERATIONAL UPDATES	
3.1 Draft Budget	<p>Ms. Reed shared the 1st draft of the FY26 Board Budget noting that assumptions continue to be updated (no changes of significant impact to revenues or expenses), and a revised draft will be prepared ahead of the August board meeting. She shared a change to insurance coverage for vehicle repairs – the cost savings will be moved to the reserve balance. She outlined the timing of receiving several large grants and potential impacts to planning/funding capital projects with capital reserve funds. The committee discussed potential impacts and risks from state and federal funding sources and thanked Ms. Reed and staff for her continued work in providing detailed information.</p> <p>Ms. Kamau shared with the committee that the Board had updated monitoring for the Fare Policy (2.5.12) to as needed. Staff asked the Finance Committee to recommend to the Board that it not be monitored this year as there are no changes to fares. The committee agreed that they would make a recommendation for Board approval at the August Board meeting and note that a Fare Study is planned.</p>
3.2 Legislative Updates	<p>Mr. Pfeifer shared that the state budget has not been finalized. Federal funding requests to Senators Peters and Slotkin are moving to Senate Appropriations for final approval. Reauthorization funding approvals continue to be monitored.</p>

3.3 FY25 Q3 Financial Report

Ms. Reed presented the FY25 Q3 Financial Report – finances continue to stay on trend, with no major changes and the organization is operating within budgeted operating expenses. She noted the potential for a favorable surplus due to property tax revenues variances that were slightly over original budget projections.

3.4 Low-No Grant Update

Mr. Carpenter and the committee discussed the status for the Low-No Grant final funding obligations.

3.5 A2 South Update

Mr. Carpenter and the committee discussed an update on the A2 South development proposal project.

3.6 Labor Update

Mr. Carpenter provided a brief labor update.

4. CLOSING ITEMS

4.1 Action Item Recap

- Committee will make a recommendation at the August Board meeting that the Fare Policy 2.5.12 (monitored *as needed*) doesn't need a monitoring report for this year as no fare changes have been made. A Fare Study is planned for next year.

4.2 Topics for Next Meeting

Budget
Financial Planning & Budgeting (2.4)

Future Meeting:
Gas Tax information / update

4.3 Adjournment

Mr. Allemang thanked the committee and staff and adjourned the meeting at 4:34pm.

Respectfully submitted by Deborah Holt

Board of Director's Meeting Run Times

Meeting: Board of Director's

Meeting Date: August 21, 2025

INFORMATION TYPE
Decision
RECOMMENDED ACTION(S)
<p>That the Board formally adopt "Board Meeting Time Constraint Options" as approved by consensus at the July 24, 2025 BoD meeting.</p> <ul style="list-style-type: none"> Beginning October 1, 2025, continue to schedule Board meetings for 2.5 hours and change the meeting start time from 6:30 pm to 6:00 pm. The Board will make every effort to end Board meetings at 8:30pm. That being said, the Board understands that some meetings may run longer to accommodate vital Board business. Place realistic time markers for each agenda item on the agenda. The Board may receive some reports/presentations in video format to view in preparation of the BoD meeting in place of in person reports/presentations. This action is dependent upon staff bandwidth and the availability of relevant information prior to a Board meeting. Policy Monitoring Reports that achieve an overall approval response of 100% will be placed on the consent agenda. A Board member may request an item be pulled out of the consent agenda for discussion.
BACKGROUND
<p>At the April 17th BoD meeting, Mr. Simi Barr raised a concern that the BoD meetings do not adhere to the posted runtime on the Board agenda of 6:30 pm – 9 pm. The Board had a short discussion about this concern and tasked the Governance Committee to consider how the meetings might be structured in a way that conforms to the posted run time. An online survey was completed by the full Board and then the results were discussed at the July 24, 2025 BoD meeting where a consensus was reached on the ways meetings could be more effective.</p>
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<p>3.0 GLOBAL GOVERNANCE PROCESS The purpose of the Board, on behalf of the residents and workers of the member jurisdictions and government jurisdictions with whom we have service agreements (Ownership), and as stewards of the future, is to see to it that the Ann Arbor Area Transportation Authority (AAATA)</p> <ul style="list-style-type: none"> (a) achieves appropriate results for appropriate persons at an appropriate cost, and (b) avoids unacceptable actions and situations. <p>3.1 GOVERNING STYLE The Board will govern lawfully, observing the principles of the policy governance, with an emphasis on</p> <ul style="list-style-type: none"> (a) the best interests of the entirety of the ownership and stewardship of the agency, (b) encouragement of diversity in viewpoints,

(f) collective rather than individual decisions,

3.2 BOARD JOB DESCRIPTION Specific job outputs of the Board, as an informed agent of the ownership, are those that ensure appropriate organizational performance.

3.3.6 Members will be properly prepared for Board deliberation.

IMPACTS OF RECOMMENDED ACTION(S)

These above actions the Board wishes to implement will aid the Board in achieving its desire for a 2.5 hour Board meeting run time.

- Budgetary/Fiscal: N/A or other
- Social: N/A or other
- Environmental: N/A or other
- Governance: Board Meeting Run Time

ATTACHMENTS

None

Add Determining Reasonableness Document to Board Policy Manual Appendix

Meeting: Board of Director's

Meeting Date: August 21, 2025

INFORMATION TYPE
Decision
RECOMMENDED ACTION(S)
That the Board approves the addition of the Determining Reasonableness Document, as presented to the Board at the July 2025 Board meeting by Governance Consultant, Sue Radwan, to the Policy Manual Appendix.
BACKGROUND
The Governance Committee has been working with Sue Radwan, Governance Consultant, to create a document to aid in defining and determining Reasonableness when the Board receives Policy Monitoring Reports from the CEO. Ms. Radwan gave a presentation at the July 2025 BoD meeting that included a 2-page document outlining what considerations a Board member needs to take into account when completing a Policy Monitoring Survey to Determine Reasonableness. The Board Chair suggested that the document be placed in the Board Policy Manual Appendix for reference. By consensus, the Board was supportive, but no formal vote was taken.
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<p>3.2 BOARD JOB DESCRIPTION "Specific job outputs of the Board, as an informed agent of the ownership, are those that ensure appropriate organizational performance. Accordingly, the Board has direct responsibility to create:</p> <p>3.2.3 Written governing policies that address the broadest levels of all organizational decisions and situations</p> <ul style="list-style-type: none"> A. Ends: Organizational products, impacts, benefits, outcomes, recipients; and their relative worth in cost or priority (what good for which recipients at what cost). B. Executive Limitations: Constraints on executive authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place. C. Governance Process: Specification of how the Board conceives, carries out and monitors its own task. D. Board-Management Delegation: How power is delegated and its proper use monitored; the CEO role, authority and accountability.
IMPACTS OF RECOMMENDED ACTION(S)
Adding the Determining Reasonableness Document to the Board Policy Manual Appendix as a reference to Board members would positively support the Board as they complete Policy Monitoring Surveys.

- Budgetary/Fiscal: N/A or other
- Social: N/A or other
- Environmental: N/A or other
- Governance: Addition to Board Policy Manual Appendix

ATTACHMENTS

Attachment 1: Determining Reasonableness Document

What is a reasonable interpretation of a Board policy?

“Assurance of successful organizational performance on Ends and Executive Limitations” is in the Board’s job description (3.2.4 and 3.2.5). Just like in a CEO performance appraisal, the big question is: Do we have a competent CEO? Evaluating a monitoring report is a function of ongoing CEO evaluation. That question should extend to the assessment of a monitoring report.

Policy 4.4.4 states, “The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The board is the final arbiter of reasonableness, but will always judge with a “reasonable person” test rather than with an interpretation favored by Board members or by the Board as a whole. “

Elements of An Interpretation

The following elements should be included in an interpretation for the Board to assess its reasonableness:

1. (An operational definition) How we have operationalized this policy inside the organization underscored by:
2. A measure or standard that would demonstrate aligned performance with a defensible rationale for that measure or standard.
3. A level of achievement (a target) necessary to demonstrate compliance or achievement **for this reporting period** with rationale for the level of achievement chosen.

The rationale provided is intended to persuade the board as to why it should find the interpretation as reasonable. The rationale provides context for the measure or standard chosen to demonstrate performance.

Basis for Reasonableness

When board members assess a monitoring report, their frame of mind matters. The assessment should not be approached from a “check list” perspective or a “gotcha” opportunity looking for faulty thinking or nit-picking on minor points, but rather, “Does this interpretation demonstrate competent decision-making?” The reader of the report should approach it from a “generalist” lens rather than a “specialist” or activist lens. The reader should be assessing the degree of progress or compliance with the measurements identified. The reader should be assuming “good faith” in decision-making, but cognizant of confusing rationale or language that seems to obfuscate clear understanding. Overall, the reader should be considering, “Given the context of our organizational limitations, does the interpretation and the rationale make sense.”

The board has an obligation to listen to concerns presented, however, Policy 3.1.2 states, “The board will not allow dominant personalities or individual agendas to usurp the Board’s broader perspective, collective responsibilities or values.”

Questions to Discern Reasonableness

Is the interpretation complete? Were all values contained in the policy reasonably addressed?
Does the rationale for the choices presented make sense to me?
Does the measure or standard chosen demonstrate there is a system in place to create reliable/predictable results?
Are the projected results for the reporting period reasonable?
Does the evidence demonstrate compliance or achievement with the measure or standard identified for this reporting period?
Is the evidence or data provided verifiable? In other words, if I wanted to see the evidence that supports compliance, could I?

Explanation

The “any reasonable interpretation” standard exists to push the Board to clearly state their collective expectations proactively through written policy. If a CEO’s stated definition and target are aligned with the goal of the written policy and making acceptable progress (i.e. reasonable), then ANY method of achieving those results should be accepted. Otherwise, the Board risks prescribing Means, or allowing individual preferences to circumvent board holism or the CEO’s judgment. There is a natural temptation for board members to advocate for personal preferences. The ANY reasonable interpretation standard does NOT mean the Board’s *intended* interpretation, or “*my* interpretation”. The CEO may need to offer justification or rationale to provide context for the choices made. Objective, defensible rationale should assist in persuading the board of the reasonableness of the choices made.

Dissecting a CEO’s written interpretation of a board’s policy forces all parties to grapple with ambiguity, intent, group decisions, delegation, and accountability. For example, angst over a CEO’s interpretation may suggest that some board members may have a differing assumption about the intent of the policy or want the agency to go in a new direction. The correct action here is for fellow board members to update the policy in question. A narrower policy will force a tighter CEO interpretation, while still allowing any reasonable interpretation. Accepting ANY reasonable interpretation forces the board out of a management mindset and into their group leadership role.

Finally, this standard is not carte blanche to do whatever the CEO wants – accountability for delegated authority remains through the monitoring performance against Board policy. But it does help to ensure that the CEO’s professional judgment is respected while maintaining clear role delineation and accountability.

Recommendation to Not Monitor Policy 2.5.12 re: Fare Changes

Meeting: Board of Directors

Meeting Date: August 21, 2025

INFORMATION TYPE
Decision
RECOMMENDED ACTION(S)
That the Board consider approving a recommendation by the Finance Committee and CEO to <u>not</u> monitoring policy 2.5.12 regarding fare collection this September.
ISSUE SUMMARY
The Board's policy 2.5.12 lays out steps with which the CEO must comply <u>if</u> they are recommending changes to passenger fares within the annual Budget. Since the CEO will be recommending <u>no</u> changes to fares as part of the final recommended budget in September, none of these steps will be necessary and monitoring compliance with the policy appears moot.
BACKGROUND
<p>In January the Board adjusted monitoring of policy 2.5.12 to be "as needed". After discussions with staff in August 2025, the Finance Committee agreed that no monitoring was necessary and they could recommend to the full Board that staff not be required to bring forward an unnecessary monitoring report in September.</p> <p>The Board agreed to several changes to policy monitoring to streamline the process and spend less time reviewing monitoring reports. Policy 2.5.12 only applies if the CEO recommends changes to fares, which is not happening in the FY2026 Budget.</p>
PRIOR RELEVANT BOARD ACTIONS & POLICIES
Board Policy Manual Appendix E: History of Policy Changes. On 1/23/25 The Board adjusted monitoring of 2.5.12 to "as needed".
IMPACTS OF RECOMMENDED ACTION(S)
<ul style="list-style-type: none"> • Budgetary/Fiscal: N/A • Social: N/A • Environmental: N/A • Governance: N/A
ALTERNATIVE OPTION(S)
Insist that the CEO provide a monitoring report in September.
ATTACHMENTS
NA

Governance Process Policies (Policies 3.0 - 3.4)

Meeting: Board of Director's

Meeting Date: July 24, 2025

RECOMMENDED ACTION(S):
Monitoring
BACKGROUND:
<ul style="list-style-type: none">• This survey provides a platform for Board self-assessment on Policies 3.0-3.4 of the Governance Process Policies – as such, it does not include a monitoring report from the CEO. Each Board member is invited to participate in a survey gauging how well the Board complied with its set policies.
ATTACHMENTS:
1. Governance Process Policies (3.0-3.4) Worksheet Results

WORKSHEET RESULTS:

Governance Process Policies (Policies 3.0-3.4)

Participants: 8 Board Members

Mike Allemang, Chris Allen, Simi Barr, Rich Chang, Julie Grand, Jesse Miller,
Kathleen Mozak, Susan Pollay

Performance on reasonable interpretation and verifiable evidence		
	Yes / No / No instances this reporting period	If you indicated YES, please provide examples
Policy 3.0 GLOBAL GOVERNANCE PROCESS The purpose of the Board, on behalf of the residents and workers of the member jurisdictions and government jurisdictions with whom we have service agreements (Ownership), and as stewards of the future, is to see to it that the Ann Arbor Area Transportation Authority (AAATA) (a) achieves appropriate results for appropriate persons at an appropriate cost, and (b) avoids unacceptable actions and situations.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.1 GOVERNING STYLE The Board will govern lawfully, observing the principles of the policy governance, with an emphasis on	YES – 1 NO – 7	<ul style="list-style-type: none"> I believe we spend considerably more time (emphasis?) on past and present compared with future.

<p>(a) the best interests of the entirety of the ownership and stewardship of the agency,</p> <p>(b) outward vision rather than an internal preoccupation,</p> <p>(c) encouragement of diversity in viewpoints,</p> <p>(d) strategic leadership more than administrative detail,</p> <p>(e) clear distinction of Board and chief executive roles,</p> <p>(f) collective rather than individual decisions,</p> <p>(g) future rather than past or present, and</p> <p>(h) proactivity rather than reactivity.</p> <p>On any issue, the Board must ensure that all divergent views are considered in making decisions, yet may not require the CEO to act without majority approval from a quorum of the Board.</p>		
<p>Policy 3.1.1 The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives.</p>	<p>YES – 1</p> <p>NO – 6</p> <p>No Instances This Reporting Period – 1</p>	<ul style="list-style-type: none"> There have been instances where staff have identified policy issues during monitoring. These have usually helped identify unnecessary or duplicative policy, like with policies 2.1.2 and 2.1.3.1, discussed in our February board meeting.
<p>Policy 3.1.2 The Board will encourage a diversity of viewpoints and work to ensure all views are</p>	<p>NO – 7</p> <p>No Instances This Reporting Period – 1</p>	

heard. The Board may use the expertise of individual members to enhance the ability of the Board as a body. However, the Board will not allow dominant personalities or individual agendas to usurp the Board's broader perspective, collective responsibilities or values.		
Policy 3.1.3 The Board will direct, control and inspire the organization through the careful establishment of broad written policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.	NO – 7 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> Are we perfect? No, but that is why we evaluate policies and adjust as needed.
Policy 3.1.3.1 The Board will only allow itself to address a topic after it has answered these questions: 1. What is the nature of the issue? Is the issue within the scope of the agency? 2. What is the value that drives the concern? 3. Whose issue is this? Is it the Board's or the CEO's?	YES – 1 NO – 6 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> Generally, we implicitly, but not formally consider these questions. I believe this thought process should be addressed more. Are we perfect? No, but that is why we evaluate/add/remove policies as needed. Using these questions to identify whether a topic should proceed has not been completed in a formal way. The Board needs to become better at using these questions to guide its work.

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?		
Policy 3.1.4 The Board must provide the strategic leadership for the AAATA and recognizes that its greatest contribution to long-range planning is an explication of its vision for the AAATA through creating ends policies with a long-range perspective. The Board also recognizes that the operational planning of the AAATA to meet Board end policies is a staff function, and organizational performance on ends will be closely monitored by the Board. Accordingly, the Board will periodically review its ends policies to ensure alignment with its owners and the long-range demands of the AAATA.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.1.5 The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation	YES – 2 NO – 4 No Instances This Reporting Period – 2	<ul style="list-style-type: none"> Board attendance was an issue at certain points this monitoring period, with the board failing to make quorum on multiple occasions and only meeting the minimum threshold on others.

for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability. Although the Board can change its governance process policies at any time, it will observe them scrupulously while in force.		<ul style="list-style-type: none"> Attendance was an issue for some of our board members. The board has only so much control over how it can discipline/act on attendance matters.
Policy 3.1.6 Continual Board development will include orientation of new Board members in the Board's governance process, periodic Board discussion of process improvement and timely identification of quality candidates to be recommended for appointment by our municipal partners.	NO – 6 No Instances This Reporting Period – 2	<ul style="list-style-type: none"> I answered no, I'm not sure about this. EG as a member of the board, I don't remember receiving any information about what is provided in new board member orientations. Nor has there been (to my knowledge) any specific requests to the board to suggest names for recommendation for appointment. The onboarding process is being improved.
Policy 3.1.7 The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling its governance commitments.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.1.8 The Board will monitor its process and performance according to its established schedule. Self-monitoring will include comparison of Board activity and discipline to policies in the Governance Process	NO – 7 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> It's reasonable to occasionally delay the date of a report if that is disclosed to the board ahead of time. That has been done.

and Board-Management Delegation categories, following the monitoring schedule in Appendix A.		
Policy 3.2 BOARD JOB DESCRIPTION Specific job outputs of the Board, as an informed agent of the ownership, are those that ensure appropriate organizational performance. Accordingly, the Board has direct responsibility for:	NO – 7 No Instances This Reporting Period – 1	
Policy 3.2.1 The authoritative linkage between the ownership and the operational organization. Other work groups will be used in an ad hoc capacity	YES – 1 NO – 6 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> The board has a small committee of just a couple? members (I'm not even sure which board members are on this committee beyond the committee chair) that interfaces with the ownership. The full board has thus far only heard that meetings have taken place or will take place. Does 3.2.1 suggest that the entire board should be made aware of what is said at these meetings, including concerns, expectations, priorities, etc.? Without this detail, I'm not sure the board as a whole is serving as an "authoritive linkage".
Policy 3.2.1.1 Members shall maintain effective ambassadorship and coordinated advocacy with member municipalities.	YES – 2 NO – 5 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> Is this ALL board members? I know we do this through the OLTF, but I wouldn't say all members maintain ambassadorship with the member municipalities. See answer above. It isn't clear what my role as a member of the board is re: "effective ambassadorship". Nor is it clear what role I should play as a board member re: "coordinated advocacy" with member municipalities.

Policy 3.2.2 Strategic leadership and vision of the organization through its policymaking.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.2.3 Written governing policies that address the broadest levels of all organizational decisions and situations. A. Ends: Organizational products, impacts, benefits, outcomes, recipients; and their relative worth in cost or priority (what good for which recipients at what cost). B. Executive Limitations: Constraints on executive authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place. C. Governance Process: Specification of how the Board conceives, carries out and monitors its own task. D. Board-Management Delegation: How power is delegated and its proper use monitored; the CEO role, authority and accountability.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.2.4 Assurance of successful organizational performance on Ends and Executive Limitations.	NO – 6 No Instances This Reporting Period – 2	

Policy 3.2.5 Assurance of CEO performance includes evaluation of organizational performance on Ends and Executive Limitations.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.2.6 Annual performance review and appropriate adjustment of CEO salary.	NO – 5 No Instances This Reporting Period – 3	
Policy 3.2.7 Approval of the annual budget developed and recommended by the CEO.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.2.8 A contract with the CEO that will stipulate compensation, benefits and other terms and conditions for the CEO.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.2.9 Approval of rider fare increases and millage rates assessed by the Authority.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.2.10 Approval of real estate acquisition, encumbrance, or disposal.	NO – 5 No Instances This Reporting Period – 3	
Policy 3.2.11 Approval of collective bargaining goals and tentative collective bargaining agreements.	NO – 5 No Instances This Reporting Period – 3	

Policy 3.2.12 Approval of the use of funds from the Capital Reserve.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.3 BOARD CODE OF CONDUCT The Board commits itself and its members to ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.3.1 Members must demonstrate loyalty to the ownership of the AAATA, unconflicted by loyalties to the CEO or staff, other organizations, or any personal interest as consumers.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.3.2 Members must avoid conflicts of interest with respect to their legal duties of care and loyalty.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.3.2.1 There will be no self-dealing or business by a member with the organization. Members will, each January, disclose in writing their involvements with other organizations, with vendors, or any associations which might be or might reasonably be seen as being a conflict.	NO – 6 No Instances This Reporting Period – 2	

Policy 3.3.2.2 When the Board is to decide upon an issue, about which a member has an unavoidable conflict of interest, that member shall absent herself or himself without comment from not only the vote, but also from the deliberation by leaving the room.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.3.2.3 Board members will not use their Board position to obtain employment or financial benefit in the organization for themselves, family members, or close associates.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.3.3 Board members may not attempt to exercise individual authority over the organization.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.3.3.1 Members' interaction with the CEO or with staff must recognize the lack of authority vested in individual members except when explicitly authorized by the Board. While individual members should share their perspectives and advice with the CEO, they shall not give (or imply) direction to the CEO or any staff.	NO – 7 No Instances This Reporting Period – 1	

Policy 3.3.3.2 Members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board positions.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.3.3.3 Except for participation in Board deliberation about whether reasonable interpretation of Board policy has been achieved by the CEO, members will not express individual judgments on performance of the CEO or other staff.	YES – 1 NO – 5 No Instances This Reporting Period – 2	<ul style="list-style-type: none"> Board members will occasionally commend staff on performance outside of monitoring discussions
Policy 3.3.4 Members shall conduct themselves in a calm, professional and respectful manner. Members shall not intimidate or harass other Board members, staff or members of the public.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.3.5 Members will respect the confidentiality appropriate to issues of a sensitive nature.	NO – 7 No Instances This Reporting Period – 1	
Policy 3.3.6 Members will be properly prepared for Board deliberation.	YES – 1 NO – 6 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> This is very hard to judge. We are a volunteer group with members who have other responsibilities. As such, there are times when we are not able to be as

		<p>Comment Continued ...</p> <p>prepared as we like whether for committee or board meetings.</p>
<p>Policy 3.3.7 Members will support the legitimacy and authority of the final determination of the Board on any matter, without regard to the member's personal position on the issue.</p>	<p>NO – 7</p> <p>No Instances This Reporting Period – 1</p>	
<p>Policy 3.3.8 Members will follow the rule of “no surprises” and shall keep the CGO and CEO informed in advance of intended actions that could be perceived as conflicting with current policy and direction of the organization.</p>	<p>NO – 6</p> <p>No Instances This Reporting Period – 2</p>	
<p>Policy 3.3.9 When serving on other Boards, members remain accountable to the AAATA Board for their actions and statements regarding transit-related issues.</p>	<p>NO – 6</p> <p>No Instances This Reporting Period – 2</p>	
<p>Policy 3.4 AGENDA PLANNING To accomplish its job products with a governance style consistent with Board policies, the Board will follow an annual agenda cycle which:</p>	<p>NO – 6</p> <p>No Instances This Reporting Period – 2</p>	

(a) completes a re-exploration of Ends Policies annually, (b) continually improves Board performance through Board education and enriched input and deliberation, and (c) re-examines for relevance the underlying values that support existing policy.		
Policy 3.4.1 The cycle will conclude each year so that administrative planning, strategic planning and budgeting can be based on accomplishing a one-year segment of the Board's most recent statement of long-term Ends.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.4.2 The cycle will start with the Board's development of its agenda for the next year. A. Consultations with selected groups in the ownership, or other methods of gaining ownership input will be determined and arranged in the first quarter, to be held during the balance of the year. B. Governance education, and education related to Ends determination, (e.g. presentations by researchers, demographers,	NO – 6 No Instances This Reporting Period – 2	<ul style="list-style-type: none"> If presentations by researchers, demographers, advocacy groups, staff, etc are being arranged in the first quarter, could staff provide the board with the calendar for the balance of year on who will be presenting and when?

advocacy groups, staff, etc.) will be arranged in the first quarter, to be held during the balance of the year.		
Policy 3.4.3 Throughout the year, the Board will attend to consent agenda items as expeditiously as possible.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.4.4 CEO monitoring will be on the agenda if reports have been received since the previous meeting, if plans must be made for direct inspection monitoring, or if arrangements for third-party monitoring must be prepared.	NO – 6 No Instances This Reporting Period – 2	
Policy 3.4.5 A Board member may recommend or request an item for Board discussion by submitting the item to the CGO no later than two days before the Board meeting.	YES – 1 NO – 6 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> For my edification, if a board member recommends/requests an item for board discussion in a timely way, will it automatically be added to the board agenda, or does the Governance Committee have final say over whether it will be included or not? There were a couple last minute additions during the monitoring period. However, they were emergent items that needed to be discussed.
Policy 3.4.6 Information that is neither for monitoring performance nor for Board decisions will be avoided or minimized and always noted as such.	NO – 7 No Instances This Reporting Period – 1	<ul style="list-style-type: none"> "Always noted as such" may not always occur.

Policy 3.4.7 CEO remuneration will be decided during the month of June after a review of monitoring reports received in the last year.	NO – 5 No Instances This Reporting Period – 3	
Policy 3.4.8 Individual meeting agendas will generally follow the format below: 1) Opening Items a. Approve Agenda b. Public Comment c. General Announcements 2) Consent Items a. Approval of Minutes b. Mandatory Approvals 3) Policy Monitoring and Development a. Policy Monitoring b. Other Board Reports & Ownership Linkages c. Board's Annual Plan of Work Item & Ends Policies 4) Strategy and Operational Updates 5) Board Development a. Governance Policy Monitoring b. Board Education 6) Emergent Business 7) Closing Items a. Topics for Next Meetings b. Public Comment c. Board Assessment of Meeting d. Adjournment	YES – 1 NO – 6 No Instances This Reporting Period – 1	

Additional context questions

1. ADDITIONAL CONTEXT ON OVERAL POLICY (OPTIONAL)

- 3.3.3.3 warrants elaboration. I think it is unreasonable to expect board members to suppress the urge to commend staff outside of monitoring discussions.
- 3.2 Board Job Description. The Board has participated, as it should, in the decision making process to award contracts to the following: Auditing Firm, Governance Consultant and Legal Counsel. I believe this work should be identified in this policy.

2. FEEDBACK ON REVISED SURVEY RESPONSE SELECTIONS (OPTIONAL)

- Having only a yes or no response is very difficult in some cases.
- I think "No, not this monitoring period", is better than having the option of "No" and that the "No" needs to be removed from the survey. Additionally, may wish to consider "N/A" for those policies that are not used every year such as those having to do with the millage and collective bargaining etc...
It would be nice to have a place after each policy to share ideas of policy language concerns.

3. APPROXIMATELY HOW MANY MINUTES DID IT TAKE YOU TO FILL OUT THIS FORM?

30, 35, 20, 20, 25, 45, 20, 40

Board Job Description Regarding Procurement

Meeting: Board of Director's

Meeting Date: August 21, 2025

INFORMATION TYPE
Decision
RECOMMENDED ACTION(S)
<p>That the Board approves the addition of policy language to address the Boards involvement in the procurement of a Governance Consultant, an Auditing Firm and General Legal Counsel.</p> <p>Proposed language:</p> <p><i>3.2.13 Participate in the procurement process of both General Legal Counsel and Auditing Firm alongside staff. Be the definitive decision maker in the procurement of a Governance Consultant.</i></p>
BACKGROUND
<p>The Board has been involved in the procurement process of a Governance Consultant, Auditing Firm and General Legal Counsel but does not have Policy Language to address this role.</p>
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<p>3.2 BOARD JOB DESCRIPTION "Specific job outputs of the Board, as an informed agent of the ownership, are those that ensure appropriate organizational performance. Accordingly, the Board has direct responsibility to create:</p> <p>3.2.3 Written governing policies that address the broadest levels of all organizational decisions and situations</p>
IMPACTS OF RECOMMENDED ACTION(S)
<ul style="list-style-type: none"> • Budgetary/Fiscal: N/A or other • Social: N/A or other • Environmental: N/A or other • Governance: Board Job Description
ATTACHMENTS
None

FY2026 Draft Operating and Capital Budget

Meeting: Board of Directors

Meeting Date: August 21, 2025

INFORMATION TYPE:
Decision Preparation
RECOMMENDED ACTION(S):
Receive for information a preview of the operating and capital budget for FY2026.
ISSUE SUMMARY:
This issue brief presents a preview of the FY2026 Draft Operating and Capital Budget for consideration and comment to the Board of Directors. The budget being presented is balanced, which means that revenues are sufficient to cover expenses without deficits during the fiscal year. Preliminary discussions occurred in July and August through committees and the materials presented in this Board meeting are intended to ensure budget accountability and transparency in anticipation of support for the recommended budget to be presented for Board adoption in September.
BACKGROUND:
AAATA staff developed the draft operating and capital budget for FY2026 to further Board Ends within Executive Limitations and provide multi-year context. The Michigan Uniform Budgeting and Accounting Act of 1968 requires the Board to adopt a balanced operating budget by Board Resolution for our next fiscal year, which begins October 1. In addition, the Board needs to authorize a multi-year capital program for federal funding. A formal public hearing for the budget is required and will be held at the Board meeting on August 21, 2025.
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<ul style="list-style-type: none"> Governance Process: Policy 3.2.7 "...the Board has direct responsibility to create...approval of the annual budget developed and recommended by the CEO." Executive Limitation: Policy 2.4 Financial Planning/Budgeting
IMPACTS OF RECOMMENDED ACTION(S):
<ul style="list-style-type: none"> Budgetary/Fiscal: Budget adoption is required by state law and Policies 2.4, 3.2.7. Social/Environmental: Provision of public transportation authorized by the budget is necessary to ensure achievement of social and environmental ends per Board policy. Governance: The Board is responsible to approve the annual budget (Policy 3.2.7)
ALTERNATIVE OPTION(S):
Financial planning and budgeting is legally required, required by Board policy, and essential; there is no prudent alternative.
ATTACHMENTS:
1. FY2026 Draft Operating and Capital Budget

BTC: Authorization for Grant and Funding Requests

Meeting: Board of Directors

Meeting Date: August 21, 2025

INFORMATION TYPE
Decision
RECOMMENDED ACTION(S)
That the Board authorizes the CEO to submit grant applications and funding requests as necessary to fund the project for the proposed BTC expansion as described below.
ISSUE SUMMARY
<p>The CEO recommends that the Board grant him the authority to proceed with grant applications and funding requests for the Blake Transit Center (BTC) project included in the Board-approved capital plan. The BTC project has been identified as one of the agency's priorities, and grant opportunities could provide a significant amount of non-local funding for the project. These grant applications would require commitment to a local match.</p> <p>In May 2020, the Board approved policy 2.10 Construction to control risks inherent in future construction projects. The policy sets out limitations on the CEO's authority, reserves decisions at certain key steps for the Board, and lays out the questions the Board wants answered before it grants its approval. The policy is intended to ensure that projects are well developed, key issues are clearly answered, and certain risks are addressed in early stages and before major commitments are made.</p> <p>Policy 2.10 requires the CEO to seek <i>explicit</i> Board approval <i>before</i> they can proceed with advanced stages of project development where the agency is committing significant resources or creating implicit commitments. Specifically, the CEO must receive Board approval before they:</p> <ul style="list-style-type: none"> • Submit applications for grants or outside funding as this can raise political expectations, • Proceed with detailed architecture or engineering as these stages are more costly than earlier planning work, • Conduct real-estate transactions as land acquisition is a decision the Board has reserved for itself (policy 3.2.10) and carries significant opportunity and risk. <p>The Board also articulated the questions it wants to see answered before it grants its approval for the issues above. Those questions require the CEO to present information on scope, need, funding, costs, risks, timelines, and other matters. If satisfactorily answered, the Board should be comfortable granting approval to take the next steps in a construction project. Those questions and answers are provided in the attachment below.</p>
BACKGROUND

The BTC project has been part of the capital plan for many years and operational capacity is somewhat constrained with limited space to accommodate future growth. Addressing operational challenges will improve operational safety, efficiency and customer experience.

AAATA staff have been working with the Ann Arbor Housing Commission and the City of Ann Arbor to incorporate additional bus loading space into the design concept of 350 S. Fifth, including a new bus lane and an expanded platform with bus bays. The remaining portion of the site will be used for affordable housing. At the same time, AAATA staff have been working with the Downtown Development Authority and City of Ann Arbor to redesign Fourth Avenue between William and Liberty Sts into a people-friendly, transit-focused street, including additional bus loading spaces, a designated pedestrian crossing, wider sidewalks, and other traffic management measures. The AAHC selected a co-developer in 2024, and the initial design concept was revised a few times. The project team is in the process of submitting a site plan application for the platform expansion and progressing Fourth Avenue to construction documents.

The AAHC requests AAATA to cover the planning, design and construction of the transit elements of the project – namely the proposed platform expansion, the bus lane, and transit rider amenities. Similarly, the Downtown Development Authority requests AAATA to cover a portion of the planning, design and construction for the Fourth Avenue improvement project as they relate the transit improvement – specifically the canopies/shelters, transit rider amenities, and dedicated bus loading zones along Fourth Avenue. AAATA staff feel these are reasonable requests as these costs are directly created by the transit infrastructure being planned.

Construction of Fourth Avenue and the housing on 350 S. Fifth is anticipated to begin in FY2026. Construction of the transit elements of 350 S. Fifth will likely not occur until FY2027.

PRIOR RELEVANT BOARD ACTIONS & POLICIES

Policy 2.10 (Construction) requires staff to receive Board authorization before submitting funding requests or grant applications, entering detailed architecture and engineering, or proceeding with real estate transactions.

The BTC project is included in TheRide 2045 Long-Range Plan, as well as numerous previous annual budgets approved by the Board. On May 15, 2025, the Board authorized detailed design of the BTC to move forward and approved a Capital Budget Amendment for the project to spend funds on design earlier than anticipated.

IMPACTS OF RECOMMENDED ACTION(S)

- **Budgetary/Fiscal:** The total budget for the BTC project remains unchanged as of this time. Board approval of future year expenses will be sought as part of the annual budget process.
- **Social:** Extensive public engagement has been conducted for this project since 2019. A community engagement meeting was conducted on June 4, 2025 before the site plan application for the housing development on 350 S. Fifth was submitted, in accordance with City policies. This project will improve the passenger and operational experience at the BTC and increase overall capacity to accommodate ridership growth.
- **Environmental:** NEPA clearance is required if federal funding is needed. This process will commence in summer 2025 to ensure AAATA has various funding avenues available.

<ul style="list-style-type: none"> • Governance: Board authorization required by Policy 2.10 Construction (grant application and funding requests, detailed design and engineering, real estate transactions).
ALTERNATIVE OPTION(S)
Withhold or defer authorization
ATTACHMENTS
1. Policy 2.10 Construction– Policy Requirements and Responses

Attachment 1: Policy 2.10 Construction – Policy Requirements and Responses

The Board's Construction policy (2.10.1) lays out the information the Board wants to see before authorizing a contract for detailed design or engineering contracts. The CEO's interpretation then groups that information into the categories. Those categories and the CEO's responses are seen below:

1. **Scope of Project, Rationale, Alignment with Ends – What is the nature of the project? What are the most important elements? Description of how the project will advance specific goals identified by the Board.**

The CEO is requesting authorization to move forward with grant applications and funding requests for improvements to the BTC. If awarded, competitive grants will allow the project to primarily use federal and state funding sources for the project while preserving AAATA's capital reserve and annual, non-competitive federal and state funding for typical uses, such as state of good repair.

For detailed design of the transit platform and street:

- TheRide has partnered with the AAHC on the BTC platform expansion and new bus loading lane located on the south side of the BTC.
- TheRide has partnered with the DDA on the reconfiguration of Fourth Avenue and the associated shelters and transit amenities included in that project.

The purpose is to preserve the current bus-bay capacity of the BTC, create a better central platform, accommodate future growth, and enhance customer experience, thereby advancing our priorities such as increasing ridership and implementing TheRide LRP.

2. **Relative Priority – Why is this project being prioritized ahead of other projects? How would this project affect the 10-Year Capital Plan?**

The timeline for improvements to the BTC is largely driven by the risk of losing access to an adjacent property, and the opportunity to coordinate projects led by other agencies. If the AAHC property is developed without us, we may lose any future chance to expand the BTC platform. The AAHC, in partnership with a private co-developer, is advancing construction of the 350 South Fifth Avenue site (Y-Lot) for affordable housing. The DDA is advancing the reconfiguration of Fourth Avenue in response to the affordable housing development. The AAATA has no control over the urgency to advance these developments.

This project is identified in the AAATA's 10-Year Capital Plan (FY2025 Budget, page 43). Based on the current funding plan, this project would not jeopardize

funding for any other capital projects such as the Ypsilanti Transit Center, which are budgeted for separately.

3. **Timeline – What are the expected dates of major milestones such as construction, opening/initials, operating lifespan, decommissioning?**

The timeline for the project is still somewhat tentative as it is dependent upon the affordable housing development and road reconfiguration project. Currently, detailed design is expected to be completed in early 2026. Construction could begin in spring 2026 as part of the AAHC and DDA projects, but transit elements would likely be built later in the construction timeline for both projects.

4. **Fiscal Responsibility - What are the anticipated capital and operating costs during the life of the project? How will the capital and operating costs of the projects be paid for during the lifespan of the project? What assumptions are made regarding outside grant funding, funding from the Capital Reserve, or local millage funds? How would the approval of this project impact the agency's ability to maintain existing services and infrastructure, or afford other projects?**

The additional costs of these improvements will be primarily capital expenses, with little additional operating costs (mostly shelter maintenance, cleaning, etc.).

- **Capital:** The 10-Year Capital Plan currently identifies the Blake Transit Center improvements totaling \$5,331,164 between FY2025 and FY2028. The actions surrounding this request do not change any of these total project costs nor do they affect the total capital plan budget.

Part of the work includes federal environmental (NEPA) clearance for these improvements, which is required to use federal funds for this project. The funding plan for the project is to use federal and state funding to the greatest extent possible, with the possibility of supplementing funding with our capital reserve (TBD). The AAATA has sufficient funds in the capital reserve to fund this project if necessary.

All transit amenities would be the responsibility of the AAATA to install and maintain – namely, the BTC transit platform and any shelters, canopies, or benches that are installed for our customers. Routine replacements of original capital elements are anticipated to be paid for with federal formula funds and included in the state of good repair capital budget.

- **Operating:** With no additional staff, operating costs will be limited to marginal investments in maintenance, cleaning, and electricity. Total costs will be determined in later phases of the planning and design process. Cost for the AAATA would be included in future operating budgets and be paid with millage funds. However, these additional costs are expected to be marginal and affordable. The bus loading lane between the BTC and the affordable housing development will be used by both AAATA and solid waste services. As such, there may be a joint use agreement and shared maintenance responsibilities with another agency.

As cost estimates for maintenance and capital replacement become more defined, they will be presented in context of overall impacts on operating and capital cost projections during the annual budgeting process.

5. **Risks - What social, environmental, financial, operation, or other risks have been identified? Are there ways to mitigate risks?**

If federal funds are to be used, AAATA will need to clear NEPA. Based on preliminary discussions with FTA, a categorical exclusion with minimal documentation would be expected. Since the area is already highly disturbed and transit service currently exists, no major adverse impacts are expected.

AAATA staff received direction from City of Ann Arbor Planning staff that site plan approval will be required for the platform expansion. However, since transit is considered an essential service and the Planning Commission has already signaled integration of transit as part of the affordable housing development, the review process is not expected to be met with resistance. AAATA staff will continue to work with review agency staff to mitigate any risks and be responsive to raised concerns.

Though the AAATA has limited control of timelines, economic viability, and final delivery of these projects led by the AAHC and the DDA, both partners have been very supportive and committed to a collaborative approach. Additionally, the AAATA has a designated project manager and owners' consultants to ensure successful delivery of these projects.

6. **Public Involvement – How has the public been engaged in the development of the proposal thus far? How will the public be engaged going forward?**

The AAHC conducted extensive outreach in 2019-2022 on the site concept and layout, which included the accommodation of bus service behind their building. Additionally, the DDA held public engagement on the Fourth Avenue reconfiguration project in 2023 to gather feedback, including the transit upgrades. AAATA staff participated in and acted as a resource during these engagement activities. The City of Ann Arbor may require an additional community engagement event during the site plan process.

FY2025 Q3 Financial Statement**Meeting: Board of Director's****Meeting Date: August 21, 2025**

INFORMATION TYPE
Other – Financial Update
RECOMMENDED ACTION(S)
Receive for information
ISSUE SUMMARY
Staff present the Third Quarter Financial Statements with currently available and reportable financial information for the period ending June 30, 2025.
BACKGROUND
<p>Year-to-date financial highlights at the end of the third quarter (October 2024 to June 2025) include:</p> <ul style="list-style-type: none">• TheRide is operating within budgeted operating expenses.• Operating revenues are higher than expenses by \$3.5 million.• Operating revenues are \$2.2 million favorable to budget. Property tax revenues are favorable due to higher property tax assessments provided by municipalities, compared to budget assumptions. Reduced state operating assistance compared to budget continues to be offset by favorable investment income and passenger fares.• Operating expenses are \$1.3 million favorable to budget, driven primarily by vacant positions, lower-than-anticipated benefits costs and favorable fuel prices compared to budget.• The projected balances for the three board-approved reserves have not been used and remain stable. Reserve balances are as follows: operating reserve at \$12.9 million or 2.5 months, based on third quarter expenses, capital reserve of \$33.3 million, and insurance reserve at \$0.5 million. <p>Cash flow was adequate to cover expenses; cash and investments at the end of Q3 2025 were \$52.7 million in cash and investments.</p>
IMPACTS OF RECOMMENDED ACTION(S)
<ul style="list-style-type: none">• Budgetary/Fiscal: Demonstrates financial performance for the reporting period• Governance: Supports Board in financial oversight/fiduciary responsibility
ATTACHMENTS
1. FY2025 Q3 Financial Statements (Income Statement and Balance Sheet)



Ann Arbor Area Transportation Authority

Income Statement

For the Period Ended June 30, 2025

Q3 Financial Statement

Revenue and Expense (Budget to Actual)

(\$ in thousands)

BLACK = FAVORABLE
RED = UNFAVORABLE

REVENUES	Actual Quarter 1	Actual Quarter 2	Actual Quarter 3	Actual Quarter 4	Actual YTD	Budgeted YTD	Budget Variance	
							\$	%
Fares and Contracts	\$1,848	\$1,841	\$1,755	-	\$5,444	\$5,055	\$389	7.7%
Local Property Taxes	9,374	10,804	10,089	-	30,266	28,121	2,145	7.6%
State Operating Assistance	4,894	4,923	4,996	-	14,813	16,649	(1,836)	-11.0%
Federal Operating Assistance	397	333	691	-	1,421	1,085	337	31.0%
Other Revenues	791	766	1,088	-	2,645	1,432	1,213	84.7%
Total Operating Revenues	\$17,304	\$18,667	\$18,619	\$0	\$54,589	\$52,342	\$2,247	4.3%
EXPENSES								
Salaries, Wages, Benefits	\$8,819	\$8,297	\$8,621	-	\$25,738	\$27,461	\$1,723	6.3%
Purchased Transportation	3,918	3,336	3,223	-	10,477	9,949	(528)	-5.3%
Fuel, Material, Supplies	1,671	1,658	1,721	-	5,050	5,542	492	8.9%
Purchased Services	1,079	1,178	1,079	-	3,337	3,257	(79)	-2.4%
Other Expenses	1,024	1,198	1,077	-	3,298	2,982	(316)	-10.6%
Total Operating Expenses	\$16,511	\$15,666	\$15,722	\$0	\$47,900	\$49,191	\$1,292	2.6%
Surplus (Deficit)	\$792	\$3,000	\$2,897	\$0	\$6,689	\$3,150	\$3,539	
Capital Reserve Transfer	-	-	-	-	-	-	-	
Operating Reserve Transfer	-	-	-	-	-	-	-	
OPERATING BALANCE	\$792	\$3,000	\$2,897	\$0	\$6,689	\$3,150		



TheRide has a \$3.5mm surplus in FY25 at the end of the third quarter.



Revenues are \$2.2 million higher than budget. Property tax revenue estimates were updated based on analysis which shows higher assessments by municipality compared to those projected in the approved budget. The deficit of state operating assistance to budget continues to be offset by stronger-than-anticipated investment income and passenger fares.



Expenses are \$1.3 million below budget, driven primarily by vacant positions, lower-than-anticipated benefits costs and favorable fuel prices compared to budget.

YTD Revenue and Expense By Mode

(\$ in thousands)

	Fixed Route	Demand Response	Other Demand Response	Non-Urban	VanRide	
	<i>Fixed Route Bus</i>	<i>A-Ride</i>	<i>FlexRide, GoldRide, NightRide</i>	<i>WAVE, Peoples Express</i>	<i>VanRide, Ride Sharing</i>	
DIRECT REVENUE						TOTAL
Fare Revenue	\$2,697	\$139	\$89	\$108	\$0	\$3,033
Contract Revenues	1,114	-	166	1,131	-	2,411
Advertising, Interest, Other	2,645	-	-	-	-	2,645
Federal Operating	-	-	-	1,365	56	1,421
State Operating	11,720	1,568	402	938	185	14,813
Total Direct Revenue	\$18,176	\$1,707	\$657	\$3,542	\$241	\$24,323
TOTAL EXPENSE						
Salaries, Wages, Benefits	\$24,373	\$1,051	\$95	\$150	\$70	\$25,738
Purchased Transportation	-	4,296	1,739	3,681	761	10,477
Fuel, Materials, Supplies	4,457	593	-	-	-	5,050
Contracted Services	3,167	120	-	50	-	3,337
Other Expenses	3,130	75	39	44	9	3,298
Total Operating Expense	\$35,127	\$6,134	\$1,873	\$3,925	\$840	\$47,900
Surplus (Deficit) from OPS	(\$16,951)	(\$4,428)	(\$1,216)	(\$383)	(\$599)	(\$23,577)
ALLOCATED REVENUE						
Local Property Taxes	\$23,721	\$4,428	\$1,216	\$302	\$600	\$30,266
Federal Pandemic Relief Funds	-	-	-	-	-	0
SURPLUS (DEFICIT):	\$6,770	\$0	\$0	(\$81)	\$0	\$6,689



Ann Arbor Area Transportation Authority

Balance Sheet

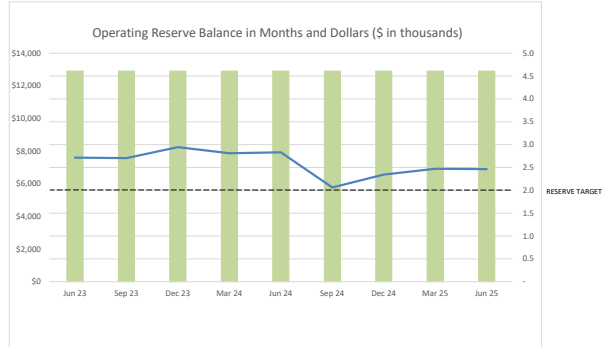
For the Period Ended June 30, 2025

Q3 Financial Statement

Balance Sheet and Reserve

\$ in thousands, with Prior Year comparison.

	Q2 2025 3/31/2025	Q3 2024 6/30/2024	Q3 2025 6/30/2025
ASSETS			
Cash	\$45,074	\$29,848	\$33,101
Investments	19,319	18,588	19,583
Other Current Assets	26,542	23,933	34,861
Capital Assets	38,951	37,280	47,427
Total Assets	129,886	109,649	134,971
LIABILITIES	6,811	4,221	4,666
TOTAL NET POSITION	\$123,076	\$105,428	\$130,305
RESERVES:	Balances		
Capital	\$33,260	\$33,260	\$33,260
Insurance	\$500	\$500	\$500
Operating	\$12,905	\$12,905	\$12,905
Months in Operating Reserve	2.3	2.9	2.5



Statement of Cash Flows (\$ in thousands)

	FY 2022	FY 2023				FY 2024				FY 2025		
Historical Cash Flows	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3
Beginning Balance:	\$29,403	\$44,678	\$34,082	\$41,961	\$41,537	\$54,630	\$51,875	\$50,527	\$50,527	\$77,559	\$72,076	\$64,393
Cash Flow from Operations	25,604	(5,186)	3,153	(205)	12,832	(3,045)	(2,402)	(2,444)	24,474	(1,512)	(11,465)	(10,972)
Cash Flow from Capital	(3,163)	(5,510)	4,349	(166)	55	53	870	182	2,193	(4,109)	3,605	(1,002)
Cash Flow from Investments	(7,166)	100	377	(53)	206	237	184	171	364	138	178	264
Cash Flow:	\$15,275	(\$10,596)	\$7,879	(\$424)	\$13,093	(\$2,755)	(\$1,348)	(\$2,090)	\$27,032	(\$5,483)	(\$7,682)	(\$11,710)
Ending Balance:	\$44,678	\$34,082	\$41,961	\$41,537	\$54,630	\$51,875	\$50,527	\$48,437	\$77,559	\$72,076	\$64,393	\$52,683

Q3 cash flow was negative at \$11.7 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. Typically negative cash flow is normal for all quarters except the 4th quarter, when property tax receipts generate positive cash flow. In FY25, cash outflow from operating in Q1-3 will be higher than in prior years, due to the shift away from pandemic relief funding, received quarterly, to larger property tax receipts, received only during the 4th quarter.

Investments Summary

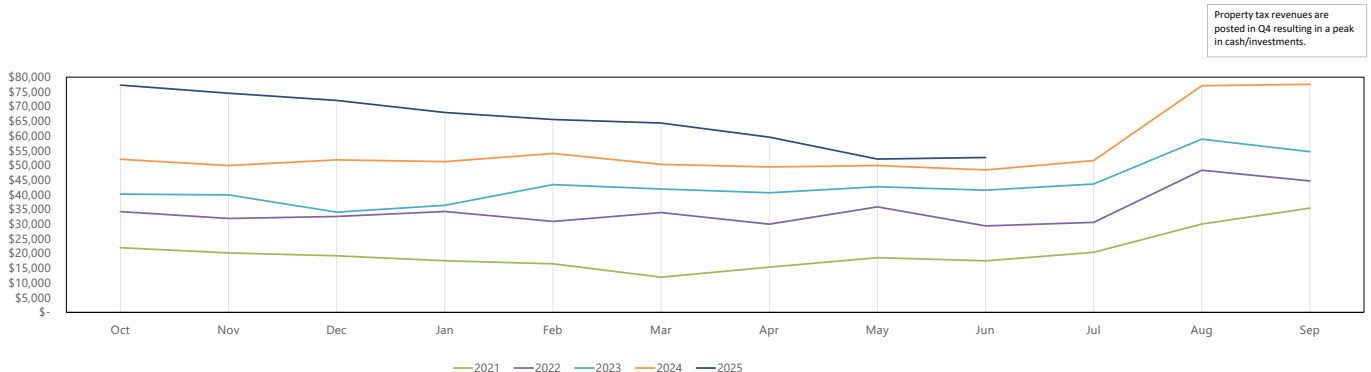
(\$ in thousands)

Investment Instrument	Date of Maturity	Interest Rate	Value on 3/31/2025	Transactions	Value on 6/30/2025
U.S. Agency Bond	6/27/2025	3.27%	2,000	(2,000)	0
U.S. Agency Bond	1/22/2026	4.13%	750	0	750
U.S. Treasury Notes	3/13/2026	4.08%	1,000	0	1,000
U.S. Treasury Notes	3/31/2026	4.07%	2,500	0	2,500
U.S. Treasury Notes	4/24/2026	4.08%	1,000	0	1,000
U.S. Agency Bond	2/3/2027	4.23%	250	0	250
U.S. Treasury Notes	5/15/2027	4.14%	1,000	0	1,000
U.S. Treasury Notes	10/31/2027	4.11%	750	0	750
U.S. Agency Bond	11/1/2027	4.04%	2,500	0	2,500
U.S. Treasury Notes	11/15/2027	4.14%	2,200	0	2,200
U.S. Agency Bond	12/27/2027	4.25%	2,200	0	2,200
U.S. Treasury Notes	1/31/2028	4.27%	1,500	0	1,500
U.S. Treasury Notes	2/24/2028	4.25%	1,400	0	1,400
U.S. Agency Bond	6/9/2028	4.00%	0	2,300	2,300
Money Market Funds	N/A	4.22%	408	(123)	286
Mark-to-Market Adjustment			(139)	86	(53)
Total Investments:			\$19,319	\$264	\$19,583

FY2025 YTD Investment Gain (\$ in thousands): \$630

U.S. Treasury Bills, Notes, & 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%). An FDIC-insured cash sweep account or accounts that have balances above the FDIC insurance threshold are used for day-to-day working capital.

Cash and Investments History



CEO Report

Meeting: Board of Directors

Meeting Date: August 21, 2025

INFORMATION TYPE

Other

LONG-RANGE PLAN STATUS UPDATES

YPSILANTI TRANSIT CENTER PLANNING

With NEPA clearance from the FTA in hand, staff is closing out this phase of the project and working to transition to detailed design, land acquisition support, procuring a construction manager, construction documentation, and construction administration. Staff also continues to aggressively pursue funding for the project. As previously mentioned, staff submitted a grant last month to FTA's 5339 grant program totaling \$9,025,119 (\$7,220,095 in Federal funds; \$1,805,024 in MDOT matching funds). Additionally, Senator Peters and Senator Slotkin have jointly sponsored a request for Congressionally Directed Funding for the YTC in the amount of \$750,000 in the Senate's Transportation and Housing and Urban Development (THUD) Appropriations bill currently under consideration by Congress. The outcome of these two pending funding requests will hopefully be known in the coming months.

BLAKE TRANSIT CENTER EXPANSION

TheRide continues to work with the Ann Arbor Housing Commission (AAHC) and their codeveloper (Related Midwest) on the joint development of the old Y-Lot site adjacent to the BTC (350 S. Fifth). Modifications to TheRide's existing platform will be necessary to accommodate the housing development, and these will be submitted with the transit-focused site plan later this fall or winter. A separate study led by the DDA to redesign Fourth Ave. from Liberty St. to William St. is ongoing. This project aims to create a more pedestrian and transit-friendly street. The project team is working closely with the 350 S. Fifth development team so that both the housing project and Fourth Ave. timelines and final designs are well coordinated. Lastly, the City of Ann Arbor, in partnership with the AAHC, DDA, and AAATA, is leading an effort to apply for a [Michigan Talent Partnership Program](#) grant which would help fund some of the improvements associated with the 350 S. Fifth development, the BTC expansion, and the Fourth Ave. reconfiguration.

EXECUTION OF CONTRACTS OVER \$250K (Policy 2.9.1.5.D)

On June 5, 2025, the CEO authorized the final extension of the contract between AAATA and MV Contract Transportation, Inc. to provide Paratransit Demand Response Services – ADA Complementary ARide. The value of this extension is \$5,750,000.

As approved in the FY2025 budget, on June 12, 2025, the CEO authorized a contract with HDR Michigan to conduct a Bus Facilities and Garage Study in the amount of \$1,659,623.

OPERATIONAL UPDATES

AAATA RIDERSHIP CAMPAIGN

TheRide's ridership campaign is in full swing, with ads and billboards throughout the service area. The first prong of the campaign is highlighting the extra money that individuals could save per month if they took TheRide instead of owning a car. To highlight this, AAATA partnered with some local community businesses to highlight some ways in which people could use the extra funds, with a whimsical tone. TheRide has also incorporated a back-to-school messaging campaign, along with some videos that are streaming across multiple platforms and radio ads.

Dungeons and Dragons Spot: <https://www.facebook.com/share/v/16QT6tPuLM/>



AAATA TRADEMARK

As of August 5, the application to register TheRide Logo below matured to registration with the U.S. Trademark Office. The Ann Arbor Area Transportation Authority may now use the ® designation in association with all references of the marks in U.S. commerce, including on product packaging and websites.



AUGUST FIXED ROUTE SERVICE ADJUSTMENTS

New service adjustments will go into effect on Sunday August 24, including schedule and route changes intended to address on-time performance, safety, and other operational issues. Planning staff worked over the past year to gather feedback from customers and operators, and used timing, ridership, and other data to analyze and prioritize potential solutions. Information on the planned adjustments is available at TheRide.org. New maps and schedules are now available on TheRide.org and in printed RideGuides.

TRANSIT OPERATOR RECRUITMENT & SERVICE

AAATA currently has an operator count of 196, with the next MCO classes beginning on August 26th and September 16th.

LOCAL ADVISORY COMMITTEE (LAC)

The LAC has canceled their July and August Meetings and will reconvene in September.

ANN ARBOR CITY COUNCIL

AAATA will not be presenting to Ann Arbor City Council due to travel conflicts, the next presentation will be October 20th.

TRANSPORTATION COMMISSION (ANN ARBOR)

The Commission met on July 16th and received updates on construction projects. The August meeting has been cancelled.

WATS POLICY COMMITTEE UPDATE

The July WATS Policy Committee meeting was canceled.

ROOF PROJECT AT DGOC

The Fleet Roof/HVAC Construction Project began on March 17th and is nearing completion. Only a small portion of the project remains. The full project is expected to be completed at the end of September.

BUS STOP AMENITIES

As part of AAATA's bus stop improvement plan. S. Industrial (Stop 502) concrete pad has been completed. The current shelter on the west side of S. Industrial will be moved to the new pad.

LEGISLATIVE UPDATE

AAATA staff will provide an additional verbal update at the board meeting.

EMPLOYEE AND COMMUNITY ENGAGEMENT

NAFA RISING LEADERS AWARD

NAFA is recognizing rising leaders in the fleet industry with less than 10 years of experience, including fleet managers, technicians, drivers, and others advancing the profession. Jimmy Spangler has been nominated for this honor. Additionally, AAATA's Fleet Services Golden Wrench Award—given for excellence in Standard Repair Times, Safety, Bay Cleanliness, and PPE—was awarded in June 2025 to Tire Technician Mr. Phernell Pittman.



On July 24th, TheRide celebrated Tire Technician, Phernell Pittman's 25th anniversary with AAATA, with a small party in the fleet lounge.



COMMUNITY EVENTS

TRU (GRASSROOTS) TRANSIT TALK ANN ARBOR

TheRide participated in Detroit Transit Transportation Riders United (TRU) Transit Talk on Tuesday, July 22nd at the Ann Arbor District Library. TRU is a 25-year old grassroots advocacy organization focused on improving transit in greater Detroit. They appear to be establishing a presence in the Ann Arbor area. Forest Yang, Deputy CEO of Planning and Innovation, spoke on current capital projects, and Lilliane Webb, getDowntown Program Director, gave a presentation on the getDowntown program.



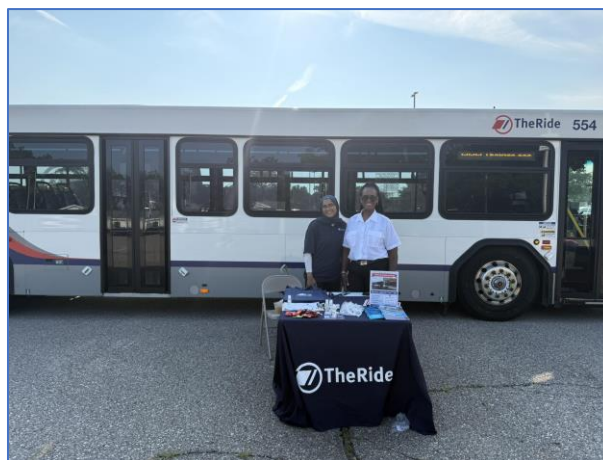
DISABILITY NETWORK ADA CELEBRATION

On Saturday, July 26th, TheRide joined the Disability Network Washtenaw Monroe Livingston for their annual ADA celebration. AAATA staff were present to talk about Accessible and Senior Services available to the public.



YCS TOUCH A TRUCK

TheRide joined Ypsilanti Community Schools for their annual Touch A Truck event on Wednesday, August 6th. Students and families were able to interact with one of TheRide buses and ask questions of our MCO and TheRide staff present.



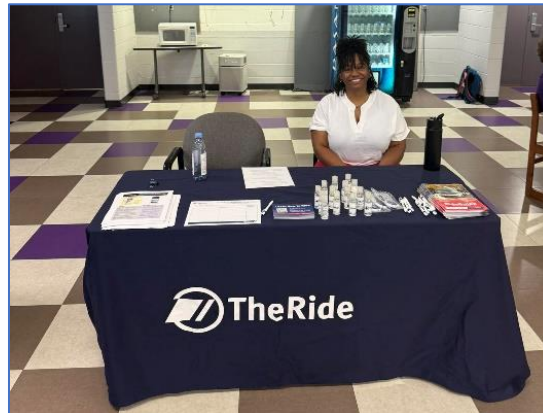
THERIDE BUS MEET & GREET

TheRide hosted its first-ever Bus Meet and Greet Event in the front parking lot of the AAATA Main Office on S. Industrial Hwy. on Saturday, August 9th from 11am-1pm. Community members, students, and families were invited to interact with one of TheRide buses, one of our cutaways, and members of TheRide's Mobility and Planning teams. Community partners and local organizations were additionally invited to table and offer resources to the riding public. Visitors enjoyed refreshments, including hotdogs, cookies, chips, and popcorn, a coloring contest, bus wash tours, and giveaway prizes.



LOCAL HIGH SCHOOLS VISITS

During AAPS Schools registration week from August 11-18, TheRide has been visiting schools to provide information to incoming and returning students on our services. Schools include Pioneer High School, Huron High School, Skyline High School, Ann Arbor Community High School, and Pathways To Success Academic Campus. Additionally, TheRide is planning to attend the Ypsilanti Community High School freshman orientation to give a brief presentation to incoming students on riding expectations.



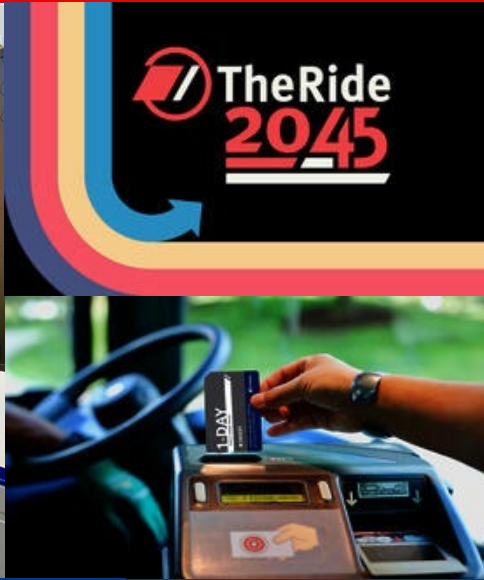
SENIOR TOWN HALL

Members of TheRide's Mobility team attended the Senior Town Hall & Resource Fair at the Ann Arbor Senior Center on August 11th hosted by State Representative Morgan Foreman. TheRide spoke to seniors in attendance on Accessible and Senior Services available to them.



FREE RIDE WEEKENDS WITH LIBRARY CARDS

TheRide continues our partnership with the Ann Arbor District Library and Ypsilanti District Library, once again offering free ride weekends with your valid library card. Every Saturday and Sunday from June 14 – August 24, riders can show their driver their valid library card when boarding the bus and ride for free as part of the AADL Summer Game and YDL Summer Challenge.



TheRide

OPERATING & CAPITAL BUDGET

*Draft Budget
Fiscal Year 2026*

2026

*Growing
for the
Future*

ANN ARBOR AREA TRANSPORTATION AUTHORITY



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

This Budget presentation is an award winning document which reflects the commitment of the Board of Directors and staff to meeting the highest principles of governmental budgeting. TheRide's budget consistently satisfies nationally recognized guidelines for effective budget presentation, including how the document serves as a policy document, a financial plan, an operations guide, and a communication device. TheRide was presented the Distinguished Budget Award for its *Operating and Capital Budgets* for four consecutive years, which is a significant achievement. Although the award was not pursued for the last two fiscal year budgets, all elements and criteria that earned this award are still present in this FY2025 Budget document. New GFOA requirements have delayed submission for the past two fiscal years, but new elements are being evaluated for incorporation into future budget documents.

Reader's Guide

In addition to introductory information about TheRide and a letter from the CEO and CFO, this document contains six sections describing the FY2026 (2026) Draft Operating and Capital Budgets:

- **About the Ride** and **Letter from the CEO and CFO** provide information about the agency and an introduction to the budget document.
- The **Executive Summary** provides a high-level summary of the budget.
- The **Introduction** will orient the reader to the overall direction, strategic goals, and executive limitations established by TheRide's Board, as well as the budgeting schedule and process.
- **The State of TheRide** establishes financial context, discusses the challenges, opportunities, and priorities for developing the budget, and presents ridership performance.
- The **2026 Budget** summarizes the operating and capital budgets for FY2025 and presents financial forecasts for subsequent years.
- **Impacts of the 2026 Budget** discusses how the budget will affect the fund balance and the reserve, as well as the impact of capital investments upon the operating budget.
- The **Appendices** include details on initiatives and capital projects, anticipated contracts, fare schedule, additional financial tables, a grant funding primer, recommended Board resolution for adoption, and a glossary.

This document includes multi-year forecasting. Although financial information is presented for years beyond 2026, it is important to note that forecasted years are provided *only for context*, do not represent a commitment, and are expected to change. Each year, the Ann Arbor Area Transportation Authority Board of Directors (the Board) adopts the budget for a single year rather than a multi-year budget. The operating budget must be balanced (revenues must meet or exceed expenses) and the Board approves total budgeted expenditures. As necessary, budget amendments may be brought to the Board for consideration during any fiscal year.

Detailed information throughout this budget document is provided for context, information, and transparency in budgeting. Budget approval, as indicated in the *Adopting Resolution in Appendix 8.5*, is for total operating and capital expenditures.

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1. About TheRide

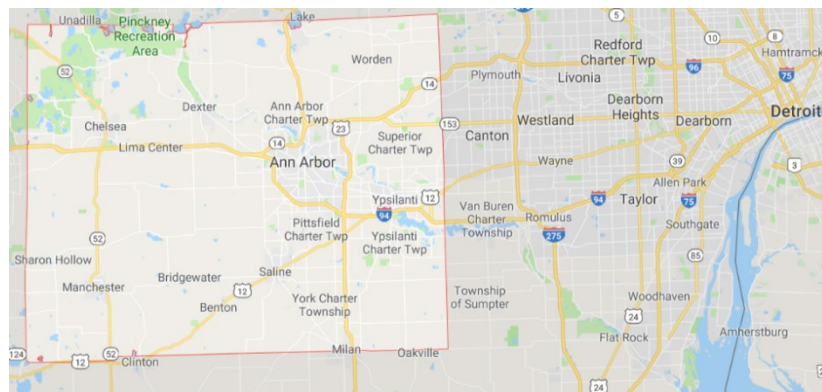


The Ann Arbor Area Transportation Authority (AAATA, or TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

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

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

Ann Arbor is the county seat for Washtenaw County, which also includes the city of Ypsilanti and the Townships of Ann Arbor, Pittsfield, Scio, Superior, and Ypsilanti, which make up TheRide's service area. The service area covers 110 square miles, with a population of 228,574 people. TheRide delivers approximately 335,000 hours of revenue service,



Washtenaw County, Michigan

driving more than 6.6 million revenue miles, and carries more than 4.5 million passenger trips on transit services annually during a typical year.

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

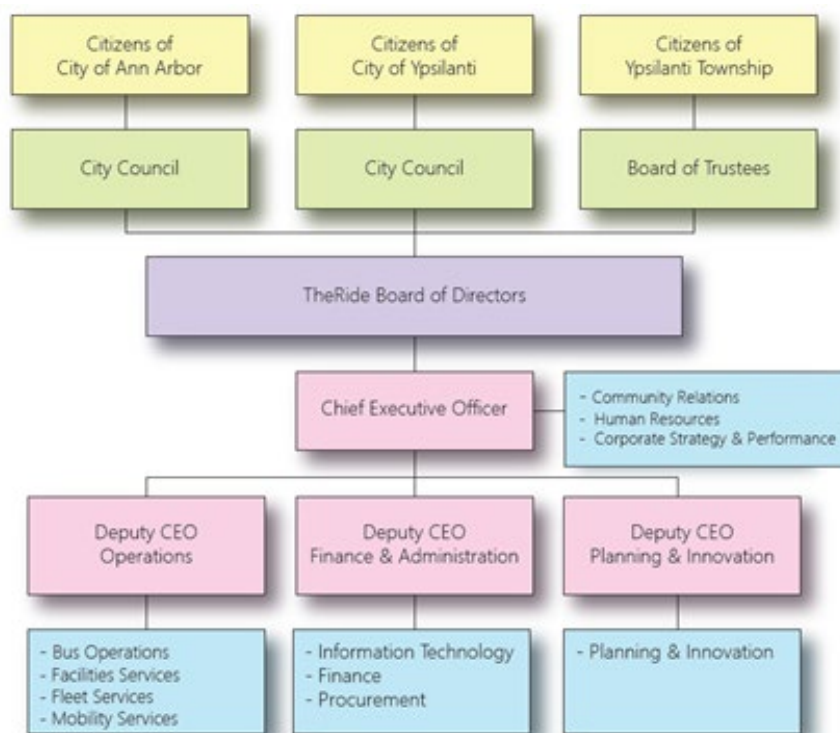
TheRide operates from three facilities. The Dawn Gabay Operations Center (DGO) is the headquarters, and houses administration offices, a maintenance facility, and a bus garage. Passenger terminals are located in downtown Ann Arbor (Blake Transit Center) and Ypsilanti (Ypsilanti Transit Center) and include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

Board of Directors

Kathleen Mozak, Chair
Michael Allemang, Treasurer
Jesse Miller, Secretary
Chris Allen, Board Member
Simi Barr, Board Member
Rich Chang, Board Member
Julie Grand, Board Member
Susan Pollay, Board Member
Georgia Valentine, Board Member
Praveena Ramaswami, Board Member

Executive Team

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



Senior Management Staff

Mike Blackston, Manager of Information Technology	Ronald Carr, Manager of Human Resources
Raymond Hess, Manager of Project Mgmt. & Delivery	Andrew Huber, Manager of Finance
Rosa-Maria Kamau, Corporate Strategy & Performance	Troy Lundquist, Manager of Fleet Services
Jeff Pfiefer, Manager, Public Affairs/Community Relations	Gail Roose, Manager of Facilities Services
Yvette Washington, Manager of Bus Operations	Robert Williams, Manager of Mobility Services
Michelle Whitlow, Manager of Procurement & DBE Liaison	

2026
Building
Our
Future

2. Letter from the CEO and CFO



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

734-973-6500 **Phone**
734-973-6338 **Fax**
TheRide.org **Online**

August 21, 2025

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to submit for review this Recommended FY2026 Operating and Capital Budget (the budget) to be reviewed by the Board of Directors on September 18, 2025.

In FY2026, TheRide will continue delivering the full range of services our community relies on while advancing the strategic priorities in our Corporate Business Plan, focusing on service excellence, attracting new riders, and fostering continuous improvement. Building on the first full year of expanded frequency and extended service hours launched in August 2024, the budget emphasizes refining operations, strengthening the rider experience, and preparing for future projects in the Long-Range Plan. It also invests in the people, facilities, and systems needed to sustain high-quality service into the future.

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

Handwritten signature of Matt Carpenter in black ink.

Matt Carpenter
Chief Executive Officer

Handwritten signature of Dina Reed in black ink.

Dina Reed
Deputy CEO, Finance & Administration

3. Executive Summary

The FY2026 Operating and Capital Budget (the budget) is the fiscal year's financial plan that supports activities to accomplish the Board's Ends Policies and is aligned with TheRide's Corporate Business Plan. All policies and plans support the Board's stated goal of providing public transportation options that contribute to the Ann Arbor–Ypsilanti Area's social, environmental, and economic vitality at a cost that demonstrates value and efficient stewardship of resources.

While the Board's Ends inform *what* the agency is to accomplish, Executive Limitations provide the framework for *how* the agency will operate. The CEO and staff must comply with the Board expectations regarding administrative and operational decisions (i.e., Executive Limitations policies). These policies ensure transparency, reporting, and fiduciary oversight by the Board. Examples of key Executive Limitations policies include:

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

TheRide's strategic circumstances have shifted significantly. Before the pandemic, our focus was on internal improvements within a favorable and stable external environment. Today, while our internal operations are stronger than ever, the external environment has become more unpredictable. Political conflict at the state and federal levels creates risks for our largest funding partners, along with the potential for funding cuts or macroeconomic disruptions. Ridership growth and security needs remain high priorities.

To best advance the Board's Ends, the Executive Team (CEO and Deputy CEOs) has fully updated the Corporate Business Plan with a revised assessment of our strategic situation, refreshed initiatives, and a repositioning of the agency for a less certain future. The FY2026 Corporate Business Plan outlines initiatives for the next twenty years, with many carried forward from FY2025 but with greater emphasis on economic uncertainty and risk management. The plan also provides an opportunity for the Board, staff, and the public to discuss priorities before the budget process adds further detail. We expect to maintain all current services in FY2026, with no fare increases or staffing level changes, and to continue advancing capital projects identified in the long-range plan, TheRide2045.

The Corporate Business Plan (the business plan) clarifies the strategic objectives and outlines what will be achieved within the operating and capital plans. The annual budget provides funding to support the following organizational objectives:

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

This presentation of the budget illustrates assumptions of revenues and expenses for the Draft Budget. The budget provides reasonably conservative assumptions to maintain current services and fund initiatives important to advance the Boards Ends. The FY2026 Budget incorporates these elements comprehensively and is shared in the context of future projections. The outlook for the budget is stable, and is supported by the new millage, in place through the summer of 2028.

The Operating Budget

Operating Budget Initiatives

Prioritization of goals is a necessary step as organizations balance ambitious goals with limited resources. Leadership can choose to set priorities in advance or let them emerge as daily decisions are made. Prudence suggests that the Board and CEO proactively set clear areas of focus to guide effective and transparent decisions proactively.

This year's Business Plan makes the CEO's approach in categorizing these goals more explicit. The CEO has grouped the Ends into categories for Core Services, Ridership Growth, Value Added. The following **Core Service Priority** initiatives are funded in the FY2026 Operating Budget and are aimed at **maintaining institutional stability, existing services, and infrastructure, to ensure service for existing customers and vulnerable populations.**

- a. **Institutional Stability** - The agency must continue to be able to deliver results.
 - i. **Public Support (1.5)** – Public and political support, not necessarily from special interests. Competence and social mission
 - ii. **Value and Efficient Stewardship (1.0)** - With limited resources we must be cost-effective to create the greatest value for the largest number of people
- b. **Excellence in Service Delivery & Social Mission Populations** - Our product must be high-quality: If we cannot retain riders, there is little point in making the effort to attract new ones. This also directly benefits the transit-dependent populations identified in the Ends. Most of our staff, resources, and energy (90%+) goes towards delivering daily services.
 - i. **Serving Low-Income Residents (1.1.1)** - Residents who cannot afford to drive
 - ii. **Serving Others who Cannot Drive (1.1.2)** - People with disabilities, seniors, youth and non-English speakers, especially those who rely on transit due to income
 - iii. **Economic: Workers, Students, Shopping, etc. (1.3, 1.3.1 & 1.3.2)** - Workers and students. Allows social/economic mobility and access to personal betterment, especially those who rely on transit due to limitations (see above)
 - iv. **Customer Satisfaction and Feeling of Safety (1.4 & 1.1.3)** - Descriptive qualities of an attractive transit service, not outcomes themselves
 - v. **Equitable & Full Participation (1.1)** – Important but hard to define. Largely demonstrated by existing services for transit dependent. (Asking the board to unpack both in 2025)

The budget also provides appropriate funding for **Ridership Growth Priorities**. Ridership Growth Priorities center on attracting new riders through service and infrastructure expansion or by increasing

demand via policy. This includes boosting trips among existing transit users, encouraging drivers to shift to transit, and supporting land development patterns that make transit a more convenient option. Achieving these goals requires strategies such as increasing service frequency, advocating for supportive public policies at all levels of government, and fostering community designs that reduce car dependence. While challenging, especially in the face of strong preferences for personal vehicles, these efforts aim to make transit a more attractive, practical choice for a broader range of travelers.

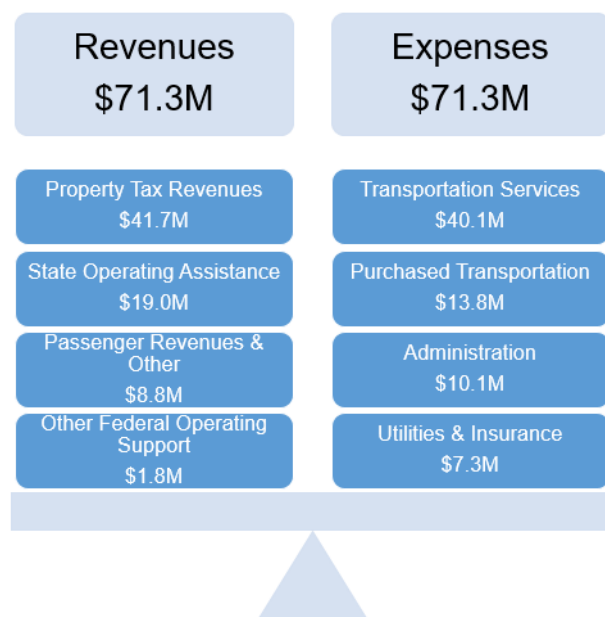
Initiatives are approved in the context of organizational priorities, available resources, and align with the business plan.

Operating Budget Summary

This balanced budget provides funding to execute on the TheRide's highest priorities. Direct funding for transportation services makes up over 75 percent of total expenditures.

Key assumptions include:

- Operating full-service levels, based on full first year impacts of millage expansion of services
- More refined forecasting for property taxes and operating expenses, based on actual revenues and expenses from the first year of the new millage and operations of service expansions
- Lower state operating assistance based on MDOT projections
- Inflationary impacts
- No fare changes
- Modest increases in ridership
- No reliance on capital funding for operations



The budget is "balanced" if revenues are equal to or exceed expenses. For FY2026, budget projections result in a balanced budget, with line-item contingencies factored in for key expenses.

The Capital Budget

Capital Budget Initiatives

The most significant costs impacting the capital budget for FY2026 are renovations to the Ypsilanti and Blake Transit Centers, commitments to maintain fleet and facilities in a state of good repair, renovations to the Dawn Gabay Operations Center, and planning and project development for a bus facility. The following initiatives aimed at **attracting new riders and increase ridership** are being implemented throughout the next fiscal year and are funded in the budget:

- a. **Ypsilanti Transit Center Redevelopment (1.1, 1.4, 1.5, 2.5.2, 2.10)** – Progress to develop a new transit center will commence in earnest this fiscal year, with late-state design and construction likely beginning in the summer of 2026.
- b. **Blake Transit Center Expansion & Redesign (1.0, 1.4, 1.5, 2.5.2, 2.10)** – The Blake Transit Centers must be designed to efficiently accommodate increased service hours. For FY2026, capital funds will be allocated for planning, design and preliminary construction to improve and expand bus operations along 4th Ave. TheRide will continue to work with the Ann Arbor Housing Commission and the City of Ann Arbor to jointly develop a vision for the Y LOT adjacent to the BTC.
- c. **New Bus Garage (1.0, 2.4.2, 2.4.3, 2.10)** – With the operational expansions planned through the long-range plan, TheRide will begin an assessment for the need of a new storage and maintenance facility to accommodate expanded service, bus rapid transit, and new vehicle types. The new garage is anticipated to increase capacity for the fleet by 100 buses. It will also be critical in supporting the transition to zero-emissions vehicles with respect to different charging/refueling and maintenance requirements. The new bus garage is expected to be commissioned in FY 2029. The FY26 capital allocations for the new bus garage include requested funding for project management, site selection, architecture and design services, plus environmental analysis.
- d. **Washtenaw BRT planning & funding (1.0-1.5, 2.10)** – The Washtenaw Avenue corridor provides the highest and most continuous ridership between downtown Ann Arbor and downtown Ypsilanti. In FY26, TheRide is requesting capital funds to begin the required environmental analysis to move forward with this project.

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

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

The budget provides for capital costs and investments necessary to upgrade and improve technology systems, clean propulsion, and basic infrastructure. Initiatives focus on opportunities to execute various internal improvements to systems, processes, or technology designed to improve TheRide's internal performance. It also includes important improvements for riders (i.e., bus stops, bus lanes) environment (zero-emissions buses). The following initiatives aimed at **continuous improvement** are being implemented throughout the next fiscal year and are funded in the budget:

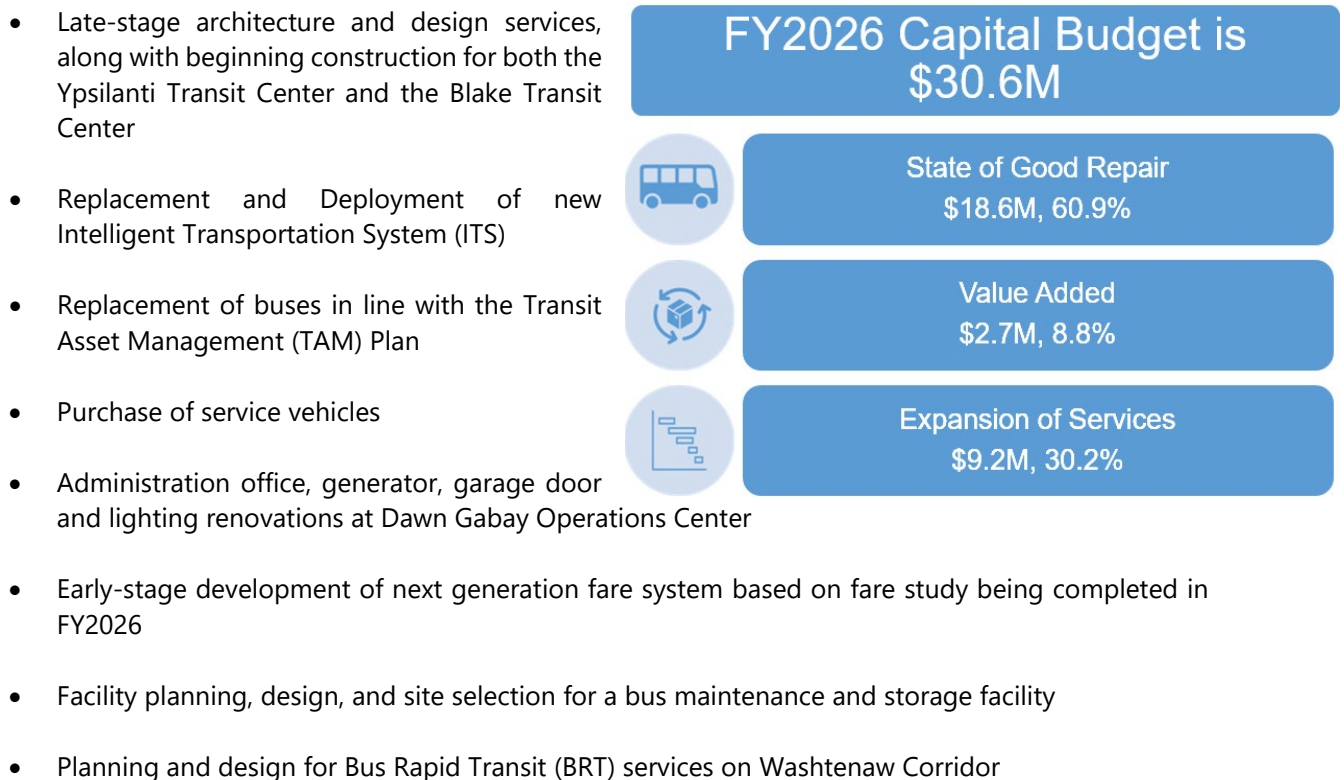
- a. **Information Technology (IT): (1.4, 2.0, 2.7)** – Technology improvements include replacements and improvements of major systems required to support transportation services. IT needs are

strategically planned for several years at a time and are based on evaluations of systems and software for current and future needs.

- b. **Bus Stop Improvements: (1.1.2, 1.4)** – Focused on improving accessibility for people with disabilities, TheRide is working on improving bus stop infrastructure such as concrete landing pads, safe pedestrian paths, shelters, and other amenities. Pending funding and issuance of permits, TheRide targets to make 30 to 40 bus stops near sidewalks accessible each year.
- c. **Bus Lane Improvements: (1.0, 1.4, 2.10)** – Pending funding and successful collaboration with stakeholders, TheRide has hopes to create and improve bus lanes to make transit more attractive (relative to other modes) and efficient. Fully dedicated bus lanes will require the collaboration of the municipal, County and State partners in changing the streetscape.

Capital Budget Summary

This balanced budget provides funding to execute on TheRide’s highest priorities. A majority of the capital budget is focused on the redevelopment of TheRide’s two outdated transit facilities, along with state of good repair for buses and facilities. Specifics include:



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

The FY2026 capital budget is fully funded with no use of capital reserves.

The Budget Recap

The FY2026 Budget proposal will continue to evolve based on emerging information prior to the final staff recommendation in September. There is still a fair amount of uncertainty regarding the percentage rate for state operating assistance, with state budget development still in process. The following are key risks that will be monitored closely throughout the fiscal year:

- The State Operating Assistance percentage will be determined by funding for public transportation in the state budget, which may not be finalized until after this budget will need to be approved; guidance will be provided by MDOT and monitored throughout the budget process
- Changes in interest rates or inflation from current assumptions could affect interest income, as well as costs for fuel, materials, and supplies
- Union contract negotiations for a new Collective Bargaining Agreement (CBA) are scheduled for January, and any resulting changes may impact the fourth quarter of FY2026

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2026 will bolster the organization against the risks of uncertainty ahead. The following are key strengths that may mitigate risks:

- No known risks of service cuts or lay-offs in 2026
- Continuing to operate within the budget and available resources
- Operating reserve funds at or above target levels
- Established capital, operating, and insurance reserves
- No indebtedness or significant liabilities
- No significant legacy costs, such as unfunded pension liabilities
- Dedicated property tax revenues through 2028, as approved by voters on August 2, 2022

The budget is the fiscal year's financial plan that supports activities to accomplish goals and objectives as defined in Board's Ends Policies and is aligned with TheRide's Corporate Business Plan. This presentation of the budget illustrates assumptions of revenues and expenses needed to provide transportation services to the communities we serve and includes funding for initiatives prioritized in the business plan. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and five and ten-year projections. The outlook for the budget is stable and is supported by approved millages through 2028 to provide transportation services to our communities.

4. Introduction

Budget Introduction

The FY2026 Operating and Capital Budget (the budget) is the fiscal year's financial plan that supports activities to accomplish goals and objectives as defined in Board's Ends Policies and is aligned with TheRide's Corporate Business Plan. All policies and plans support the stated policy of providing public transportation options that contribute to the Ann Arbor-Ypsilanti Area's social, environmental, and economic vitality at a cost that demonstrates value and efficient stewardship of resources.

The organization is committed to achieving The Board's Ends. Executive Limitations are the operational and risk boundaries provided to the CEO, within which, staff methods, decisions, and activities can be responsibly left to professional staff to lead and manage.

The Corporate Business Plan (the Business Plan) clarifies strategic goals (Ends policies) and outlines how it will achieve them within a 5-year operating plan and a 10-year capital plan. The operating workplan is shorter to allow a detailed focus on day-to-day operational aspects and more specifically new service improvements.

Aligned with the Business Plan, the Budget provides the financial plan to maintain transportation services to the communities we serve. The Budget provides funding to accomplish the following:

- Excellence in Service Delivery and Customer Retention → Operational, Financial and Administrative Excellence
- Attract New Riders and Increase Ridership → Long-Term Infrastructure, Service Enhancements and Influence Demand for Transit
- Continuous Improvement → Team and Staff Development, Internal Effectiveness & Efficiency, and Sustainability Planning

A large majority of funding in the Budget is for maintaining services, with additional funding to support growth and continuous process improvement.

The Budget is a balanced budget that provides a plan for execution of the Board's Ends and the organization's highest priorities. Development of the Budget considers impacts of economic and industry conditions and impacts on financial and operational plans. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and a five-year projection. The Budget supports the priorities and initiatives represented in the Business Plan.

The Budget assumes full-service operations, reflecting the impact and data collected from this first complete year of expanded services funded by the higher millage rate passed in August 2022. It includes a substantive increase in property tax revenue based on actual receipts and more refined forecasting derived from historical analysis along with recent data from Washtenaw County. It also accounts for a substantial reduction in state operating assistance, based on guidance from MDOT to public transit agencies in Michigan.

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

This presentation of the FY2026 Budget illustrates assumptions of revenues and expenses needed to provide transportation services to the communities we serve and includes funding for initiatives prioritized in the Corporate Business Plan. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and five and ten-year projections. The budget is balanced with property tax revenues.

In summary, the budget provides reasonably conservative assumptions to maintain current services and fund initiatives important to advance the Boards Ends. The FY2026 Budget incorporates these elements comprehensively and is shared in the context of future projections. The outlook for the budget is stable, and is supported by the new millage, in place through the summer of 2028.

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

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

Highlights of the FY2026 Recommended Operating and Capital Budget are:

- Overall operating expenses are **\$71,259,523** and **\$30,589,205** in capital investments
- Addresses the long-term financial picture by presenting a 7-year operating plan
- Addresses the long-term financial picture of capital projects by presenting a 10-year capital plan
- Funds the priorities from the Corporate Business Plan
- Presents a 10-year capital plan, and programs federal and state funding for major projects:
 - Design work and construction for the Ypsilanti and Blake Transit Centers
 - Replacement and rehabilitation of fixed-route buses
 - Capital maintenance for the operations center
 - Early-stage development of next generation fare system

Corporate Strategic Plans

The FY2026 Budget is the funding plan for achievement of goals established by TheRide's Board of Directors. Corporate strategic planning establishes the programs and initiatives to help the organization achieve these Ends. As of mid-2025, the dominant issues are ongoing ridership recovery, funding uncertainty, and macroeconomic disruptions. Transit agencies like TheRide are now focusing on service adjustments to meet these evolving needs, while also addressing challenges in recruiting and retaining essential staff. Despite the external environment being chaotic and unpredictable, TheRide has internally never been stronger. The budget includes funding for full schedules of transportation services, and initiatives referenced in the FY2026 Corporate Business Plan.

Financial Executive Limitations Policies

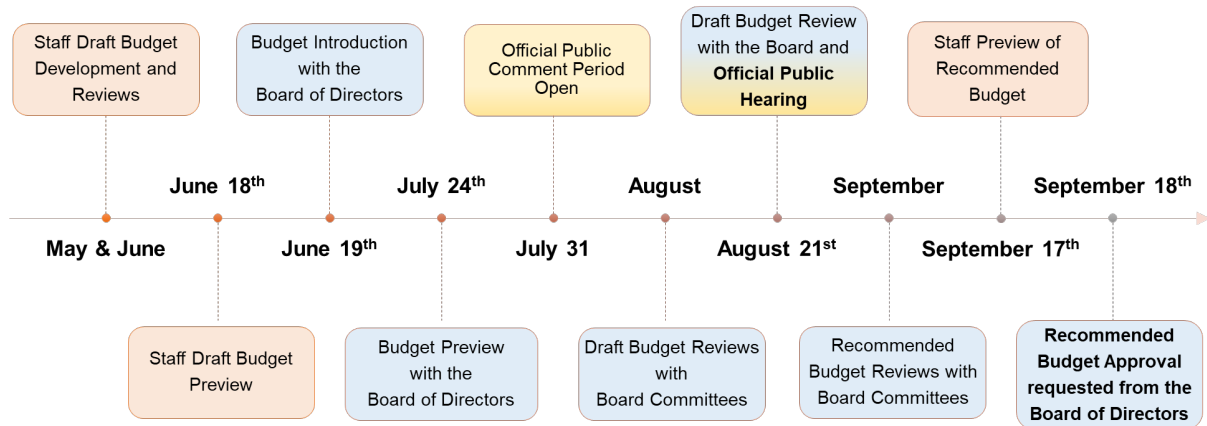
TheRide's Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on the [website](#). Many of the policies have a direct effect on shaping the annual budget. For example, the Board has set clear limitations upon Financial Planning and Budgeting (Policy 2.4), Financial Conditions and Activities (Policy 2.5), Cash and Investments (Policy 2.6), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.7).

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

Budget Process and Timeline

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

Figure 1 Budget Timeline:



- **May/June/July:** Development of the baseline budget, defined as financial resources required to provide transportation services as scheduled for the fiscal year and in alignment with Board policies. The budget is developed in context of current economic conditions, operations and business plans. The process includes many activities, such as evaluating budget performance and projections with department managers, reviewing staffing levels, analyzing impacts of current collective bargaining agreements, reviewing asset maintenance plans, analyzing historical trends of key drivers, and forecasting revenues and expenses.
- **August/September:** A draft operating and capital budget with a multi-year forecast will be provided at Board meetings and committee meetings. The operating budget preview was made available for public review starting August 1st and will remain accessible through budget adoption on September 18th.
- **August:** A draft budget will be provided to the Board of Directors at the August 21st meeting. The public input period began in August, and the official public hearing, as required by state law, will be held during the August 21st Board meeting.
- **September:** The Board will receive the Recommended Budget for approval at the September Board meeting. The Michigan Uniform Budgeting and Accounting Act of 1968 requires Board adoption prior to incurring any expenditures on October 1, the first day of the new fiscal year.
- **October:** Fiscal Year 2026 will begin October 1, 2025, with the newly adopted budget.

5. The State of TheRide

Financial Condition

TheRide is financially stable and is expected to remain so through FY2026 and for the duration of the approved millage. TheRide expects current year revenues and expenses to be materially consistent with the approved FY2025 budget. The reserve balance remains strong, as property tax revenue supports ongoing operations and service expansion. While future impacts of regulatory changes and political shifts remain uncertain, financial strengths include:

- No known risks of service cuts or lay-offs in FY2026.
- Continuing to operate within the budget and available resources.
- Operating reserve funds at or above target levels.
- Established capital, operating, and insurance reserves.
- No indebtedness or significant liabilities.
- No significant legacy costs, such as unfunded pension liabilities.
- Dedicated property tax revenues through 2028, as approved by voters on August 2, 2022.

The agency continues to build on its track record of strong audit results, as demonstrated by another successful financial statement audit for 2024. The Finance Department maintains its emphasis on continuous improvement, particularly in the areas of accounting cycle processes and managerial reporting. While the Finance Department has faced continued staffing challenges in FY2025, these difficulties present opportunities for growth and innovation. The FY2026 budget reflects a strong commitment to overcoming these challenges, allocating considerable resources for consulting support to ensure effective day-to-day operations and drive improvements in financial planning and analysis, interdepartmental financial management, and internal controls. Simultaneously, the budget supports the development of a full internal team, with the aim of managing all departmental work without aid of external assistance on routine matters. The Finance Department is focusing on more effectively utilizing existing software and taking better advantage of its capabilities to provide high quality data for internal and external needs. This approach positions TheRide to not only preserve but significantly strengthen its financial backbone, ensuring long-term stability and with the target of reaching the highest standards for financial excellence in public transportation agencies.

Fund Description, Structure, and Balances

TheRide operates with cash and investment asset accounts, through which operating, capital, and investing transactions flow during the fiscal year. The term *fund balance* is used to describe the net position of the general fund as calculated by GAAP. It is illustrated in the net assets portion of the balance sheet on the financial statement, also often referred to as equity. The fund balance represents the accumulated annual surpluses or deficits over the lifetime of the agency, inclusive of all reserves designated within it by the Board of Directors.

When liabilities are high and the fund balance is low, it means that the cash and investment accounts used day-to-day are supported through debt, unearned revenue and other obligations yet to be paid. This balance sheet scenario can lead to financial instability, reduced flexibility and a limited ability to leverage funding sources.

TheRide currently maintains a positive fund balance coupled with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2026. This will bolster the organization against liquidity issues, budget cuts, and other risks that could jeopardize the organization's ability to carry out its mission. The effect of the FY2026 Operating Budget on the fund balance is discussed in the [Impacts of the 2026 Budget](#).

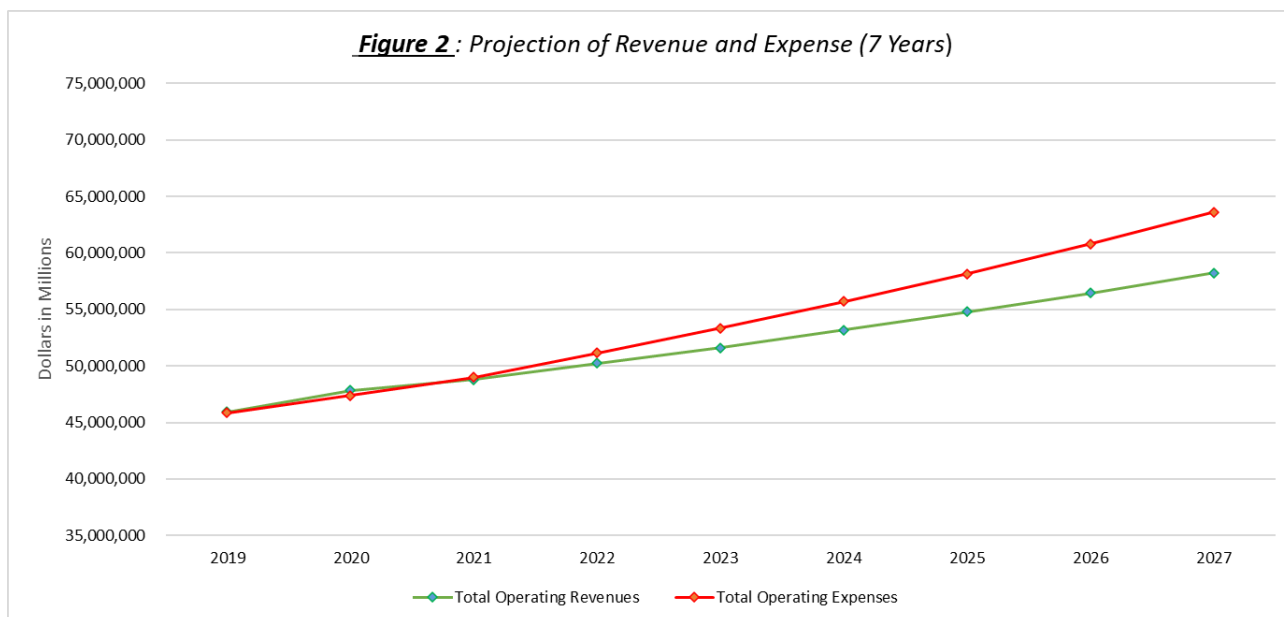
Current Millage Provides Longer-Term Financial Stability

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

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

Figure 2 on the following page illustrates the gap in revenues and expenses through FY2027, as projected in 2019.

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



In early FY2020, cost control measures were under way. And, when the pandemic emerged, TheRide's financial situation suddenly appeared much more precarious and immediate cost saving measures were deemed necessary, including significant suspension of service and layoffs affecting 42 employees. Those immediate pandemic-related changes in combination with significant contributions of federal relief funding provided immediate relief for FY2021, and in FY2022 TheRide returned to full services. The remaining federal relief funding renewed financial stability and provided funding for a balanced budget through FY2024. While none of this resolved the pre-existing structural deficit, the onset was delayed from 2021 to 2024. One-time federal funding provided short-term relief but would not sustain ongoing operating costs for the long-term.

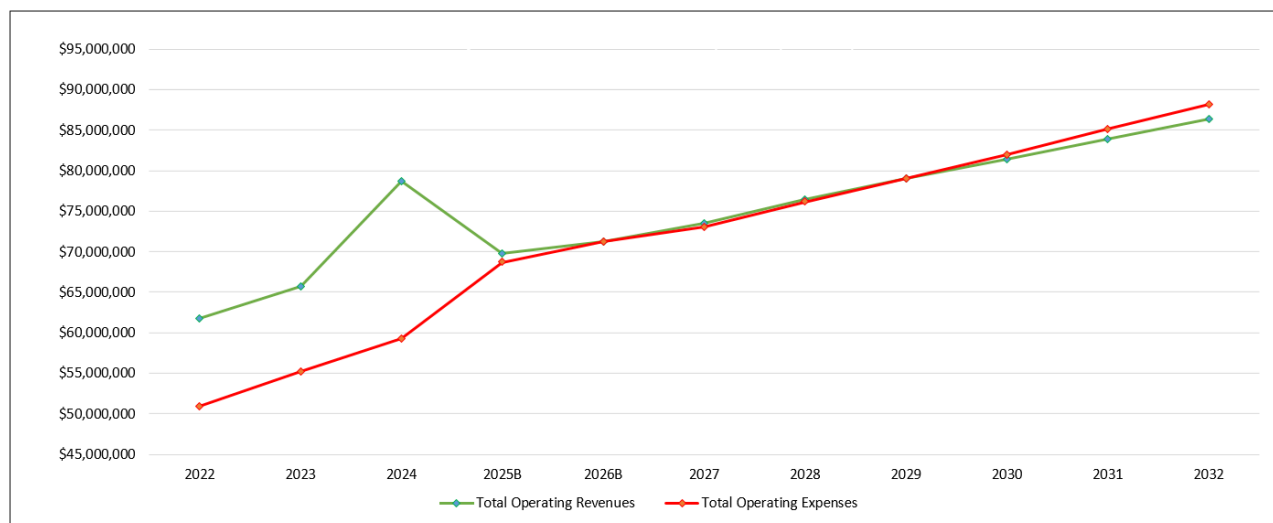
The need to re-focus and address the structural deficit became two-fold as time marched us toward the expiration of the 2018 millage for property tax funding set to expire in 2023. As the emergency of the pandemic began to stabilize, TheRide prioritized attention on recovery and the future. Efforts to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

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

This significant achievement for TheRide cannot be understated. The projection of revenues and expenses, for the first time in years, demonstrates that TheRide has secured funding to improve transportation services and provide a sustainable revenue source to support the commitments to our communities. The new millage began in 2024, and funds FY2025 through 2029. Expanded services began August of 2024 and ran successfully through the first full year of operations.

Figure 3 shows that TheRide has funding for projected expenses through the current millage period.

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



Total operating revenues are projected to exceed expenses through FY2029, but the margin narrows beginning in FY2026 due to an anticipated reduction in State Operating Assistance. Growth in local property tax revenue, supported by the millage and rising assessed values, is helping to offset the loss and stabilize overall revenue. However, by FY2029, expenses almost surpass revenues, and a modest structural deficit emerges, gradually widening through FY2032.

Throughout the forecast period, the budget is expected to grow as a result of service expansions funded by the current millage. Revenues are anticipated to stay ahead of expenses through FY2029, consistent with Board policy. Funding for any additional services not currently provided or stipulated in the current millage proposal will need to be addressed with future millage proposals or be supported by other funding sources.

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

Financial Opportunities

TheRide's budget for fiscal year 2026 will ensure the continued delivery of high-quality services, demonstrate careful stewardship, and provide transparency of future challenges with the seven-year budget forecast. Development of the budget was guided by the following principles:

- Compliance with budgeting policies recommended by the Board of Directors to ensure financial stability.
- Budget for the priorities outlined in the Corporate Business Plan.
- Support safe operation of transportation services.

- Maximize value provided to passengers and taxpayers.
- Ensure funding for stable operations.
- Ensure TheRide's assets are maintained in a state of good repair.
- Support future expansion efforts.
- Provide for continuous improvements that improve the quality of services and efficiencies.

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

Ensuring Adequate Operating Reserves

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

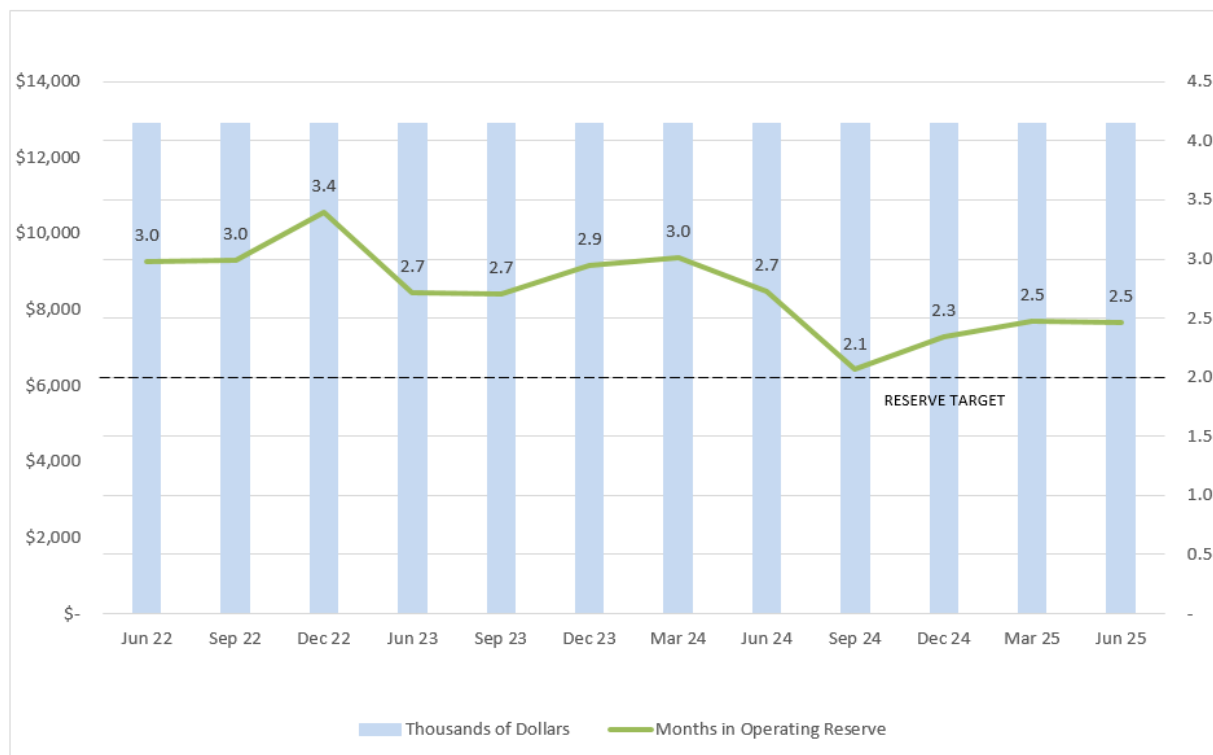
Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Through Board adoption, TheRide established the following reserves and target levels:

- Up through FY2024, the operating reserve had a target level of 2.5 months of operating cash. In FY2025, given the current level of fund balance, the CEO and CFO felt that a less conservative stance was warranted and aligned the operating reserve target with GFOA best practices at 2.0 months. Several factors (including a structural deficit) contributed to the initial position that AAATA should maintain operating reserves of 2.5 months for many years. However, with the August 2022 millage and prudent use of pandemic relief funds, AAATA has gained financial stability by eliminating the structural deficit and establishing adequate reserves.
- Worker's compensation insurance reserve of \$500,000.

Operating Reserve

Due to the pandemic and associated federal relief funds, the operating reserve cash position improved in FY2021 and remains strong as shown in the chart on the following page. The projections for the operating reserve are included in the [Impacts of 2026 Budget](#) section.

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



Worker's Compensation Insurance Reserve

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

Capital Investment Focus

Our capital plans balance maintaining current assets with investments in future expansions. Funding for improvements to facilities and maintaining a state of good repair for vehicles, equipment, and other assets continue in the FY2026 budget. In alignment with federal regulations, the Transit Asset Management (TAM) Plan helps ensure assets are in good condition and ready to support TheRide's services. While TheRide's fleet and equipment are in a good state of repair overall, significant renovations to facilities are a focus of the capital budget for 2026. These improvements include the redevelopment and construction of enhanced facilities at the Ypsilanti and Blake Transit Centers. Additional resources are included in capital budgeting to address needs for a bus maintenance and storage facility, as well as bus stop improvements, and a new bus rapid transit line.

TheRide's Transportation Services and Ridership

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

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

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

In this section, current services, recent changes to current services and corresponding ridership activity are discussed. Ridership is an indicator of the success of our services. As indicated in the Board's Ends, AAATA exists so that an increasing proportion of residents, workers and visitors in the service area utilize public transportation options (Board Policy 1.0). Ridership is tracked and measured to provide a gauge of how frequently our services are utilized and understand the value of the services to our stakeholders. Ridership projections are developed by analyzing historical trends, evaluating impacts of service changes, contextualized with local and national trends, and aligned with long-term projections. Ridership are key drivers used for estimating passenger fare revenues, and other revenues and expenses as described in the key budget assumptions of operating revenues and operating expenses in Section 6: 2026 Budget, of this document.

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

Fixed-Route Services and Ridership

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

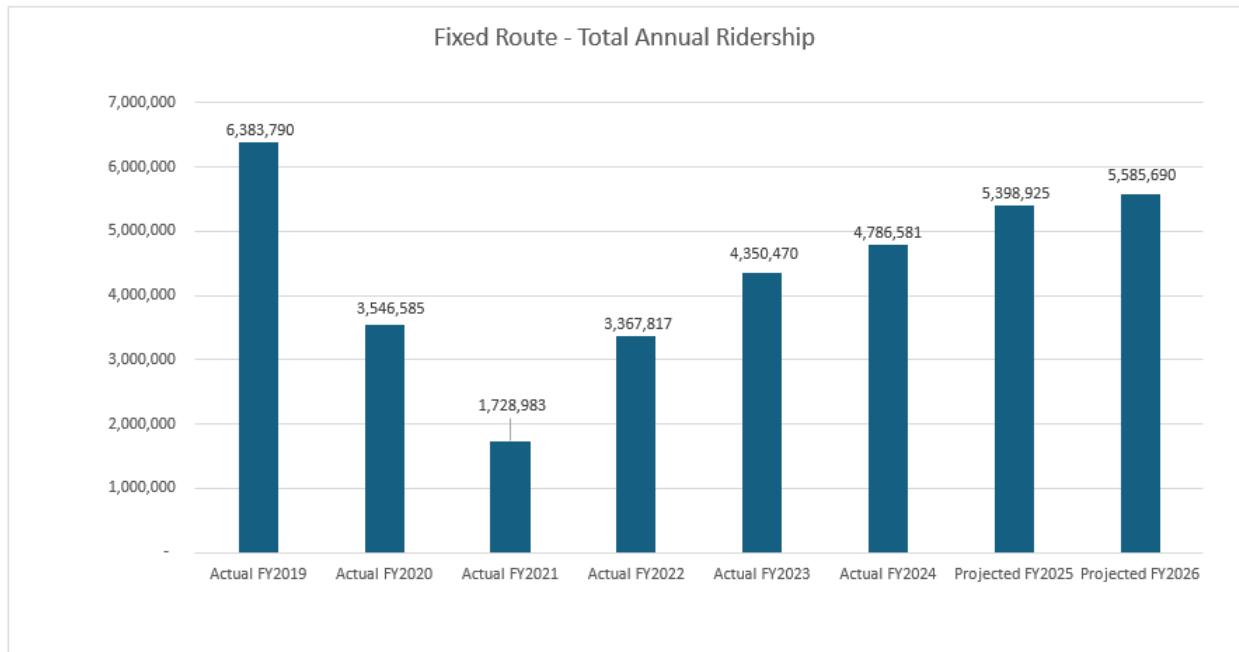
Fixed-route ridership represents approximately 96% of all ridership for services offered by TheRide and is the most compared metric for mid and large-sized public transportation agencies. The significance of the ridership as a percentage of total also makes it the primary driver for budget projections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

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

As shown in Figure 5, in fiscal year 2026, total annual fixed route ridership is projected to be 3% higher compared to FY2025. Importantly, FY2025 ridership is projected to end 13% higher than FY2024,

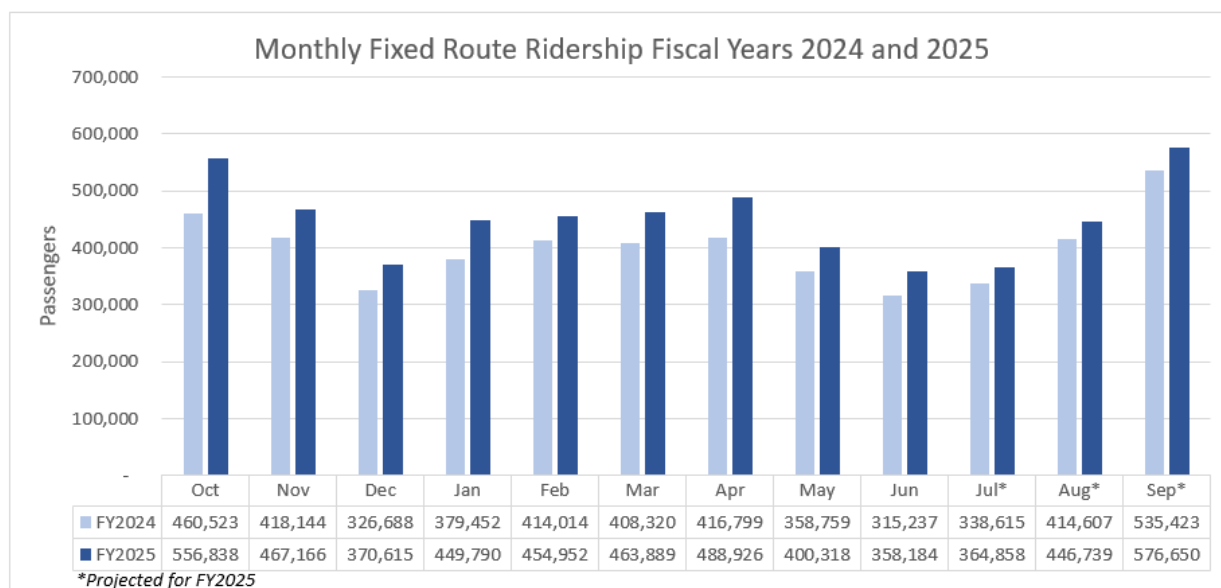
substantively higher than the 6% ridership growth that had been budgeted. Riders immediately took advantage of the expanded millage services which began in August of 2024, which deviated from budgeted expectations that it would take time for this additional utilization to develop. Thanks to successful communication and promotion of TheRide's enhanced operations, ridership growth experienced a one-time boost that is now expected to continue at a more gradual and consistent level in FY2026.

Figure 5: Annual Fixed Route Ridership



As shown in Figure 6 on the following page, ridership has grown every month compared to the prior year. Projections into the fall of fiscal year 2026 represented in the operating budget reflect conservative assumptions in growth compared to prior months.

Figure 6: Monthly Fixed Route Ridership



D2A2 Services and Ridership

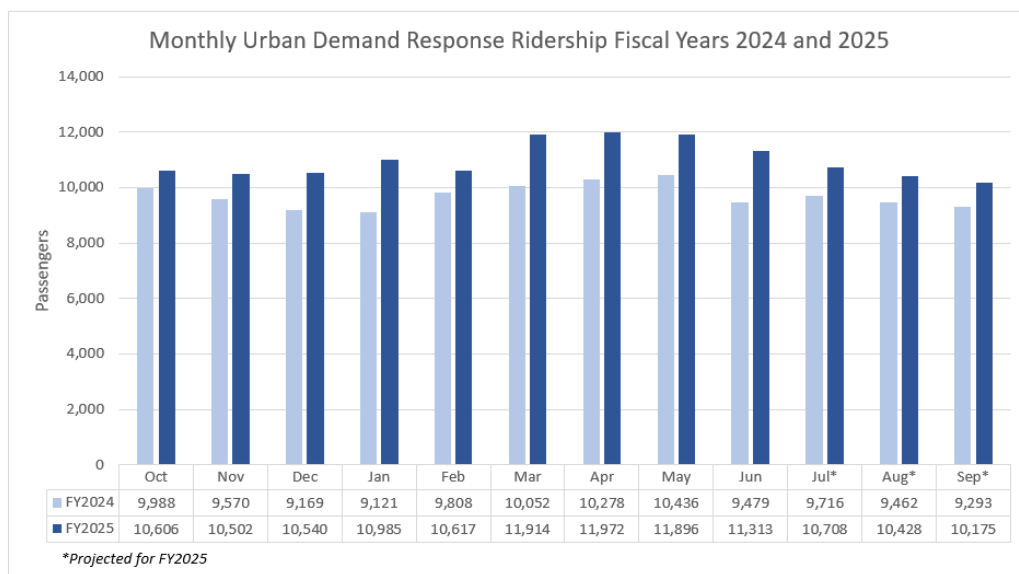
In FY2025, operational control of D2A2 moved to the RTA, but the service has continued uninterrupted. Connections to metro Detroit support the Board Ends policy (1.3.4).

Urban Demand Response Services and Ridership

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

Total ridership for urban demand response services is projected to be 13% higher in fiscal year 2025 than the prior year, with 131,656 passengers compared to 116,372 in fiscal year 2024. A comparison of total ridership for all demand response services combined are illustrated in Figure 7 on the following page.

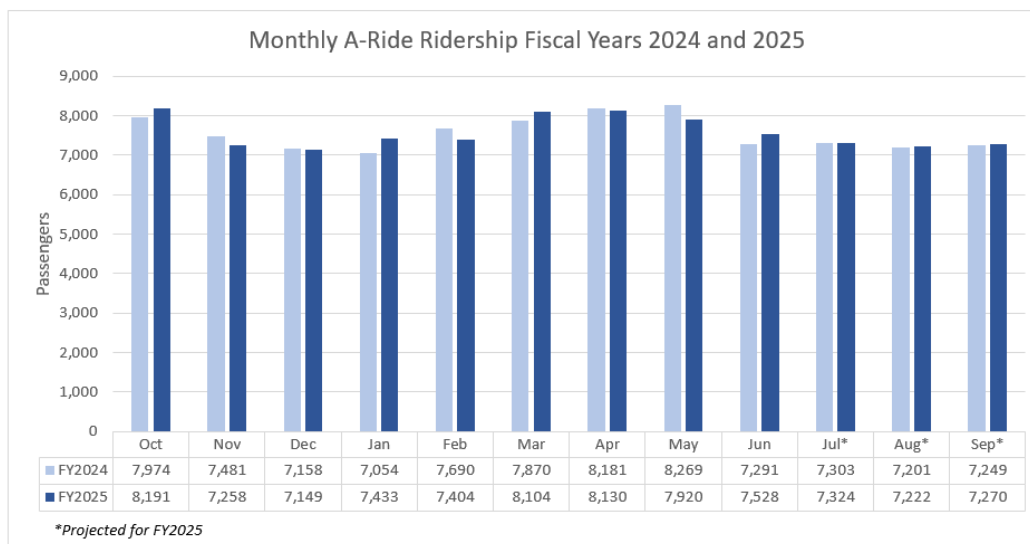
Figure 7: Urban Demand Response Ridership



A-Ride Services and Ridership

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

Figure 8: A-Ride Ridership



6. 2026 Budget

Budget Overview

The following sections outline the FY2026 Operating and Capital Budget (the budget). The initiatives outlined in this budget help advance the priorities identified in the **Corporate Business Plan**. This budget also provides multi-year forecasts and context.

Highlights of the FY2026 Budget include:

- Full services for fixed-route and paratransit services
- Second full year of millage supported expanded services
- Property taxes and State Operating Assistance (LBO) represent 85% of operating revenues
- Lower state operating assistance based on MDOT communications
- Anticipates no fare changes
- Balanced operating and capital budgets

In addition, the budget continues to advance many of the capital initiatives that have been started in recent years. Examples of significant 2026 initiatives include:

- Replacement and rehabilitation of fixed-route buses and support fleet
- Late-stage architecture and design, along with the beginning of construction, for the Ypsilanti and Blake Transit Centers
- Early development of next generation fare system
- Additional value-added facilities projects at Dawn Gabay Operations Center

Operations Overview

In FY2026, TheRide will operate at millage-supported service levels for the whole year. The organization will not only continue to serve its existing ridership but augment the scope of its day-to-day operations to reach more individuals. Ridership has come in well above conservative staff forecasts for FY2025, due to successful communication and promotion of the new services available. Projections for FY2026 remain conservative but factor in the higher ridership seen in this fiscal year.

The following tables present vehicle revenue hours (hours in service) and ridership, with comparisons between FY2024 actual performance and projections for 2025 and 2026, which are the basis for assumptions in the budget.

Figure 9: Projected Vehicle Revenue Service Hours

Service Hours	Actual FY2024	Projected FY2025	Budget FY2026	% Change (2026 vs. 2025)
Local Fixed Route	285,453	314,906	317,654	0.9%
Urban Demand Response	60,883	79,007	80,853	2.3%
Total Service Hours	346,336	393,913	398,507	1.2%

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

Figure 10: Projected Ridership

Ridership	Actual FY2024	Projected FY2025	Budget FY2026	% Change (2026 vs. 2025)
Local Fixed Route	4,786,581	5,398,925	5,585,690	3.5%
Urban Demand Response	116,372	131,656	136,639	3.8%
Total Passenger Trips	4,902,953	5,530,581	5,722,329	3.5%

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

Operating Budget

The following tables and charts illustrate the elements of the FY2026 Operating Budget. Actual FY2025 revenue is tracking above target at the end of Q3 and forecasted to land slightly above budgeted expectations by year end. Expenses this fiscal year will likely land slightly below budget due to unfilled staff positions and lower-than-anticipated fuel costs. In FY2026, overall operating expenses are increasing by 3.7% compared to FY2025 budget to support millage-funded operating levels, along with staff development and support.

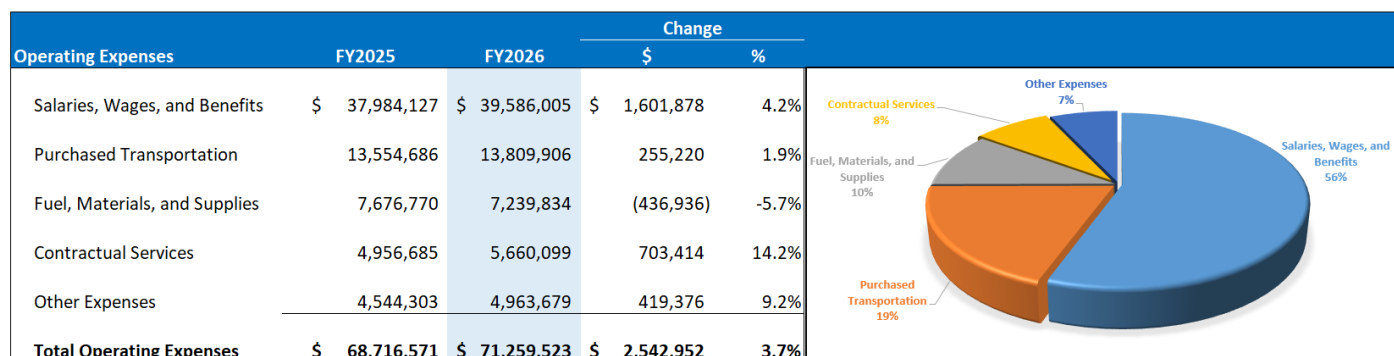
Operating revenues are 2.1% higher compared to the FY2025 budget. This small top-line change represents more significant changes in both property tax and state operating assistance, in opposite directions. Based on refined forecasting and actual collection data, AAATA anticipates FY2026 property tax revenues to solidly support service continuity and financial resilience. On the other hand, MDOT has advised transit agencies to plan for a reduced reimbursement rate for State Operating Assistance in FY2026. While the change in the state reimbursement rate presents a challenge, AAATA remains in a strong position due to dedicated local support. It is notable that relative to other Michigan transit agencies, local funding puts AAATA in a much stronger position to weather these changes in the short-term. If the State Operating Assistance rate returns to historical levels in the eventual passage of the upcoming state budget, AAATA would gain additional flexibility within its operating budget.

The budget for FY2026 is net neutral, with line-item contingencies included to ensure all costs are adequately covered. As such, no surplus is planned to be transferred to TheRide's reserves or fund balance at the end of the year. Further details of operating budget expenses and revenues, as well as multi-year comparisons, are highlighted in this section of the budget document.

Operating Expenses

As illustrated in Figure 11, FY2026 Operating Expenses are budgeted at **\$71,259,523**, 3.7% higher than FY2025.

Figure 11: FY2026 Operating Expenses (with FY2025 Comparison)



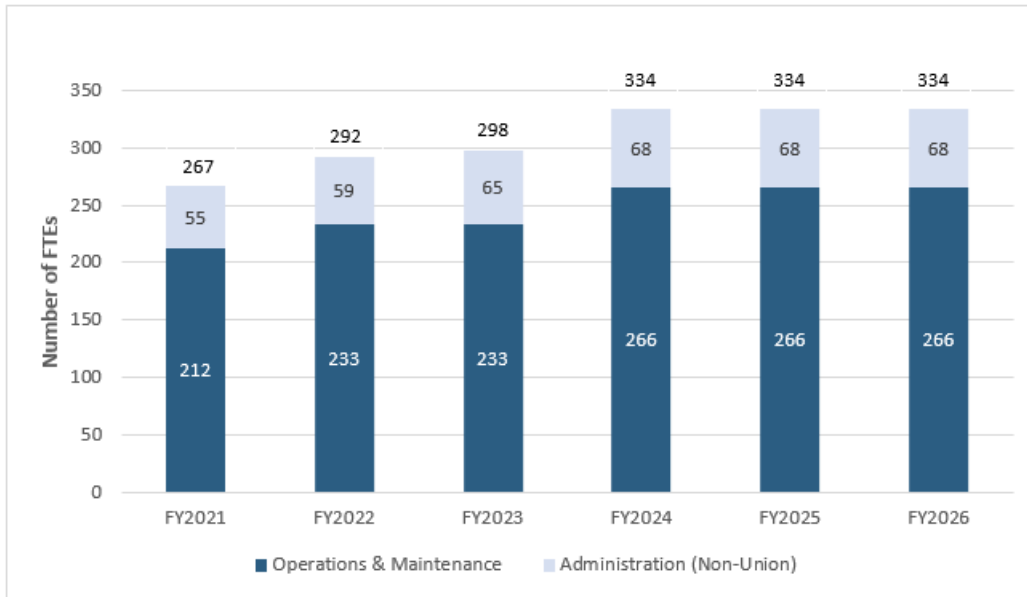
Descriptions of expenses and key budget assumptions are as follows:

Expenses are increasing modestly based on revenue constraints from lower state operating assistance, made possible via operational efficiencies found within the first year of millage expanded services.

- Salaries, wages, and benefits in FY2026 assume that all positions are filled in line with AAATA's current staffing plan, with pay increases ranging from 3-6%, depending on employee classification. Salary changes are consistent with the negotiated CBA (Collective Bargaining Agreement) for union-represented employees, which expires at the end of March 2026.

Figure 12 on the following page illustrates staffing levels from FY2021 to FY2026. In FY2022 budgeted staffing levels were restored to pre-pandemic levels to meet service recovery schedules. There was a net of 36 new positions incorporated into the budget in FY2024, but most of the new positions were only partially funded in FY2024. In FY2025 all positions related to the millage were fully funded for the year and remain so in FY2026.

Figure 12: Full Time Employee (FTE) Staffing Levels FY2021 to FY2026



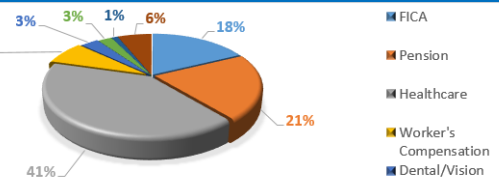
- Employee benefits costs are estimated based on historical actual costs and adjusted for anticipated inflationary rates. Figure 13 provides a comparison of the detailed employee benefits expenses and key assumptions. Benefits expenses are increasing by 2.2% in line with flat staffing levels and more refined forecasts. Assumptions and explanations for significant changes in the employee benefits budget are described below.

Figure 13: Employee Benefits Summary

FY2026 Employee Benefits (with FY2025 Comparison)

Type of Employee Benefit	FY2025	FY2026	Change	%
FICA	\$ 1,958,628	\$ 2,036,973	\$ 78,345	4.0%
Pension	2,320,417	2,413,234	92,817	4.0%
Healthcare	5,219,220	4,638,058	(581,162)	-11.1%
Worker's Compensation	238,476	852,102	613,626	257.3%
Dental/Vision	357,101	371,385	14,284	4.0%
Disability (Short/Long Term)	220,416	288,131	67,715	30.7%
Life Insurance	81,284	133,217	51,933	63.9%
Other*	801,175	705,722	(95,453)	-11.9%
Total Employee Benefits	\$ 11,196,717	\$ 11,438,822	\$ 242,105	2.2%

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

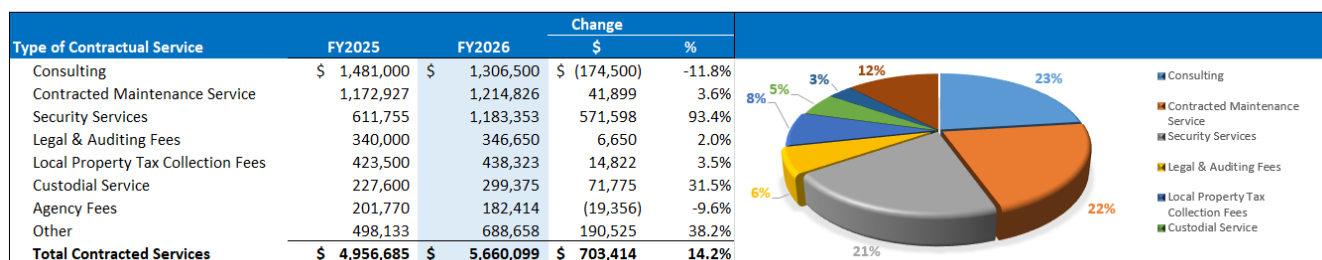


- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based on statutory rates. Social security and Medicare rates are unchanged, 6.20% for earning up to \$176,100 and 1.45% respectively. FY2026 assumptions are budgeted consistent with the prior year.
- Pension expense is based on contractual (union) or established rates (non-union) for eligible employees. For eligible employees, the pension expense is 9% of wages and is budgeted accordingly.

- Healthcare expenses are budgeted to decline by 11.1% in aggregate from the prior year's budget, aligning more closely with current and historical actuals. On the other hand, compared to the FY2025 forecast for these costs, the adjustment also reflects a 10% increase in benefit premium costs, which are projected to fall well below budget. Additional analysis will be conducted during the remainder of August and early September, and contingency may be added if necessary to ensure this expense is covered adequately.
- TheRide self-insures for workers' compensation, and the FY2026 budgeted expense is based on FY2025 actual costs, which rose sharply due to a higher volume of claims. The workers' compensation reserve remains fully intact and has not been used to offset operating budget impacts. In FY2026, much of the cost savings from healthcare expenses are reallocated to this area. Analysis of these costs is underway and ongoing in the upcoming fiscal year, with additional expense management supported through consultancy services and temporary staffing.
- Purchased transportation expenses are projected to elevate slightly compared to FY2025, up 1.9% in FY2026. This reflects offsetting factors: A-Ride costs have been lower than budgeted in FY2025, but the service contract is scheduled for renewal in the final quarter of FY2026. Conversely, subrecipient purchased transportation is expected to start a gradual return to more historical trends, starting to decrease in next fiscal year and continuing to through the projection period. These costs substantively exceeded budget in FY2025 though, related to additional management and attention on the passthrough organizations supported by them. Equivalent income to match the subrecipient expense found here is located within the "Other Federal Programs" line as revenue.
- Fuel, materials, and supplies expenses, shown in Figure 11, are projected to decrease by 5.7%. This reduction is driven mainly by fuel costs, which have remained well below budget in FY2025 and are expected to continue at that level into FY2026, even with a 25% contingency added to current prices. The FY2025 fuel budget was intentionally conservative to ensure adequate funding in the first year of expanded millage services, when limited historical data made a lower estimate risky. Updated analysis indicates that a smaller contingency is now sufficient, allowing some of the previously allocated funding to be redirected to high-priority needs given the revenue constraints present in FY2026.
- Contractual services expenses are 14.2% higher in FY2026, arising primarily from increases in security services.

Figure 14: Contractual Services Summary

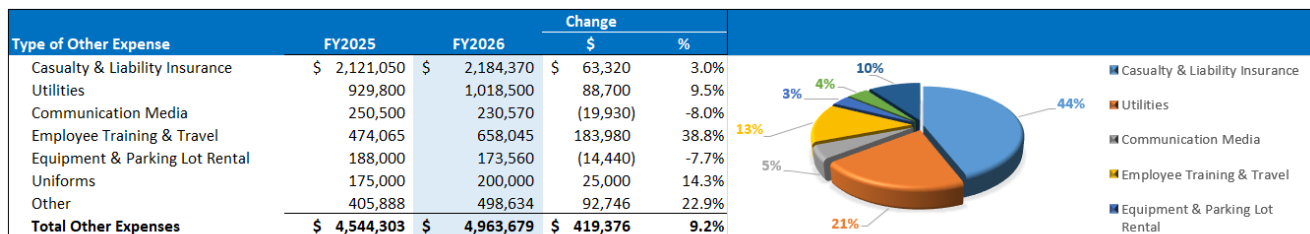
FY2026 Budgeted Contracted Services (with FY2025 Comparison)



*Other includes bank service fees, physical exam fees, temporary help, benefit admin fees, towing

- Recent security incidents have emphasized the importance of ensuring that customers feel safe when considering public transportation options. This has become a high priority. Additional guard services have been added at the Blake and Ypsilanti Transit Center, and a collaboration with the Ypsilanti Police Department is funded. A security review will also be conducted in FY2026, supporting additional operational improvements to ensure AAATA provides a safe environment for the riding public.
- Custodial services are projected to increase by 31.5% in FY2026 due to the renewal of the service contract upcoming in March of 2026. The budget includes contingency to ensure sufficient coverage for any cost increases associated with the new agreement.
- The increase of 38.2% in “other” contractual service expenses is primarily driven by temporary staffing support, which provides AAATA staff with ongoing operational assistance. These temporary resources help maintain service levels, address workload surges, and ensure continuity in essential functions.
- Other expenses are projected to rise by 9.2%, driven by greater emphasis on employee training and development. Building on TheRide’s strong internal capabilities, these investments are a strategic way to enhance workforce productivity and effectiveness. Figure 15 highlights the variances in other expenses, with additional details provided below.

Figure 15: Other Expenses Summary



**Other includes dues and subscriptions, employee appreciation, recruiting costs, and Board governance and training*

- Casualty and liability insurance costs see a modest increase in budget for FY2026. Following the recent insurance renewal, AAATA chose to self-insure for automobile damage. The savings from removing that policy offset increases in other premiums, resulting in nominal growth in this expense for FY2026.
- Utilities for FY2026 are budgeted in line with FY2025 actuals, which have been trending above expectations through June. The higher costs are primarily due to increased natural gas usage from a colder winter compared to the prior year. To ensure adequate coverage for this inelastic expense, the FY2026 budget includes a 9.5% increase.
- Uniform expenses are projected to increase due to inflationary pressures affecting material and production costs. The budget also accounts for scheduled replacement cycles to maintain consistent, professional appearance standards and ensure employees have functional, weather-appropriate uniforms.

- The upward change in “Other” expenses stems most from an increase in Property Tax Write-Offs, increasing in proportion to the anticipated growth in property tax revenue for FY2026.

Operating Revenues

As illustrated in Figure 16, FY2026 Operating Revenues are budgeted at **\$71,259,523**, a 2.1% increase from the FY2025 budget year.

Figure 16: Operating Revenues (with FY2024 Comparison)

FY2026 Budgeted Revenues (with FY2025 Comparison)

Operating Revenues	FY2025	FY2026	Change		
			\$	%	
Passenger Fares	\$ 3,800,535	\$ 4,138,392	\$ 337,857	8.9%	
Contract Revenues	2,939,682	3,060,136	120,454	4.1%	
Local Property Taxes	37,494,802	41,647,533	4,152,731	11.1%	
State Operating Assistance	22,198,615	18,984,021	(3,214,595)	-14.5%	
Federal Operating Assistance	-	-	-	0.0%	
Other Federal Programs	1,446,166	1,877,500	431,334	29.8%	
Other Revenues	1,909,143	1,551,941	(357,202)	-18.7%	
Total Operating Revenues	\$ 69,788,943	\$ 71,259,523	\$ 1,470,580	2.1%	

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

- Passenger fares: have been trending above budget in FY2025, with revenues expected to finish about 7% higher than originally projected. The FY2026 budget incorporates this performance and includes a cautious forecast for additional ridership growth in the second full year of expanded millage services.
- Contract revenues: TheRide enters into purchase-of-service agreements with Pittsfield, Scio, and Superior Townships to provide fixed-route and/or demand-response services in their communities. An additional contract with the Ann Arbor Downtown Development Authority supports getDowntown program operations. Pass-through contract revenue for nonurban service provided by People’s Express and Western-Washtenaw Area Value Express (WAVE) is associated with state-led rural programs and offset by both agencies’ operating expenses without a net impact on TheRide’s budget.

Purchase-of-service agreement budgets have been verified to match the contracts municipalities will sign for the upcoming fiscal year. They represent a modest increase in revenue of 3.8% to cover nominal annual cost increases.

- Local property taxes: Local property tax revenues are derived from property taxes collected from Ann Arbor, Ypsilanti, and Ypsilanti Township. Projections for FY2026 are based on a 4.7% average annual increase in assessed property values from 2014 to 2024 and a millage rate of 2.38 mills. The assumptions are supported by updated data from Washtenaw County received this spring,

which shows a 5.3% increase in property assessments for the upcoming summer tax collection compared to FY2024.

To improve projection accuracy, prior year gross assessments and billing data are reconciled with historic actuals and used as the base for assumptions and adjusted for changes in assessed property values to develop current Budget assumptions. Data is compiled from Washtenaw County, Ann Arbor, Ypsilanti, and Ypsilanti Township. All relevant deductions, including the Headlee Amendment rollback, and tax captures, such as those from the Ann Arbor Downtown Development Authority, have been factored into the revenue assumptions. Estimates are consistent with AAATA's L-4029 forms prepared for the summer tax collection.

The FY2026 Budget Preview reflects a total increase of approximately \$4.2 million, or 11.1%, over the FY2025 approved budget. Two key factors drive this significant increase. First, actual FY2024 receipts exceeded initial conservative estimates which were more closely aligned with projections used during the 2022 millage campaign. The FY2025 approved budget was intentionally somewhat conservative, as AAATA had not yet completed a full collection cycle under the increased millage rate and lacked sufficient data last summer to confidently support a higher projection. Based on this and refined forecasting plus actual collection data, AAATA anticipates FY2026 property tax revenues to solidly support service continuity and financial resilience.

- State operating assistance: State Operating Assistance is provided as a percentage of total eligible operating expenses for public transit agencies by the Michigan Department of Transportation (MDOT). For FY2026, MDOT has advised transit agencies to plan for a reduced reimbursement rate for State Operating Assistance, lowering it from 29.15% in FY2025 to approximately 26.04% for FY2026. Based on current budgeted operating expenses, this change represents an estimated \$1.6 million decrease in revenue compared to FY2025 year-end projections.

Further reductions in budgeted State Operating Assistance revenues in FY2026 are due to prior year budget assumptions that a larger share of expenses would be eligible, or qualify for reimbursement, via state operating assistance. Analysis of more current data and prior year-end calculations has improved projections of eligible expenses as defined by MDOT, but results in lower expected revenues.

In total, State Operating Assistance revenues are now forecasted to decrease by approximately \$3.4 million in FY2026, or 14.5%, compared to the FY2025 Budget. This decrease reflects both the lower reimbursement rate expected from MDOT and the change in AAATA's internal calculation of eligible expenses. Higher-than-expected property tax revenues will offset this shortfall both in this and next fiscal year though, mitigating the overall impact on AAATA's total revenues.

AAATA will continue monitoring the state budget process and any updates from MDOT over the remainder of the summer, adjusting as needed to reduce financial risk. While the change in the state reimbursement rate presents a challenge, AAATA remains in a strong position due to dedicated local support through property tax funding. It is notable that relative to other Michigan transit agencies, local funding puts AAATA in a much stronger position to weather these changes in the short-term. If the State Operating Assistance rate returns to historical levels, AAATA would gain additional flexibility within its operating budget.

- Federal operating assistance, other federal programs and federal relief revenues: Federal funding revenues in the FY2026 operating budget support the capital cost of contracting, seniors & people with disabilities, and planning. It also represents passthrough funding to subrecipient organizations which receive federal dollars for their transportation services via TheRide. This passthrough funding nets to zero with the expenses submitted to AAATA by these smaller agencies. Budgeted revenue in this category is projected to go up by 29.8%, largely due to this increased passthrough revenue. Matching costs are found within the purchased transportation category as an equivalent expense.
- Other revenues: Advertising, Interest and Other income are primarily driven by changes in interest income, which represents over 75% of this revenue category. Interest income is conservatively projected for FY2026. AAATA considers information provided by account managers at the Bank of Ann Arbor (BOAA), who provide expertise on interest rates fluctuations and trends, when determining budget assumptions. BOAA has shared that indicators are driving expectations that interest rates may decline significantly over the next year. Their assumptions reflect broader economic trends and likely federal policy shifts.

AAATA has collected over \$2 million in interest income as of the end of the third quarter, already far exceeding the full-year FY2025 Budget. Despite this overperformance, the FY2026 Budget holds interest income at \$1.45 million. This conservative stance reflects both the volatility of rate movements and AAATA's inability to influence them. Staff will continue tracking interest rate developments over the summer but does not anticipate increasing this projection unless economic conditions shift substantially.

Advertising and other miscellaneous revenue, though a relatively small portion of the overall budget, have also been revised downward in the Budget to align more closely with actual trends. These sources remain less predictable than other revenues and are budgeted cautiously. Combined with the interest income forecast, the total reduction to this revenue line in the Budget is \$357,202, or 18.7%.

Contingencies

There is always some uncertainty regarding revenues and expenses, particularly the impact of expense assumptions due to inflationary factors and workforce challenges as well as impacts of state and local funding on revenues. The following are revenues and expenses that are monitored closely throughout the fiscal year due to either the magnitude of impact they have on the budget or based on indicators that are more volatile and less predictable in nature, or both. While assumptions are made with current information available, the following factors may affect actual performance throughout the fiscal year.

- The final State Operating Assistance reimbursement rate, as approved in the state budget, may differ from the guidance provided by MDOT thus far.
- Changes in interest rates or inflation from current assumptions could affect interest income, as well as costs for fuel, materials, and supplies.
- Union contract negotiations for a new Collective Bargaining Agreement (CBA) are scheduled for January, and any resulting changes may impact the fourth quarter of FY2026.
- Additional analysis is needed to improve forecasting for employee benefits, including workers' compensation, beyond simple trend-based projections.
- Additional expenses may be added to accommodate Corporate Business Plan initiatives.

The assumptions in the FY2026 Recommended Budget represent the staff's best attempts to make financial projections using the economic inputs available to us from industry, local, state, and federal leaders. State law allows adopted budgets to be amended, offering adequate flexibility to accommodate changing budgetary needs as the year progresses.

Figure 17 below illustrates the details of the FY2026 Recommended Budget along with comparisons to previous years.

Figure 17: FY2025 Draft Operating Budget Detail (with Prior Year Comparisons)

TheRide FY2026 Operating Budget					
	FY2024 Actual	FY2025 Approved Budget	FY2026 Recommended Budget	2026 vs. 2025	
				\$	%
OPERATING REVENUES					
Passenger Revenue	\$ 3,822,673	\$ 3,800,535	\$ 4,138,392	\$ 337,857	8.9%
Local Property Tax Revenue	38,453,212	37,494,802	41,647,533	4,152,731	11.1%
POSA & Other Governmental Partners	3,171,799	2,939,682	3,060,136	120,454	4.1%
State Operating Assistance	20,342,774	22,198,615	18,984,021	(3,214,595)	-14.5%
Federal Operating Assistance	-	-	-	-	0.0%
Other Federal Programs	2,882,847	1,446,166	1,877,500	431,334	29.8%
Pandemic Relief Funds	6,799,897	-	-	-	0.0%
Advertising, Interest, and Other	3,240,071	1,909,143	1,551,941	(357,202)	-18.7%
TOTAL REVENUES	\$ 78,713,272	\$ 69,788,943	\$ 71,259,523	\$ 1,470,580	2.1%
OPERATING EXPENSES					
Salaries, Wages and Benefits	\$ 31,506,016	\$ 37,984,127	\$ 39,586,005	\$ 1,601,878	4.2%
Purchased Transportation	13,904,906	13,554,686	13,809,906	255,220	1.9%
Diesel Fuel and Gasoline	2,426,822	3,417,000	3,049,212	(367,788)	-10.8%
Materials and Supplies	3,181,403	4,259,770	4,190,622	(69,148)	-1.6%
Contracted Services	4,084,531	4,956,685	5,660,099	703,414	14.2%
Utilities	856,222	929,800	1,018,500	88,700	9.5%
Casualty & Liability Insurance	1,990,134	2,121,050	2,184,370	63,320	3.0%
Other Expenses	1,358,734	1,493,453	1,760,809	267,356	17.9%
TOTAL EXPENSES	\$ 59,308,767	\$ 68,716,571	\$ 71,259,523	\$ 2,542,952	3.7%
SURPLUS (DEFICIT)	\$ 19,404,505	\$ 1,072,373	\$ -	\$ (1,072,373)	0.0%

Basis of Budgeting

The 2026 operating and capital budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and to produce the financial statements. The only difference between the financial statements and the budget is that depreciation expense is not included in the operating budget since it is a booked expense which does not affect the general fund balance, operating reserve, or capital budget. Depreciation expense is included in the annual audited financial statements. An annually selected Audit Task Force (comprised of volunteer members of the

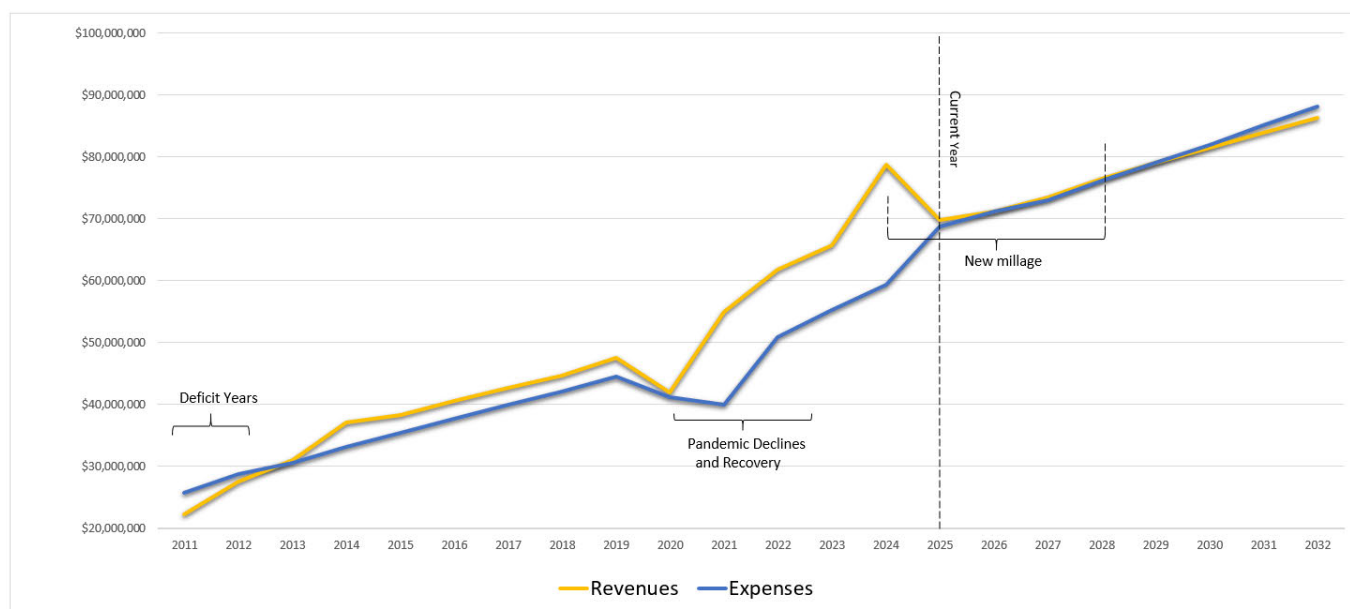
Board) have oversight of the financial statements and an independent audit at the end of each fiscal year. The fully audited Comprehensive Annual Financial Report (CAFR) is presented to the full Board for review and acceptance on an annual basis.

Long-Term Financial Context: 2011-2032

The Board's policies require the annual budget to be contextualized within a multi-year forecast of costs and revenues (Policy 2.4). The FY2026 budget and 5-year forecast for subsequent years is detailed in *Figure 19*, below.

Figure 18, below, compares historic (13-year actuals), the approved FY2025 budget, and forecasted financials to provide context for the FY2026 budget. After historical operating deficits consumed much of TheRide's financial capacity prior to 2013 as the organization expanded, new funding helped restore fiscal strength until just before the pandemic outbreak. TheRide's reserve coffers were finally at the policy target in late FY2019 after experiencing low balances for several years.

Figure 18: Financial Performance (Historic, Current, Forecast)



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

Figure 19 on the following page details projected operating revenue and expense projections for the next seven years.

Figure 19: Detailed Operating Budget (with 7 Year Forecast)



10-Year Capital Plan

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

Capital Planning Guiding Principles. Resources for capital projects are limited, and capital projects must be prioritized. To assist in prioritization, the Capital Plan is organized by the major categories of maintaining State of Good Repair, Value Added and Expansion. State of Good Repair (further defined in Section 8.1).

- **Maintaining State of Good Repair** projects receive the highest priority for funding because maintaining current assets is required to provide transportation services and FTA regulations require that federally funded agencies maintain specific levels of state of good repair to continue to receive federal funding. Almost all projects in the capital plan (See Figure 23) rely on federal funding, so the alternative of not maintaining current assets as prescribed by FTA standards would jeopardize all federal funding, resulting in the inability to provide assets for operations (buses, facilities, etc.), and effectively shut down the agency.
- **Value Added** is the second highest priority for capital projects because enhancing current services and improving existing operations is necessary for maintaining existing ridership and increasing efficiencies to maintain fiscal responsibility. Value Added projects are typically a cost-effective way to improve services or operations with manageable costs and are high value for money propositions.
- **Expansion** is the third highest priority for capital projects because expanding or increasing services typically requires significantly more funding than is available to the agency through traditional funding sources. In addition to funding for the projects, expansion projects most often result in significantly more operating and capital future resources that need to be planned for in advance of committing to the project.

Every year, TheRide produces a rolling 10-year plan to prioritize and plan for anticipated major capital expenses. While a 10-year perspective is helpful context, the Board only authorizes one year of expenditures at a time, in this case for FY2026. The remaining nine years are planning estimates and are subject to change. During the coming year, the 10-year capital plan may need to be adjusted to better reflect the final priorities of the ongoing Long-Range Plan.

The table on the following page summarizes the draft capital program for FY2026 and beyond until FY2035. While projects include the *Advancing the Long-Range Plan* priorities, their purpose is further organized by priorities of State of Good Repair, Value Added, and Expansion.

Figure 20: Capital Plan Projects and Funding Sources

CAPITAL PROJECTS	FY2026 Budget	FY2027-FY2035 Program
State of Good Repair	\$18,639,000	\$147,937,000
Value Added	\$2,703,000	\$31,390,000
Expansion	\$9,247,000	\$266,914,000
TOTAL EXPENSES	\$30,589,000	\$446,241,000
FUNDING SOURCES	FY2026 Budget	FY2027-FY2035 Program
State & Federal Grants	\$28,089,000	\$234,673,000
Congressionally Directed Spending	\$2,500,000	\$6,550,000
Local Capital Reserve	\$0	\$33,260,000
Unidentified Funding	\$0	\$171,758,000
TOTAL REVENUE	\$30,589,000	\$446,241,000
UNIDENTIFIED FUNDING PORTION	FY2026 Budget	FY2027-FY2035 Program
Unidentified Funding %	0%	38%

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

Figure 21: 10-Year Capital Plan

(\$ in thousands)													
Category	Project Description	FY22-25 Spend on Ongoing Projects	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	Project/CIP Total
STATE OF GOOD REPAIR	Vehicles	N/A	7,689,066	11,722,422	15,285,319	11,645,583	8,622,305	10,911,420	9,475,002	9,932,663	12,580,650	10,915,789	108,780,219
	Equipment	N/A	850,360	884,374	919,749	956,539	994,801	1,034,593	1,075,977	1,119,016	1,163,776	1,210,327	10,209,513
	Existing Facilities	N/A	2,939,463	1,763,528	1,834,069	1,907,432	1,983,729	2,063,078	2,145,601	2,231,426	2,320,683	2,413,510	21,602,518
	IT	N/A	7,160,550	5,639,249	2,422,062	2,531,222	1,240,991	1,290,630	1,342,256	1,395,946	1,451,784	1,509,855	25,984,545
	Category Total	-	18,639,439	20,009,573	20,461,200	17,040,776	12,841,826	15,299,722	14,038,836	14,679,050	17,516,892	16,049,481	166,576,795
VALUE ADDED	Bus Stop Improvements	N/A	412,000	424,360	437,091	450,204	463,710	477,621	245,975	253,354	253,354	260,955	3,678,622
	Existing Facilities and IT	N/A	1,515,563	770,186	800,993	833,033	866,354	901,008	937,048	974,530	1,013,512	1,054,052	9,666,279
	Transit Priorities	N/A	500,000	1,030,000	1,060,900	2,185,454	2,251,018	2,318,548	1,194,052	1,229,874	1,013,416	1,043,819	13,827,081
	Transit Signal Priority (TSP)	267,000	250,000	-	486,000	335,000	-	-	-	-	-	-	1,338,000
	Low & Zero-Emission	N/A	-	-	-	5,600,000	-	-	-	-	-	-	5,600,000
	Emergent R&D	N/A	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
	Category Total	267,000	2,702,563	2,249,546	2,809,984	9,428,690	3,606,081	3,722,177	2,402,076	2,482,758	2,305,282	2,383,825	34,359,982
EXPANSION	Ypsilanti Transit Center	YTC Land Acquisition	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000
		YTC Planning, NEPA, & Design	1,321,880	1,897,735	-	-	-	-	-	-	-	-	3,219,615
		YTC Construction	-	2,500,000	10,837,391	5,824,362	-	-	-	-	-	-	19,161,753
		YTC Subtotal	1,321,880	5,397,735	10,837,391	5,824,362	-	-	-	-	-	-	23,381,368
	Blake Transit Center	BTC Planning, NEPA, & Design	264,548	402,907	-	-	-	-	-	-	-	-	667,455
		BTC Construction	-	1,070,852	3,592,858	-	-	-	-	-	-	-	4,663,710
		BTC Subtotal	264,548	1,473,759	3,592,858	-	-	-	-	-	-	-	5,331,165
	Bus Rapid Transit	BRT Planning, NEPA, & Design	N/A	500,000	597,026	2,152,279	5,700,465	1,304,773	-	207,635	1,211,897	2,202,801	17,658,351
		BRT Construction & Vehicles	N/A	62,000	-	-	10,182,030	14,731,493	43,983,116	43,800,708	2,582,735	-	118,416,128
		BRT Subtotal	-	562,000	597,026	2,152,279	15,882,496	16,036,266	43,983,116	44,008,343	3,794,632	2,202,801	136,074,479
	Bus Maintenance & Storage Facility	Garage Land Acquisition	N/A	-	-	1,844,811	-	-	-	-	-	-	1,844,811
		Garage Planning, NEPA, & Design	282,900	1,250,000	1,456,255	4,304,559	2,913,571	-	-	-	-	-	10,207,285
		Garage Construction	N/A	-	-	-	19,001,551	32,619,330	33,597,909	-	-	-	85,218,790
		Garage Subtotal	282,900	1,250,000	1,456,255	6,149,369	21,915,122	32,619,330	33,597,909	-	-	-	97,270,886
	Information Technology	New Fare Technology, First and Last Mile Solutions, and Operational Innovations	N/A	100,000	545,900	615,322	601,000	619,030	637,601	656,729	676,431	696,724	5,866,361
		Information Technology Subtotal	-	100,000	545,900	615,322	601,000	619,030	637,601	656,729	676,431	696,724	5,866,361
		Transit Hubs	N/A	463,710	716,431	-	380,031	1,304,773	-	415,270	712,880	2,937,067	10,106,602
		Additional Vehicles for Service Expansion	N/A	-	-	-	-	-	-	-	-	-	-
	Category Total	1,869,328	9,247,203	17,745,862	14,741,333	38,778,649	50,579,399	78,218,626	45,080,342	5,183,943	5,836,592	10,749,584	278,030,860
EXPENSE TOTAL		2,136,328	30,589,205	40,004,980	38,012,516	65,248,115	67,027,306	97,240,525	61,521,254	22,345,751	25,658,765	29,182,890	478,967,637

Funding	FY22-25	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	Project/CIP Total
FORECASTED:												
5307 Federal + State Match	1,869,328	22,030,512	16,582,527	20,075,065	33,367,487	13,700,316	16,242,526	17,038,410	17,873,292	18,749,083	19,667,789	195,327,008
5339 Federal + State Match	-	2,306,033	2,410,376	1,245,103	1,272,496	1,300,490	1,329,101	1,358,341	1,388,225	1,418,766	1,949,979	15,978,910
CMAQ Federal + State Match	-	3,502,660	3,673,768	1,889,399	1,925,298	1,961,879	1,999,154	2,037,138	2,075,844	2,115,285	2,655,475	23,835,900
Low and No Emissions Federal + State Match	-	-	10,400,000	13,910,000	642,599	-	-	-	-	-	-	24,952,599
5310 Federal + State Match	-	-	-	-	-	-	-	-	-	-	-	-
STBG Flex Federal + State Match	-	-	388,310	406,949	400,812	320,650	80,162	-	-	-	-	1,596,883
State Initiatives (TSP)	267,000	250,000	-	486,000	335,000	-	-	-	-	-	-	1,071,000
Congressionally Directed Spending + State Match	-	2,500,000	6,550,000	-	-	-	-	-	-	-	-	9,050,000
Local Capital Reserve	-	-	-	-	27,304,424	5,955,647	-	-	-	-	-	33,260,071
UNIDENTIFIED:												
Other	-	-	-	-	-	43,788,324	77,589,581	41,087,364	1,008,390	3,375,631	4,909,648	173,895,266
REVENUE TOTAL	2,136,328	30,589,205	40,004,980	38,012,516	65,248,115	67,027,306	97,240,525	61,521,254	22,345,751	25,658,765	29,182,891	478,967,637

FY2026 Draft Capital Budget

The table below lists the approved capital investments for FY2026 only. Details for each project can be found in *Appendix 8.2*.

Figure 22: FY2026 Capital Plan

Category	Project Description	FY2026
State of Good Repair	Vehicles	\$7,689,000
	Equipment	\$850,000
	Existing Facilities	\$2,939,000
	Information Technology	\$7,161,000
	Sub-total	\$18,639,000
Value Added	Bus Stop Improvements	\$412,000
	Existing Facilities and IT	\$1,516,000
	Transit Properties	\$500,000
	Transit Signal Priority (TSP)	\$250,000
	Emergent Research & Development	\$25,000
	Sub-total	\$2,703,000
Expansion	Ypsilanti Transit Center	\$5,398,000
	Blake Transit Center	\$1,474,000
	Bus Rapid Transit	\$562,000
	Bus Maintenance and Storage Facility	\$1,250,000
	Information Technology	\$100,000
	Transit Hubs	\$463,000
	Sub-total	\$9,247,000
Total Capital Costs		\$30,589,000

Approved capital projects and funding sources for FY2026 and the 10-year plan are explained in more detail in Appendices 8.1 and 8.4.

Sources of Capital Funding

The capital program is funded through a combination of local, state, and federal sources as listed at the bottom of the table on the previous page and summarized below for FY2026. Additional information is available in the *State and Federal Grants Primer*, see the *Appendix (page 53)*.

Figure 23: FY2026 Capital Funding Sources

Sources of Capital Funds	FY2026
Local Capital Reserve/Share TheRide's own cash and investments budgeted for research and development projects in FY2025. A capital reserve was established in FY2021 with local funds as a result of additional pandemic relief that has been and will be received.	\$0
Federal STBG Flex Federal Surface Transportation Block Grant (STBG) funding provided to states and localities for road projects. Washtenaw Area Transportation Study (WATS) has transferred a portion to FTA Section 5307 for pedestrian/bus stop improvements.	\$0
State Initiatives (TSP) State funding awarded by MDOT for the Transit Signal Priority project, continuing work started last year. Project listed in the Technology Upgrades line.	\$250,000
State Capital Match State Comprehensive Transportation Fund (CTF) capital funding for 20% local share required by federally funded capital projects (STBG, 5307, 5310, 5339, CMAQ, Discretionary).	\$6,068,000
Federal 5307 Formula Federal urbanized formula support for transit capital projects. Supports state of good repair projects, bus stop improvements, technology upgrades, and expansion efforts.	\$17,624,000
Federal 5310 Formula Federal formula for mobility of seniors and people with disabilities. Supports capital purchases and operating activities designed to serve these populations.	\$0
Federal 5339 Formula Federal formula for buses and bus facilities, will support state of good repair vehicle replacements and facility rehabilitations.	\$1,845,000
Federal CMAQ Federal highway funding for Congestion Mitigation/Air Quality (CMAQ) improvement, transferred by the Southeast Michigan Council of Governments (SEMCOG) for transit projects in Washtenaw County. Supports large bus replacements.	\$2,802,000
Congressionally Directed Spending	\$2,000,000
Unidentified/Discretionary A placeholder in the capital budget for federal discretionary awards, also known as competitive FTA grants, that will support capital projects.	\$0
Total	\$30,589,000

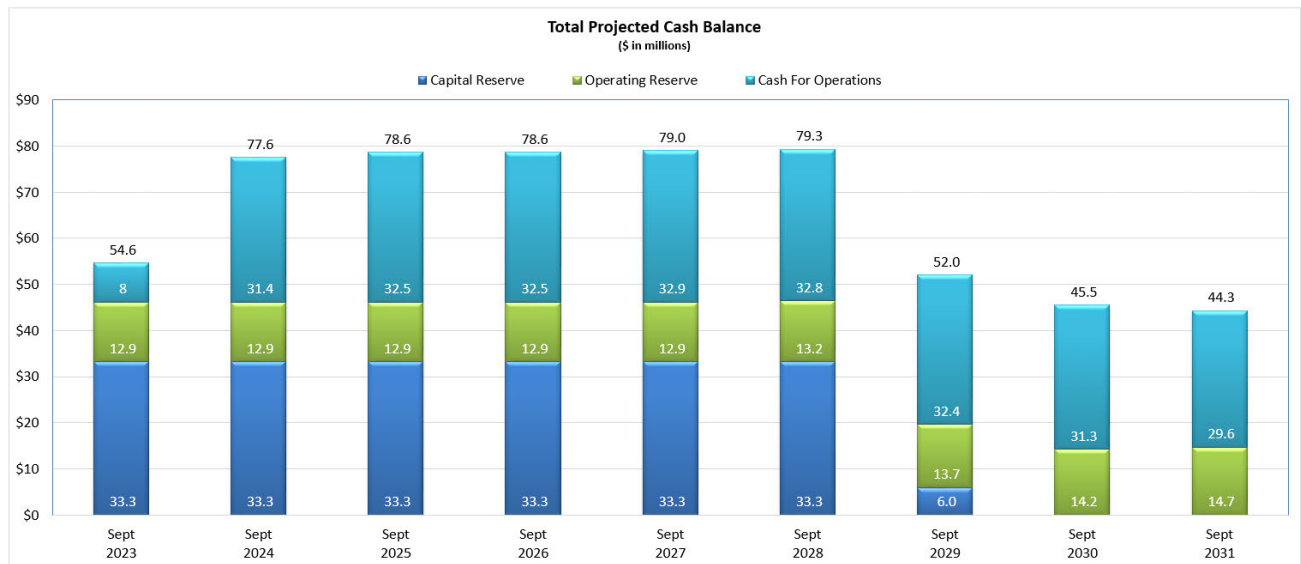
7. Impacts of 2026 Budget

The budget provides for maintaining stable current and future reserves and cash flow that are consistent with the Board's Policies. Impacts on reserves and cash balances are provided in this section.

Projected Cash Balances

Figure 24 summarizes projected cash balances at the end of FY2023 to FY2031 (September) with the historical cash balance as of the end of FY2023. In addition to total projected cash, the stacked bar chart shows the projected capital reserve, operating reserve, and other cash balances. Cash For Operations represents the insurance reserve of \$500,000, cash needed for daily operations, and any restricted cash. Beginning in 2024, TheRide began to have more cash available for operations at the end of each September, thanks to increased property tax revenue, most of which is received during the summer months. In the past, a significant portion of operational cash came from federal funding, which was deposited quarterly as reimbursements. As TheRide's reliance on federal funding for operations has greatly decreased. This shift has a notable effect on the timing of cash balances, especially in September each year. See further details on the operating reserve and capital reserves below.

Figure 24: Total Projected Cash Balances

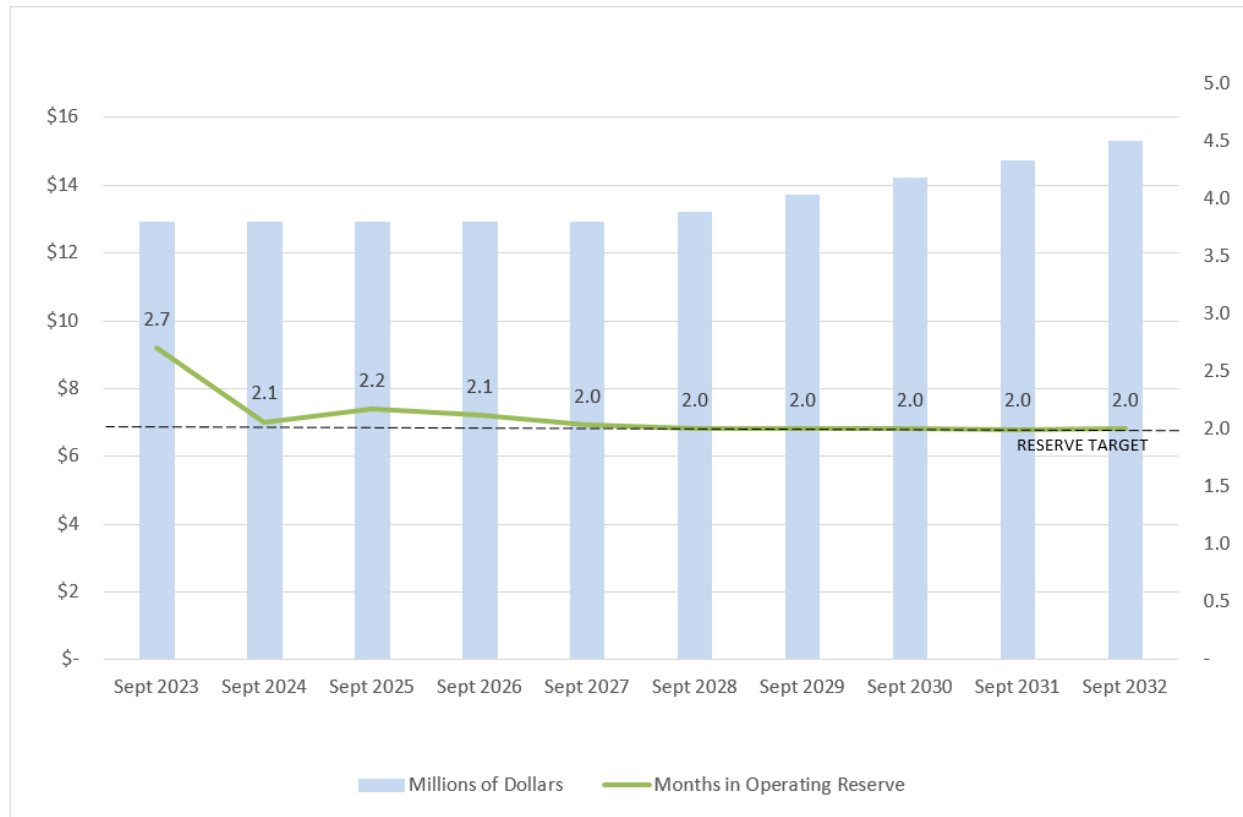


Projected Operating Reserve Balance

The projected operating reserve is the cash and investment balance of the unrestricted net position on the statement of net position (balance sheet) that has been committed to operational use. TheRide expresses the reserve in terms of a dollar amount (balance) and the number of months of operations it can support. The Government Finance Officers Association (GFOA) recommends that reserve balances in the public sector should be able to support at least 2 months of operations. The operating reserve balance at the end of each September must be enough to meet this requirement for the upcoming fiscal

year beginning the following month in October. TheRide currently holds \$12.9M in its operating reserve, above the required amount based on FY2026 budgeted expenses.

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



Projected Capital Reserve Balance

The projected capital reserve is the cash and investment balance of the unrestricted net position that has been committed to capital use. The capital reserve was funded from local operating surplus dollars in FY2022, and in FY2023 federal pandemic relief funds were used for operating purposes. The table below represents the capital reserve funding timing and use of funds from FY2021 through FY2030. See the 10-year Capital Plan for more details on the capital projects that will utilize these funds.

Figure 26: Projected Capital Reserve Activity

(\$ in thousands)	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Capital Reserve Funding (from Operating Surplus)	\$ 11,939	\$ 10,876	\$ 10,446	-	-	-	-	-	-	-	\$ 33,260
Use of Current Capital Reserve	-	-	-	-	-	-	-	-	\$ 27,304	\$ 5,956	\$ 33,260
Remaining Capital Reserve	\$ 11,939	\$ 22,814	\$ 33,260	\$ 33,260	\$ 33,260	\$ 33,260	\$ 33,260	\$ 33,260	\$ 5,956	\$ -	\$ -

8. Appendices

8.1 FY2026 Capital Descriptions

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

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

1. **Ypsilanti Transit Center and Blake Transit Center Planning:** The expansions of the two bus terminals have been highlighted in budget documents since FY2018 and advance these longstanding aspirations. Staff are seeking Board authorization to move forward with more late-stage design and construction on each facility. Both projects require formal Board approval during FY2026 and implicate significant capital costs in the future. (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10, 2.11).
 - **Ypsilanti Transit Center (YTC):** TheRide is requesting \$5,398,000 for the Ypsilanti Transit Center to support land acquisition, complete remaining design phases, and initiate construction of a modernized facility. The upgraded center will address longstanding safety, capacity, and operational issues, providing improved amenities for riders and staff while supporting regional transit growth and connectivity.
 - **Blake Transit Center (BTC):** TheRide has been working with the Ann Arbor Housing Commission and City of Ann Arbor to jointly develop a vision for the Y Lot adjacent to the BTC. This vision has advanced rapidly but has faced challenges with the rising costs of materials and construction. TheRide staff is requesting \$1,473,759 for the completion of planning and design, and to cover the start of construction in FY2026. The Housing Commission and DDA are driving the vision for the Y Lot site and 4th Avenue design.
2. **Bus Rapid Transit – Washtenaw Avenue:** TheRide's long-range plan, TheRide 2045, recommends major enhancements to the fixed-route network, built around two bus rapid transit (BRT) lines, a north-south BRT and Washtenaw Avenue/E Huron Street BRT. The first of these, Washtenaw Avenue/E Huron Street, is scheduled to begin by 2033. In FY2024 and FY2025, TheRide has been working with MDOT on two studies related to this corridor: M-17 Planning and Environmental Linkages Study (aka Washtenaw PEL Study); and the US-23 Environmental Assessment (EA) Study including rebuilding and reconfiguring the US-23/Washtenaw Ave Interchange. Recommendations for dedicated bus lanes are expected to be included in these studies. TheRide will build on this work done by MDOT, and staff are requesting \$562,000 for work to begin alternatives analysis/NEPA, along with the purchase of one related service vehicle. Planning and environmental studies take a significant amount of lead time for BRT, so TheRide staff anticipates this to be multi-year effort with subsequent budget support needed in future years.
3. **Bus Maintenance and Storage Facility:** \$1,250,000 is requested to continue the assessment of needs, facility programming, design criteria, and site selection process of a new storage and

maintenance facility. Additional capacity for bus storage and maintenance provides the backbone of support for the TheRide 2045. Operational enhancements planned over the next 20+ years - including expanded service, bus rapid transit, and new vehicle types - will only be achievable if a new facility is built to accommodate that growth. FY2025 work will lead directly into the conceptual design and formal environmental documentation processes.

4. **Transit Hub:** TheRide's long-range plan, TheRide 2045, recommends four transit hubs outside of the downtown cores to support the future high-frequency transit network and facilitate better connectivity between peripheral areas. These hubs will be composed of multiple stops serving multiple connecting routes. The hubs will make transfers easy and comfortable and provide a higher level of amenities and excellent service in higher demand locations. The redevelopment of the former Sears site at the Briarwood Mall presents a unique opportunity to relocate and enhance the bus stop serving this site with the potential for future upgrades to become a transit hub. Staff requests \$464,000 in FY2026 to advance this work in collaboration with the developer.
5. **Information Technology:** To better serve our riders, staff are requesting the consideration of \$100,000 in funding for expansion technology that can assist with expanding operational innovations and customer service technology.

State of Good Repair: Board Policy 2.7 requires the CEO to ensure that the physical assets of TheRide are not put at risk or under-maintained. To meet this requirement and to comply with federal regulation, TheRide follows a comprehensive Transit Asset Management (TAM) Plan. Updated annually, this plan establishes performance targets to ensure a state of good repair for the fleet, equipment, and facilities operated by TheRide and grant subrecipients. FY2026 projects:

1. **Vehicle Replacement:**
 - **Large Bus Replacement:** Eight large transit buses that have reached the end of their useful life will be replaced to maintain service levels and avoid additional maintenance costs. The 8 clean-diesel replacement buses will be purchased by Gillig. Budget: \$5,870,000 (Policies, 2.1, 2.4, 2.7).
 - **Small/Medium Bus Replacement:** The purchase of six small cutaway buses for the A-Ride paratransit service. The replacement vehicles will be procured in FY2026 in accordance with fleet replacement plans. Budget: \$1,134,000 (Policies 2.1, 2.4, 2.7).
 - **Van Replacement:** The Purchase of one large van and three minivans for A-Ride paratransit service. The replacement vehicles will be procured in FY2026 in accordance with fleet replacement plans. Budget: \$330,000 (Policies 2.1, 2.4, 2.7).
2. **Support Vehicles:** The purchase of one facilities support truck and three support vehicles is planned to maintain TheRide's non-revenue related transportation services. The replacement vehicles will be procured in FY2026 in accordance with the fleet replacement plans. Budget: \$355,000 (Policies 2.1, 2.4, 2.7).

3. **Equipment:**

- **Bus Components:** Vehicle refresh schedules call for replacement of bus components such as engines, transmissions, hybrid drives and batteries, seats, and other major parts needed to maintain the fleet in a state of good repair. Budget: \$735,000 (Policies 2.1, 2.4, 2.7).

4. **Existing Facilities:**

- **Facility Rehabilitation:** Funding is budgeted to address priority maintenance issues at The Dawn Gabay Operations Center (DGOC), the Blake Transit Center (BTC), the Ypsilanti Transit Center (YTC), and TheRide's park-and-ride lots. A backlog of maintenance needs will continue to be addressed, including administrative facility interior renovations at DGOC, LED lighting deployment, high-speed garage doors, and active shooter activation systems. Budget: \$2,939,000 (Policies 2.1, 2.2, 2.4, 2.7)

5. **Information Technology:** This FY2026 budget includes \$7,161,000 for technology replacements for the current Computer Aided Dispatch/ Automatic Vehicle Locator (CAD/AVL) equipment as well as the 4G routers that were purchased in 2015. While both the routers and the CAD/AVL system are still functional, they are at the end of their useful life and nearing the end of vendor support. Upgrading to current standards of dispatch and vehicle location information is required to maintain proper operations. This hardware will be replaced with a new Intelligent Transportation System (ITS) to aid drivers, operations, and the riding public. Additional funding is budgeted for the beginning of development for a next generation fare system, based on a fare study to be completed within FY2026. This funding request also includes budget for hardware and software replacements, laptops, computer monitors and essential software (Policies 2.1, 2.4, 2.7).

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

1. **Bus Stop Improvements:** Each year investment is needed for replacement and improvement of bus stop infrastructure such as concrete landing pads, safe pedestrian paths, shelters, and other amenities, all with an eye toward ensuring accessibility for riders with disabilities. Staff are coordinating with WATS and Washtenaw County staff to prioritize and plan enhancements along Washtenaw Avenue and throughout TheRide's service area. Budget: \$412,000 (Policies 2.1, 2.4, 2.7, 2.10).
2. **Existing Facilities and Information Technology:** \$1,516,000 has been budgeted for FY2025 for the procurement of a new generator, along with various building and IT improvements for enhanced safety and security at DGOC. (Policies 2.1, 2.4, 2.7, 2.10).
3. **Transit Priorities and Transit Signal Priority:** The requested amount of \$750,000 allows for TheRide staff to continue to work on the Transit Signal Priority (TSP) project funded by the Michigan Department of Transportation and modernize digital bus stop signs. In addition, transit priorities will also include creating bus lanes and other features to make transit more attractive (relative to other modes) will help increase demand and make transit more efficient. (Policies 2.1, 2.4, 2.7, 2.10).

4. **Research & Development:** Capital funds are reserved for new projects that may develop in 2026. This is a budget placeholder for exploratory projects that could advance the organization's Ends by leading to new services, infrastructure, or business relationships. Budget: \$25,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10).

8.2 Contracts

The Board's Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to \$250,000 and disallows the splitting of purchases or contracts into smaller amounts to avoid this limitation. Listed below are the contracts that are anticipated to be awarded in FY2026 above the \$250,000 threshold. Approval of this section of the budget constitutes approval of these purchases and authorizes the CEO to make contract awards without additional Board approval. When adopting the budget, the Board may opt to accept all contracts with a value greater than \$250,000 as listed by including them in the budget adoption or may call out specific contracts that the Board wishes to consider for deliberation before acceptance.

Table 8.2: Budgeted Contracts Summary

CONTRACT DESCRIPTION	CURRENT PROVIDER	RENEWAL DATE (ESTIMATED)	VALUE OF AWARD (ESTIMATED)	FY2026 BUDGETED EXPENSE
Bus Advertising Services	N/A	10/1/2025	\$ 1,300,000	Revenue Contract
Construction Management Services for the YTC	New	10/1/2025	\$ 1,000,000	\$ 100,000
Electrical Services	Shaw Systems & Integration	3/1/2026	TBD	\$ 250,000
Emergency Backup Generator for DGOC	New	10/1/2025	\$ 550,000	\$ 550,000
Finance Consulting Services	Rehmann	2/1/2026	\$ 360,000	\$ 300,000
Fleetwide Seating Transition	New	10/1/2025	\$ 350,000	\$ 350,000
Gasoline and Diesel Fuel	Multiple Providers	10/1/2025	\$ 3,042,000	\$ 3,042,000
Janitorial Services	JNS Commercial	4/1/2026	TBD	\$ 299,375
Paratransit Demand Response Services - ARide	MV Transportation	8/1/2026	TBD	\$ 5,571,114
Public Transit Buses*	Gillig	10/1/2025	TBD	\$5,870,000
Small/Medium Bus Replacements	New	10/1/2025	TBD	\$ 1,134,000
Washtenaw BRT Planning	New	10/1/2024	\$ 500,000	\$ 500,000

**Procurement strategy being identified for future bus orders*

8.3 Fares

Table 8.3 presents current fares, as approved by the Board. Fares were most recently updated in August 2022. There have been no new fares or changes to existing fares proposed in FY2024 or draft for FY2025. The FY2026 fares are the basis for budget assumptions.

Table 8.3 – FARES			
FIXED ROUTE FARES	FY2024	FY2025	FY2026
<i>Single Ride Fares – Cash or Token</i>			
Full Fare	\$1.50	\$1.50	\$1.50
Transfer	Free	Free	Free
<i>Discount Single Ride Fares – Cash or Token</i>			
Youth (Grades K-12, ages 6-18)	\$0.75	\$0.75	\$0.75
Children (Age 5 and under)	Free	Free	Free
Fare Deal Card	\$0.75	\$0.75	\$0.75
A-Ride I.D.	Free	Free	Free
GoldRide I.D.	Free	Free	Free
Commuters with go!pass	Free	Free	Free
<i>Passes</i>			
Day Pass	\$3.00	\$3.00	\$3.00
30 Day Flex Pass	\$45.00	\$45.00	\$45.00
<i>Discount Passes</i>			
Half-Fare 1-Day Pass with Fare Deal	\$1.50	\$1.50	\$1.50
30 Day Value Pass with Fare Deal	\$22.50	\$22.50	\$22.50
30 Day Value Pass for Youth (K-12, ages 6-18)	\$22.50	\$22.50	\$22.50
DEMAND RESPONSE FARES	FY2023	FY2024	FY2025
<i>FlexRide</i>			
Standard Adult One-Way	\$1.00	\$1.00	\$1.00
Students (K-12, ages 6-18)	\$0.50	\$0.50	\$0.50
Children (Age 5 & under)	Free	Free	Free
Fare Deal Card	\$0.50	\$0.50	\$0.50
A-Ride I.D.	Free	Free	Free
GoldRide I.D.	Free	Free	Free
30 Day Value Pass with Fare Deal	Free	Free	Free
<i>NightRide and HolidayRide</i>			
Full Fare	\$5.00	\$5.00	\$5.00
Commuters – go!Pass	\$3.00	\$3.00	\$3.00
A-Ride I.D.	\$2.50	\$2.50	\$2.50
GoldRide I.D.	\$2.50	\$2.50	\$2.50
Children (Age 5 & under)	Free	Free	Free
<i>GoldRide</i>			
One-Way	\$20.00	\$20.00	\$20.00
Additional Passenger (Companion)	\$5.00	\$5.00	\$5.00

Verified Low-Income Reduced Fare	\$5.00	\$5.00	\$5.00
<i>FootballRide</i>			
One-Way	\$1.50	\$1.50	\$1.50
One-Way Youth (K-12, ages 6-18)	\$0.75	\$0.75	\$0.75
One-Way Fare Deal Card	\$0.75	\$0.75	\$0.75
<i>GroceryRide</i>			
GroceryRide	\$0.75	\$0.75	\$0.75
A-RIDE FARES	FY2023	FY2024	FY2025
<i>Cash Fares</i>			
Advance Reservation	\$3.00	\$3.00	\$3.00
Will Call (Advance reservation for return trip)	\$3.00	\$3.00	\$3.00
Companion Fare	\$3.00	\$3.00	\$3.00
Companion Fare Students (K-12, ages 6-18)	\$1.50	\$1.50	\$1.50
Companion Fare (Age 5 & under)	Free	Free	Free
Personal Care Assistant	Free	Free	Free
<i>Scrip Coupons</i>			
Booklet of 10	\$30.00	\$30.00	\$30.00

Description of Fare Structure

Fixed Route Fares

- **Full Fares:** The current single ride fare for TheRide's local fixed route service includes one free transfer to another local route upon request and is valid for 90 minutes from the time of issuance. The transfer cannot be used to complete a round trip.

The 1-Day Pass is valid for unlimited rides on fixed route service during the day of purchase ending at 11:59 pm and the 30-Day Pass (called Flex Pass) is valid for unlimited rides on fixed route service for 30 days from first use.

- **Discount Fares:** Eligibility for discounted fares on local fixed route services are offered for several categories of passengers. Discounted fares are offered for single trip fares and 30-Day Passes.

The 30-Day discount Pass for students is called Youth Pass, and the 30-Day discount Passes for the three Fare Deal rider categories are called Value Passes. Children ride for free on fixed route services.

Basic criteria for each type of discount fares are as follows:

- A-Ride I.D. – American with Disabilities Act (ADA) eligible
- GoldRide I.D. – Seniors 65 and over
- Value Passes (Fare Deal Cards):
 - Senior Fare Deal – Seniors ages 60-64
 - Income Eligible Fare Deal – Medicaid card holders and other verified individuals
 - Disability Fare Deal – Persons with disabilities who do not qualify for A-Ride

- Children – Ages 5 and under
- Personal Care Attendant (PCA) – Assist A-Ride customers as a companion; must be registered as a PCA
- Students – Grades K-12 with a valid student ID, ages 6-18
- Commuters with go!pass – Employees who work at registered companies located in the Ann Arbor Downtown Development Authority's boundaries are eligible to purchase a go!pass.

Demand Response Fares

TheRide offers several different options for demand response services. All services are explained and accessible on TheRide's web site and in TheRide Guides distributed throughout the service area. Definitions of discount fares for demand response services referenced in Table 8.3 are defined under the description of Fixed Route Fares above.

A-Ride Fares

A-Ride is a shared, reservation-based accessibility service. Definitions of discount fares referenced in Table 8.3 are defined under the description of Fixed Route Fares above. A-Ride is provided for passengers with a valid A-Ride I.D. and requires an advance reservation. Reservations can be made up to 3 days in advance.

Fare definitions for A-Ride are as follows:

- **Will Call:** When an advance reservation is made for a pickup, an open-ended time for a return reservation can be made at the same time. The price is the same for the return trip, but it will not require advance notice to use the return trip if it is originally reserved with the initial reservation.
- **Companion:** A-Ride passengers requiring assistance with their trip may bring a companion for assistance. As a companion passenger, an A-Ride I.D. for the companion is not required, but there is a fare charged for the passenger, as indicated in Table 8.3.
- **Personal Care Assistant:** Personal Care Assistants (PCAs) are registered assistants that may travel with an A-Ride eligible passenger to assist with their trip. There is no fare charge for PCAs.

8.4 State and Federal Grants Primer

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

Federal Funding

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

Funding for Urban Service

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

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

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

- **Capital Investment Grants (Section 5309):** Discretionary funds awarded in a competitive application process to fund major transit investments for rail projects and bus rapid transit.
- **Buses and Bus Facilities and Low or No Emission Grants (Section 5339 Discretionary):** The Sec. 5339 program includes two competitive grant opportunities. 5339(b) funds are awarded for the purchase of buses and related equipment, and to rehabilitate or build bus-related facilities. 5339(c) grants support low and zero-emission vehicle projects.

- **RAISE (Rebuilding American Infrastructure with Sustainability and Equity):** This USDOT program, formerly known as BUILD and TIGER, awards funds on a competitive basis for investment in transportation infrastructure. Funding can support roads, bridges, transit, rail, ports, and intermodal transportation for projects that have significant local or regional impact.
- **CMAQ (Congestion Mitigation and Air Quality Improvement):** Southeast Michigan receives an annual allocation of CMAQ funds authorized by the Clean Air Act, for which SEMCOG conducts a competitive application process. AAATA is an eligible applicant. If successful, funds are transferred to FTA from the Federal Highway Administration (FHWA) for administration.
- **JARC (Job Access/Reverse Commute) and New Freedom:** These two programs provided formula funds for work transportation and transportation for people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) from 2006-2012. The programs have since expired; however, New Freedom has been incorporated into the Section 5310 formula program.
- **Planning:** Planning activities in the AAATA planning work program are eligible for grant funding. SEMCOG and WATS each pass through to AAATA about \$50,000 per year. As access to regional planning funds increased, the use of formula grant funds (Section 5307) for planning was phased out in FY2020 to focus investment of these funds into capital assets.

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

Funding for Nonurban Service

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

Capital Assistance: Federal, nonurban capital assistance comes through MDOT which submits a single statewide application to the FTA. WAVE and People’s Express are eligible to apply directly and have received and managed their own grants for buses and equipment. AAATA has not received federal non-urban capital assistance.

State Funding

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

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

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

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

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

8.5 Detailed Operating Budget

Historical Operating Budget and 6-Year Forecast

in million dollars

Operating Revenues	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Passenger Fares	6.8	3.6	1.6	3.0	4.3	3.8	3.8	4.1	4.2	4.4	4.5	4.6	4.8	4.9
Contract Revenues	2.7	1.6	1.3	1.3	2.3	3.2	2.9	3.1	3.1	3.2	3.3	3.4	3.5	3.6
Local Property Taxes**	16.9	17.8	18.0	19.6	20.6	38.5	37.5	41.6	43.3	45.1	46.6	48.0	49.4	50.9
State Operating Assistance	15.0	13.2	13.3	15.3	18.0	20.3	22.2	19.0	19.6	20.5	21.4	22.0	22.7	23.3
Federal Operating Assistance	3.3	2.6	1.4	2.5	0.6	-	-	-	-	-	-	-	-	-
Other Federal Programs	2.2	1.2	1.3	1.3	3.4	2.9	1.4	1.9	1.6	1.6	1.6	1.7	1.7	1.8
CARES/CRRSAA/ARP	-	1.4	17.1	18.4	15.0	6.8	-	-	-	-	-	-	-	-
Other Revenues	0.6	0.5	1.0	0.4	1.4	3.2	1.9	1.6	1.5	1.6	1.6	1.7	1.7	1.8
Total Operating Revenues	47.5	42.0	55.0	61.8	65.7	78.7	69.8	71.3	73.5	76.4	79.0	81.4	83.9	86.4
Operating Expenses	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Salaries, Wages, Benefits	25.2	24.9	24.9	27.7	29.4	31.5	38.0	39.6	40.9	42.5	44.0	45.5	47.1	48.8
Purchased Transportation	10.7	8.4	5.9	11.6	12.5	13.9	13.6	13.8	14.2	14.9	15.6	16.3	17.1	17.8
Fuel, Material, Supplies	4.0	3.3	3.3	5.4	5.8	5.6	7.7	7.2	7.6	7.9	8.3	8.6	8.9	9.3
Contracted Services	2.6	2.3	3.1	3.5	4.2	4.1	5.0	5.7	5.3	5.5	5.6	5.8	6.0	6.2
Other Expenses	2.2	2.3	2.8	2.6	3.3	4.2	4.5	5.0	5.1	5.3	5.5	5.7	5.9	6.2
Total Operating Expenses	44.6	41.1	40.0	50.9	55.3	59.3	68.7	71.3	73.1	76.2	79.0	81.9	85.1	88.2
Surplus (Deficit)	3.0	1.0	15.0	11.0	10.0	19.0	1.0	-	-	-	-	(1.0)	(1.0)	(2.0)
Reserve Transfers (Capital/Operating)	(3.0)	(1.0)	(15.0)	(11.0)	(10.0)	(19.0)	(1.0)	-	-	-	-	-	-	-
Operating Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ (1)	\$ (2)

8.6 Adopting Resolution

Resolution xx/2025

APPROVAL OF FY2026 OPERATING AND CAPITAL BUDGET

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

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

WHEREAS, AAATA staff have developed a FY2026 Operating and Capital Budget that furthers Board Ends Policies within Executive Limitations and provides multi-year context, and

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

WHEREAS, the AAATA is required to submit the capital program for FY2026 to the Federal Transit Administration (FTA) as part of the annual application for FY2026 federal funding, and

WHEREAS, the AAATA is required to submit the capital program and operating budget for FY2026 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY2026 state funding, which is amended by this resolution.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby approves the FY2026 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **\$71,259,523** for operations, and
- **\$30,589,205** for capital investment.

BE IT ALSO RESOLVED that the Ann Arbor Area Transportation Authority Board of Directors hereby adopts the capital projects listed herein as updates to the FY2022-FY2025 TIP, of which FY2026 and beyond are subject to amendment in future years.

Kathleen M. Mozak, Chair

Jesse Miller, Secretary

Date

Date

8.7 Glossary

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

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

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

ADA – See Americans with Disabilities Act.

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

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

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

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

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

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

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

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

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

CAFR – See Comprehensive Annual Financial Report.

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

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

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

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

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

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

CEO – See Chief Executive Officer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Disbursement – The expenditure of monies from an account.

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

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

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

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

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

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

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

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

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

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

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

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

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

FTE – See Full-Time Equivalent.

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

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

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

FY – See Fiscal Year.

GAAP – See Generally Accepted Accounting Principles.

GASB – See Governmental Accounting Standards Board.

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

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

GFOA – An abbreviation for Government Finance Officers Association.

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

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

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

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

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

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

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

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

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

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

MCO– See Motor Coach Operator.

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

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

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

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

Motor Coach Operator – A bus driver.

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

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

Operating Budget – See Budget.

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

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

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

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

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

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

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

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

Performance Measurements – See Management Indicators.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfer – See Revision.

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

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

Draft Budget

FY2026 Operating & Capital Budget

Dina Reed
Deputy CEO, Finance and Administration
dreed@theride.org



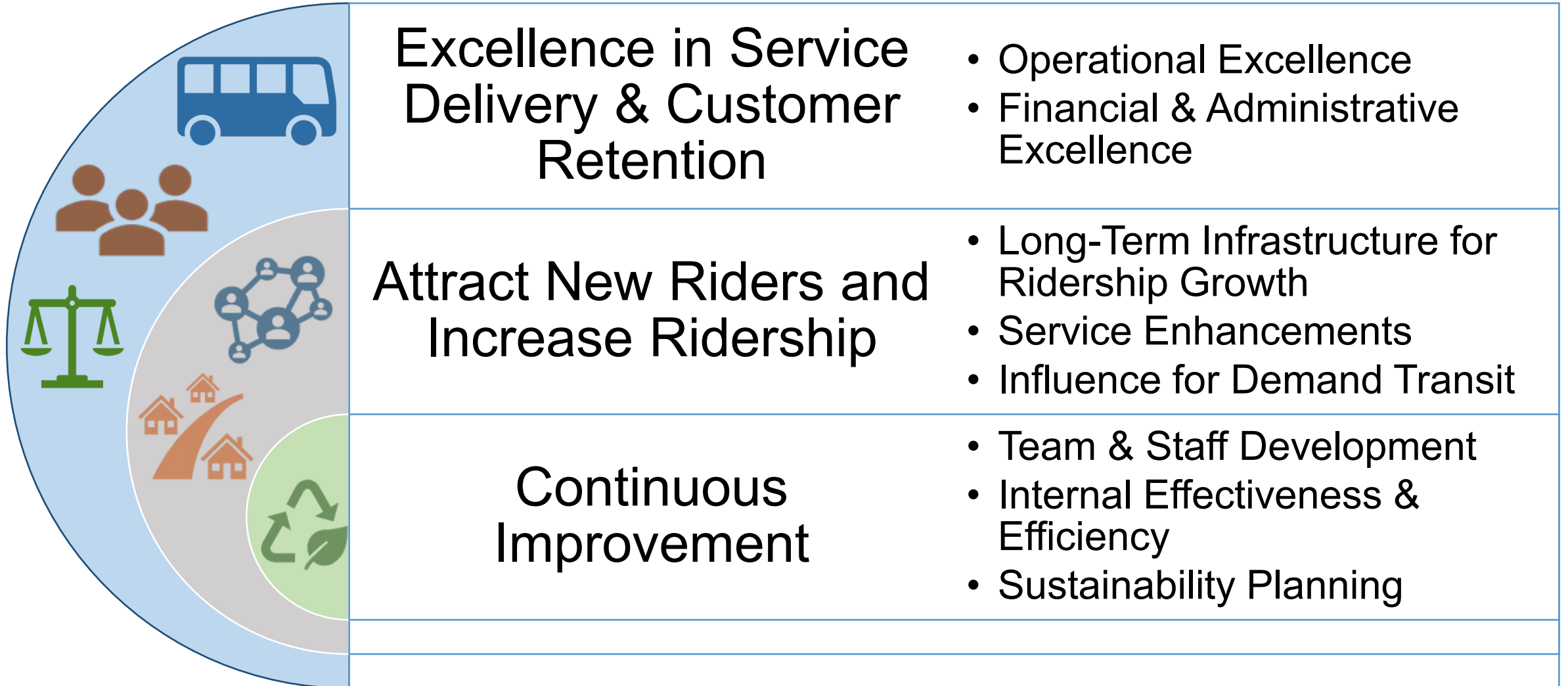
Agenda

- Budget Introduction
 - Alignment with Board's Ends
- FY2026 Operating and Capital Draft Budget
 - Budget Highlights
 - Operating Budget Summary
 - Capital Budget
- Budget Summary and Financial Outlook
- Conclusion and Next Steps

Advancing the Board's Ends through Alignment



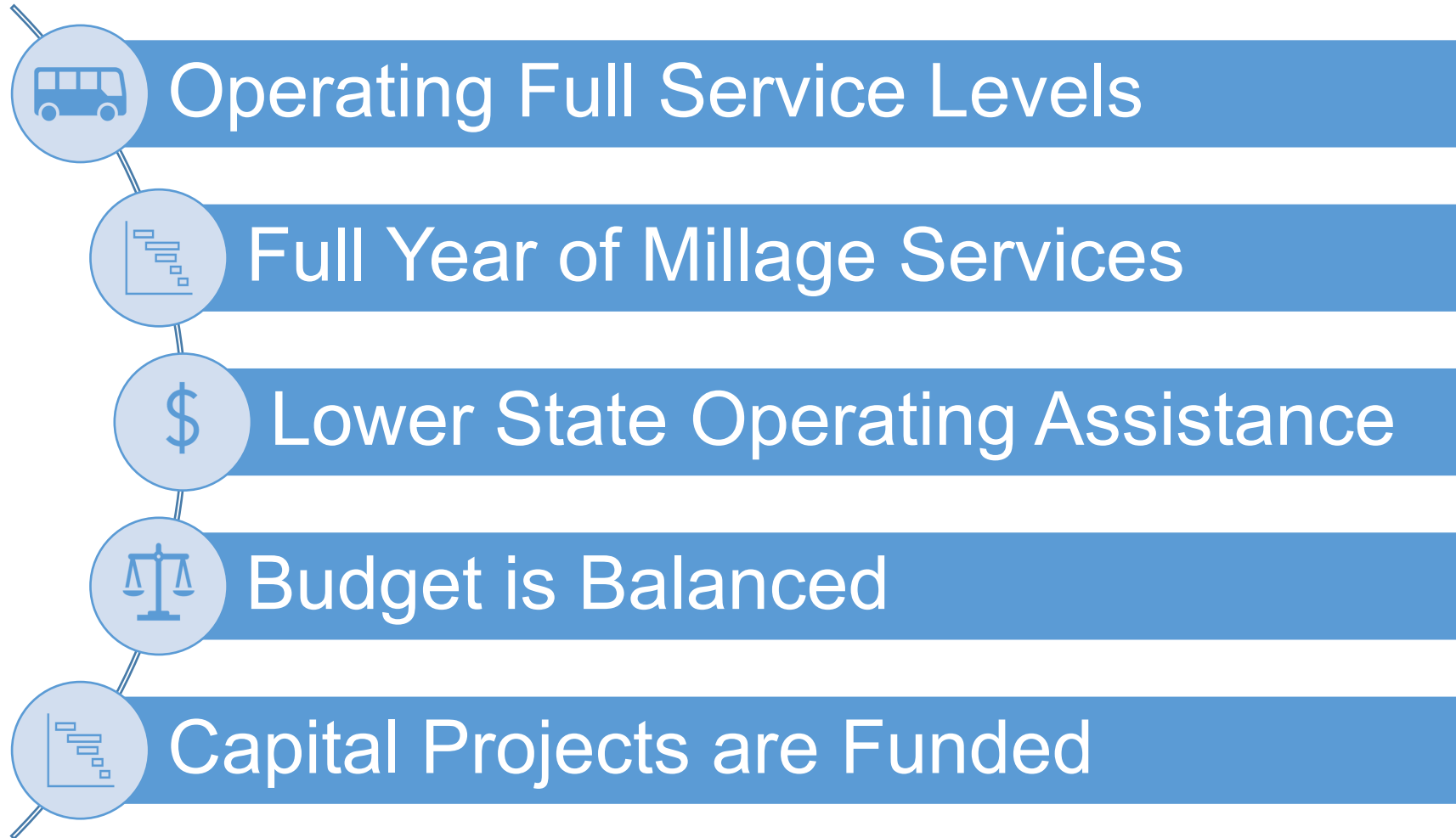
The Budget is Aligned with Business Plan Priorities



FY 2026 Operating and Capital Budget Preview



Budget Preview Summary

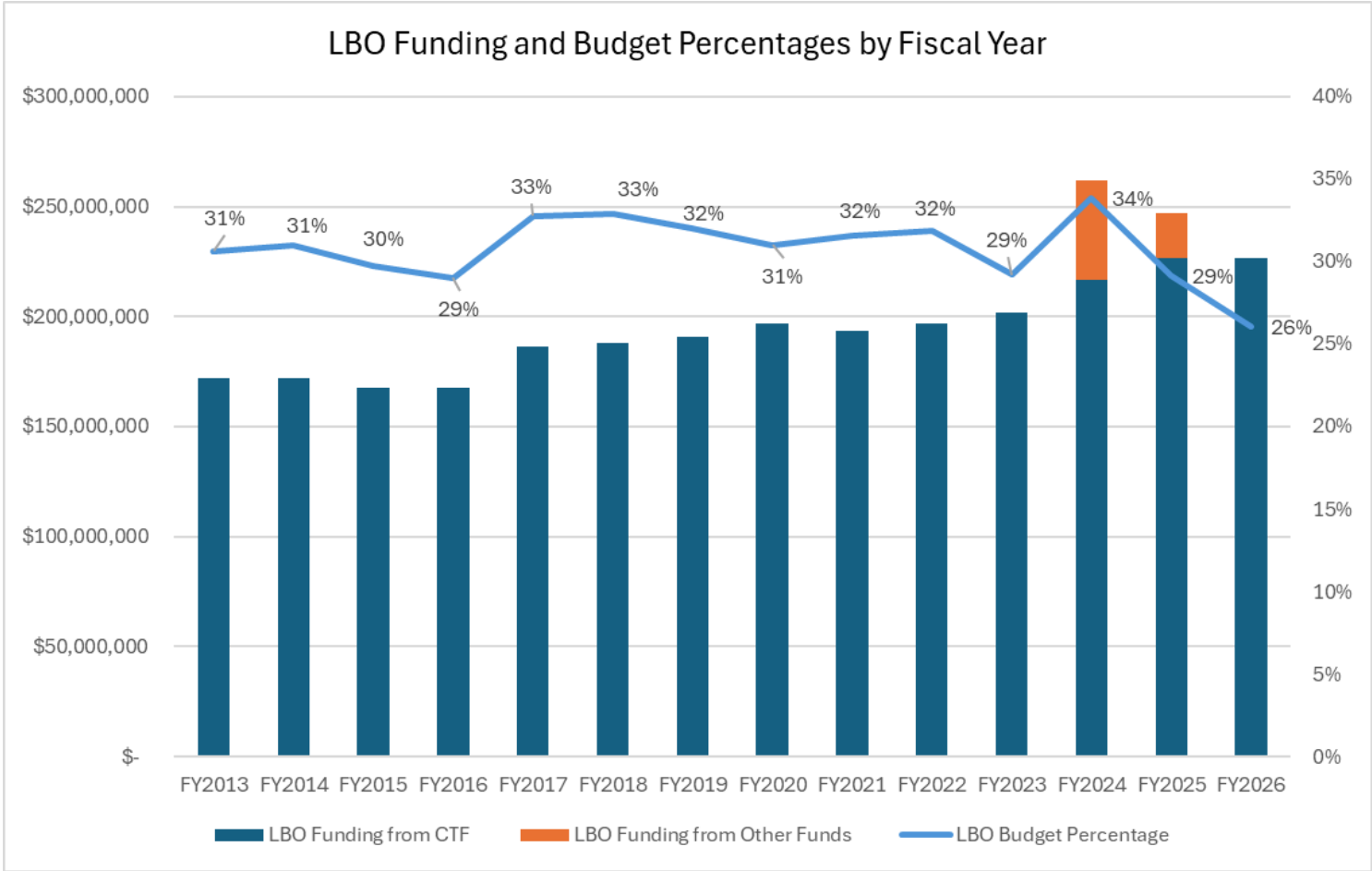
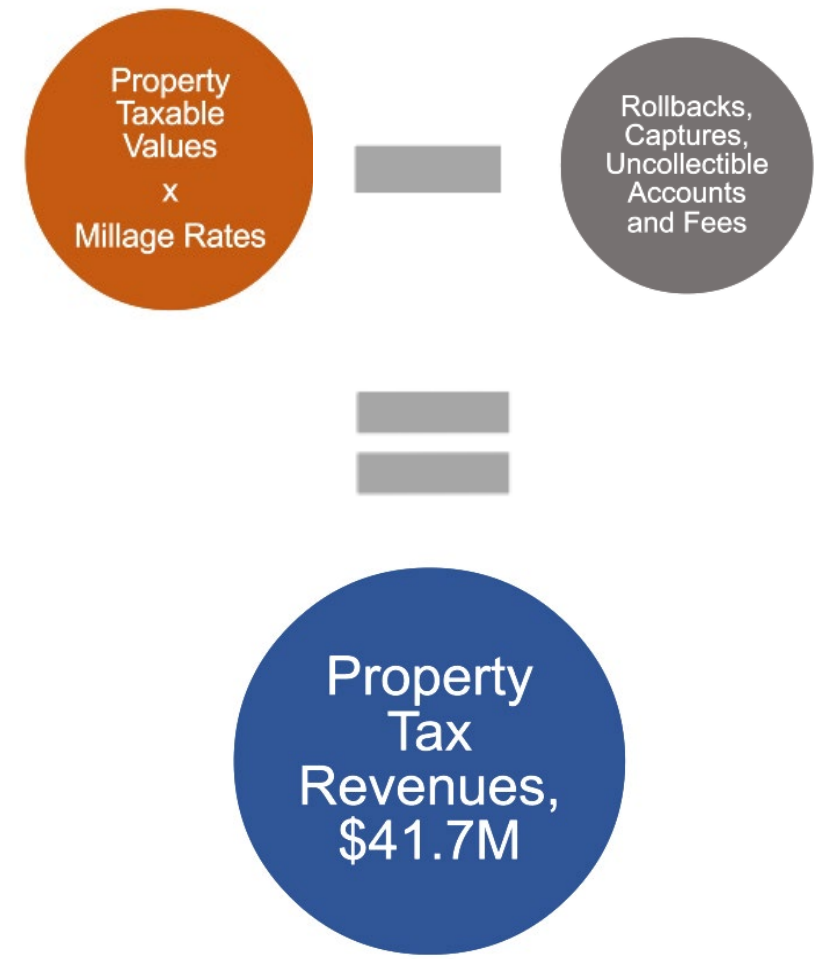


FY 2026 Operating Budget

The FY2026 Operating Budget is Balanced



Revenue Growth from Millage and State Funding

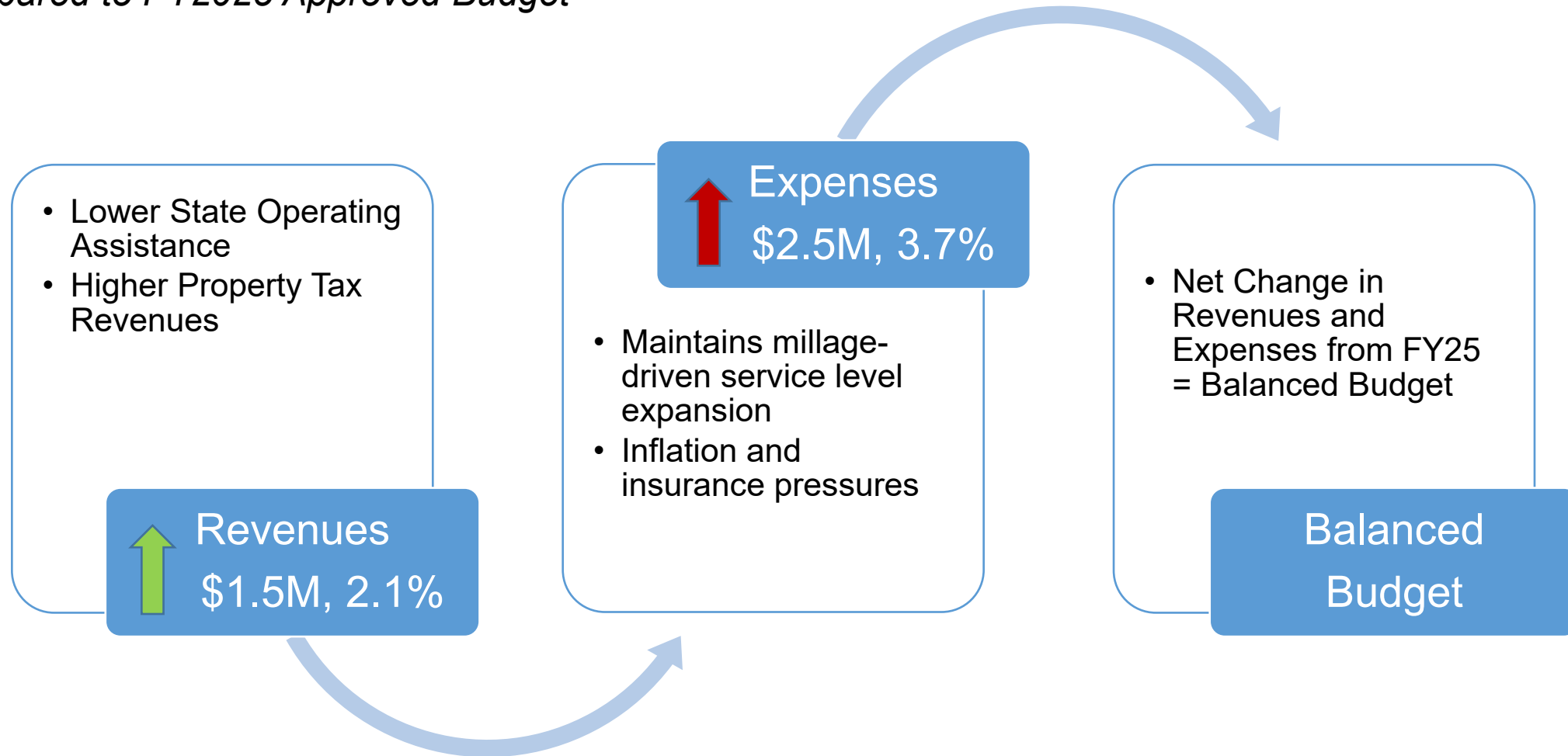


State Operating Assistance – LBO % Scenarios

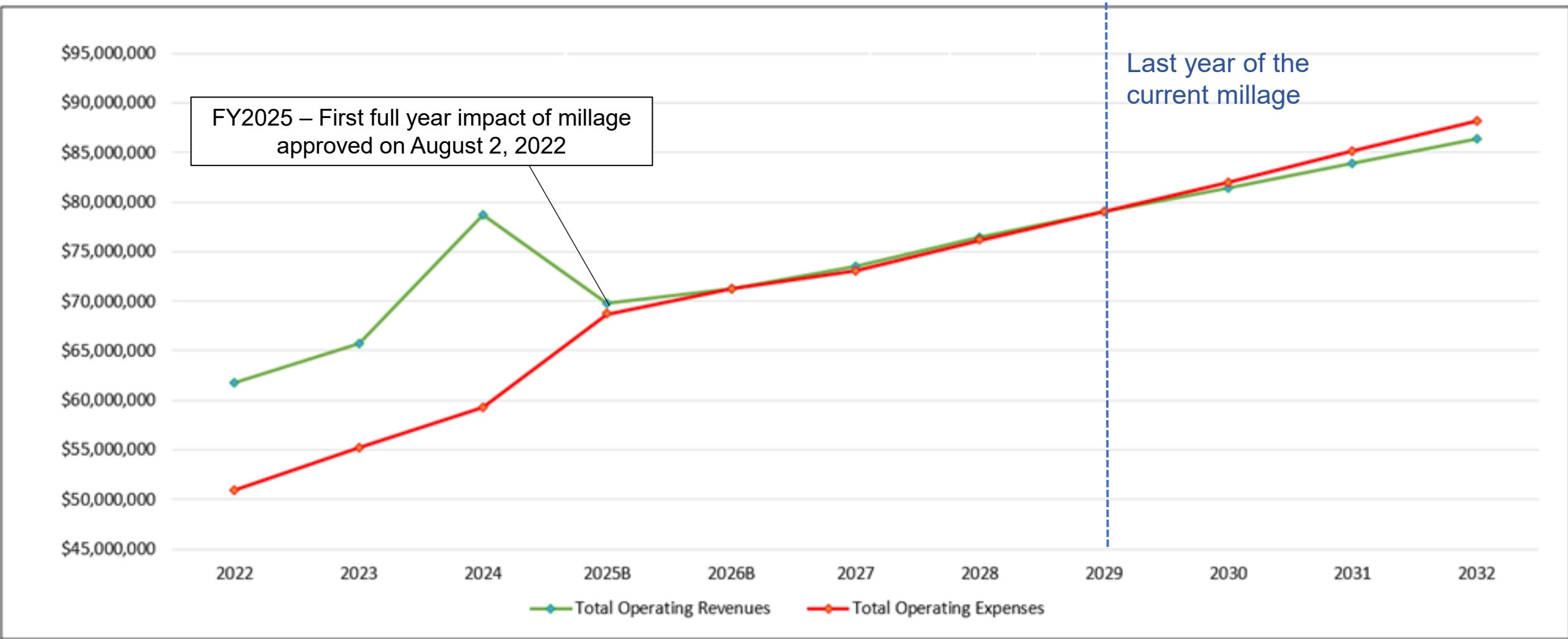


Key Changes in the FY2026 Operating Budget

Compared to FY2025 Approved Budget



Financial Outlook is Stable Through End of Current Millage Period



FY 2026 Capital Budget

Capital Budgeting is Programmed by Priority

Project Priorities

FY2026 Capital Projects=\$30.6M

Maintaining Existing Services and Assets



State of Good Repair
\$18.6M, 60.9%

Make Things Better and Explore New Things



Value Added
\$2.7M, 8.8%

Do More Things



Expansion of Services
\$9.2M, 30.2%

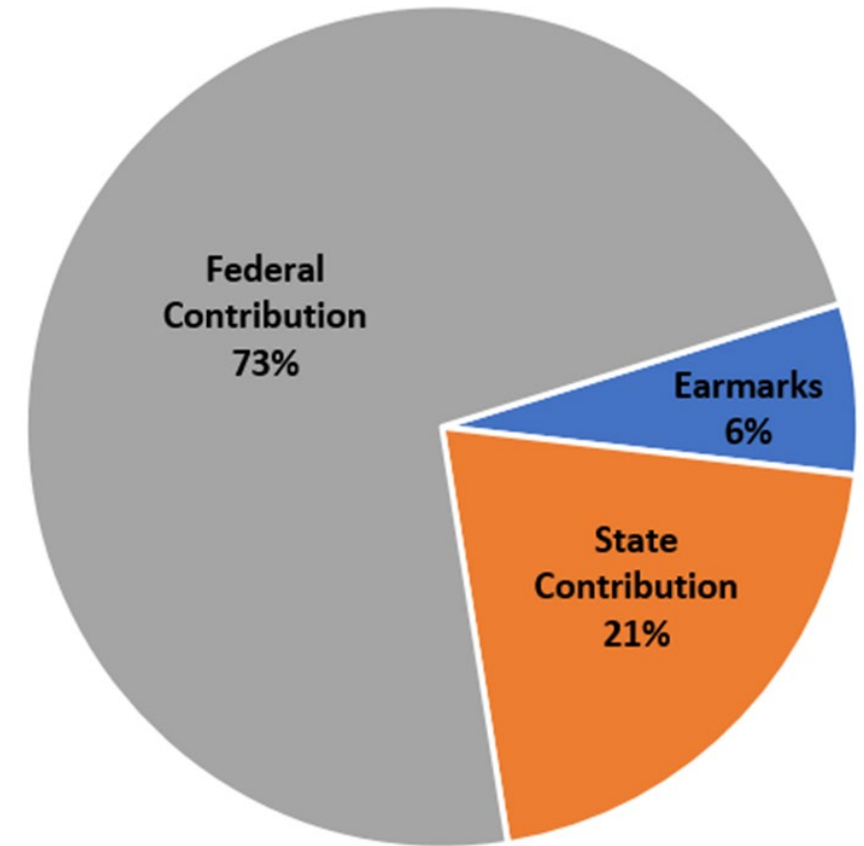
FY2026 Capital Budget is Fully Funded *(one year)*

CAPITAL PROJECTS	FY2026 Budget	FY2027-FY2035 Program
State of Good Repair	\$18,639,000	\$147,937,000
Value Added	\$2,703,000	\$31,390,000
Expansion	\$9,247,000	\$266,914,000
TOTAL EXPENSES	\$30,589,000	\$446,241,000
FUNDING SOURCES	FY2026 Budget	FY2027-FY2035 Program
State & Federal Grants	\$28,089,000	\$234,673,000
Congressionally Directed Spending	\$2,500,000	\$6,550,000
Local Capital Reserve	\$0	\$33,260,000
Unidentified Funding	\$0	\$171,758,000
TOTAL REVENUE	\$30,589,000	\$446,241,000
UNIDENTIFIED FUNDING PORTION	FY2026 Budget	FY2027-FY2035 Program
Unidentified Funding %	0%	38%

FY2026 Capital Projects Summary

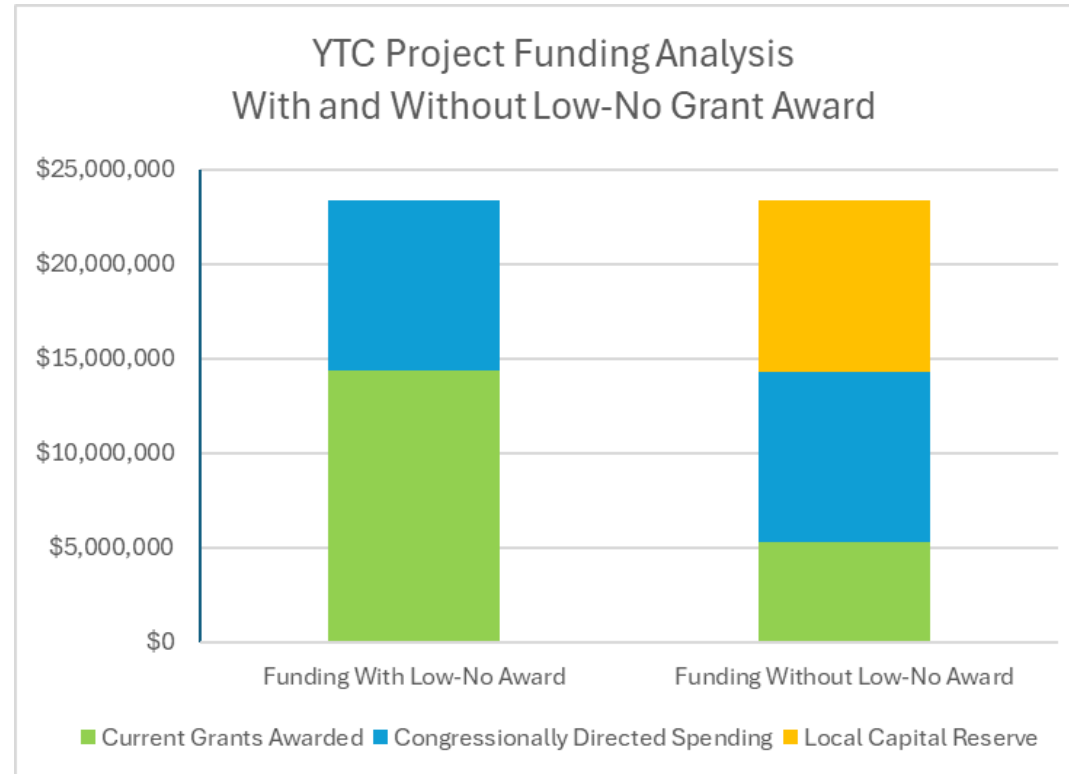
Category	Project Description	FY2026
State of Good Repair	Vehicles	\$7,689,000
	Equipment	\$850,000
	Existing Facilities	\$2,939,000
	Information Technology	\$7,161,000
	Sub-total	\$18,639,000
Value Added	Bus Stop Improvements	\$412,000
	Existing Facilities and IT	\$1,516,000
	Transit Properties	\$500,000
	Transit Signal Priority (TSP)	\$250,000
	Emergent Research & Development	\$25,000
	Sub-total	\$2,703,000
Expansion	Ypsilanti Transit Center	\$5,398,000
	Blake Transit Center	\$1,474,000
	Bus Rapid Transit	\$562,000
	Bus Maintenance and Storage Facility	\$1,250,000
	Information Technology	\$100,000
	Transit Hubs	\$463,000
	Sub-total	\$9,247,000
Total Capital Costs		\$30,589,000

FY2026 Funding Sources

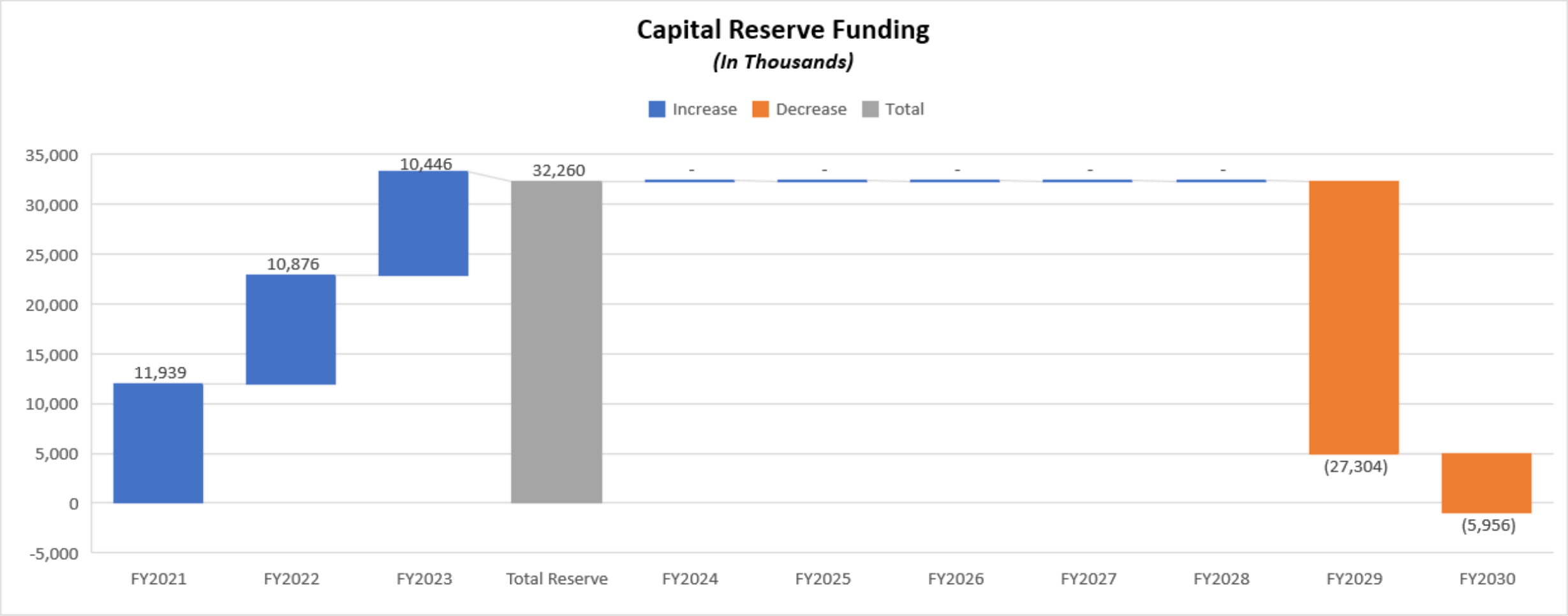


Budget Approval Impacts – YTC Example

Category		Project Description	FY22-25 Spend on Ongoing Projects	FY2026	FY2027	FY2028
EXPANSION	<i>Ypsilanti Transit Center</i>	YTC Land Acquisition	-	1,000,000	-	-
		YTC Planning, NEPA, & Design	1,321,880	1,897,735	-	-
		YTC Construction	-	2,500,000	10,837,391	5,824,362
		YTC Subtotal	1,321,880	5,397,735	10,837,391	5,824,362



Capital Reserve Funds Support Projects



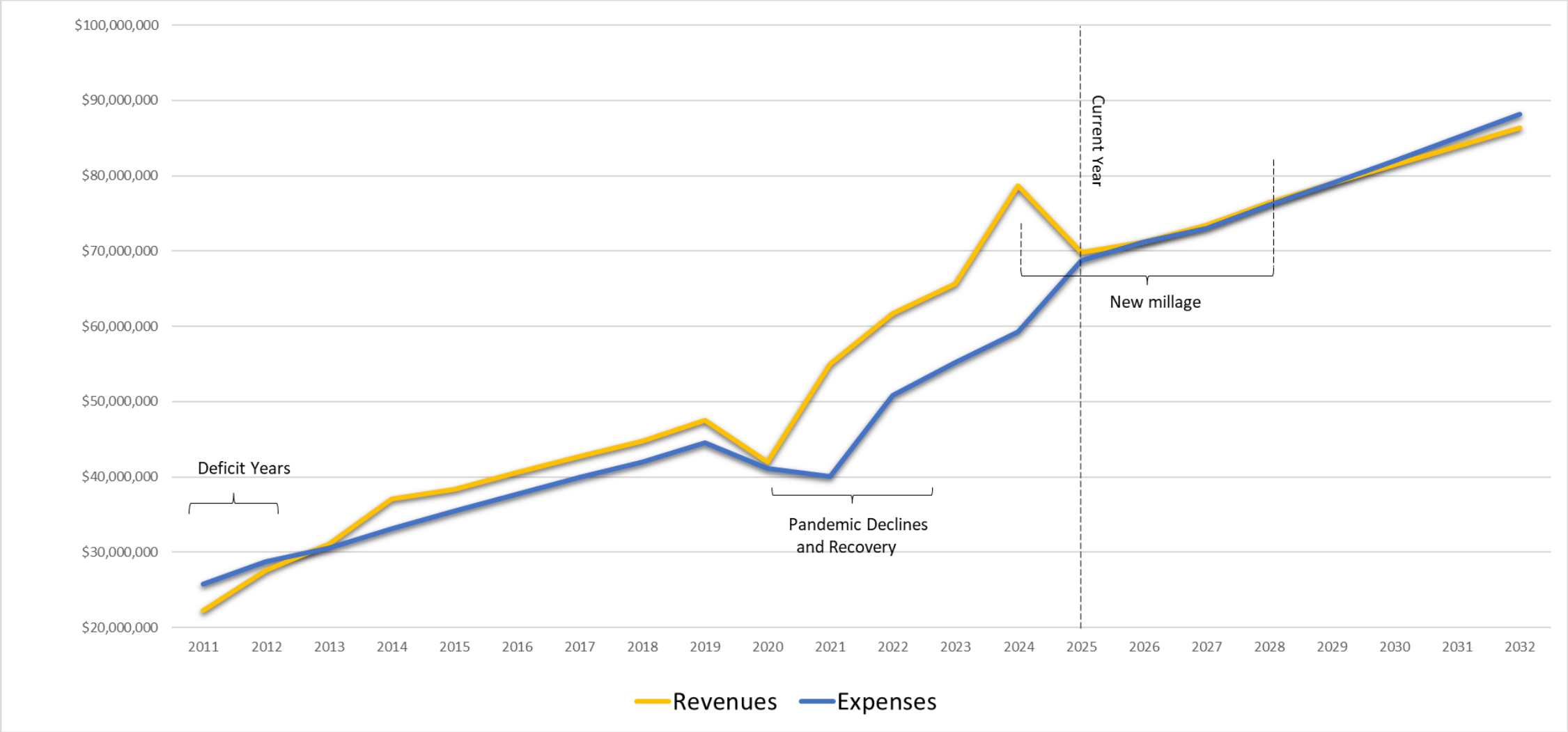
Budget Summary and Financial Outlook

Summary of Operating and Capital Expenses

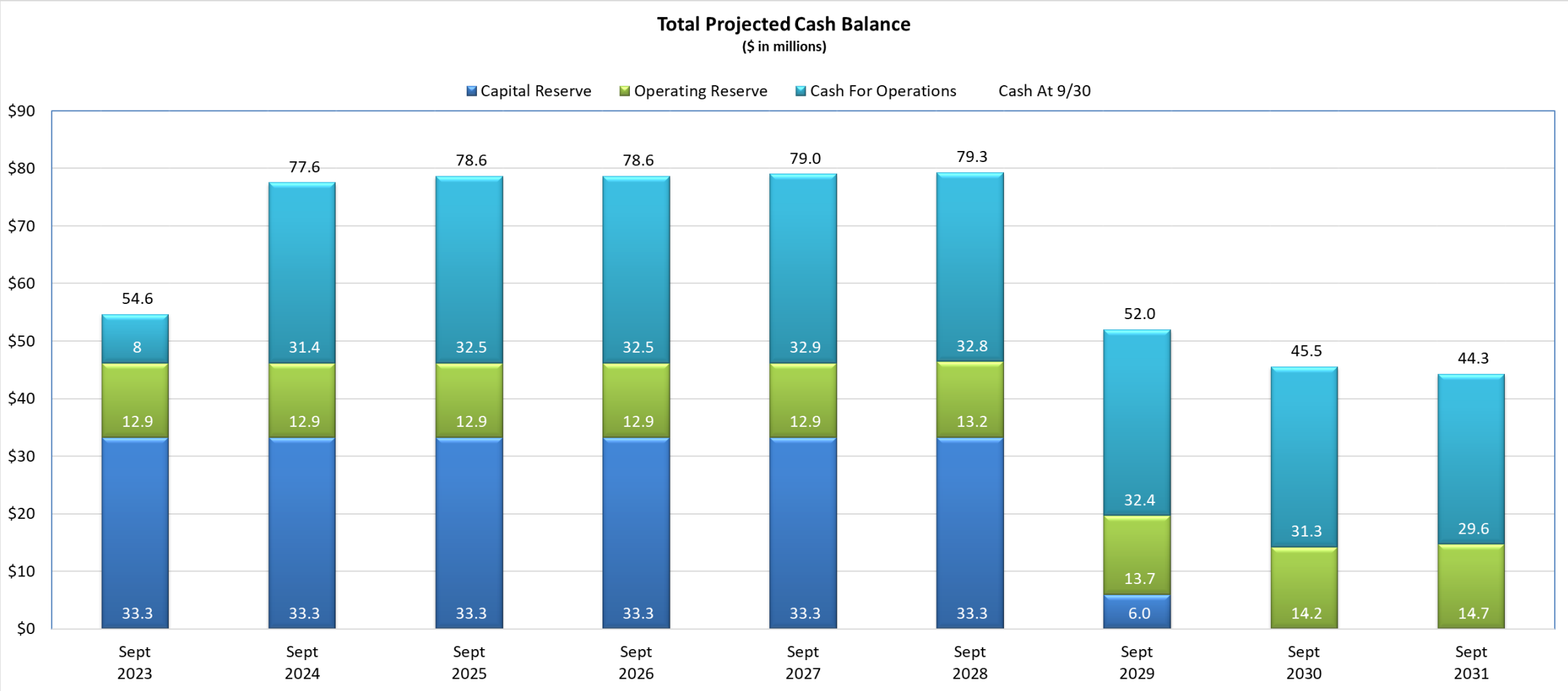
FY2026 Budgeted Expenses (with FY2025 Comparison)

	FY2025	FY2026	Change		
			\$	%	
Operating Expenses					
Salaries, Wages, and Benefits	\$ 37,984,127	\$ 39,586,005	\$ 1,601,878	4.2%	
Purchased Transportation	13,554,686	13,809,906	255,220	1.9%	
Fuel, Materials, and Supplies	7,676,770	7,239,834	(436,936)	-5.7%	
Contractual Services	4,956,685	5,660,099	703,414	14.2%	
Other Expenses	4,544,303	4,963,679	419,376	9.2%	
Total Operating Expenses	\$ 68,716,571	\$ 71,259,523	\$ 2,542,952	3.7%	
Capital Expenses					
State of Good Repair	\$ 24,316,799	\$ 18,639,000	\$ (5,677,799)	-23.3%	
Value Added	5,454,497	2,703,000	(2,751,497)	-50.4%	
Expansion/R&D	5,095,000	9,247,000	4,152,000	81.5%	
Total Capital Expenses	\$ 34,866,296	\$ 30,589,000	\$ (4,277,296)	-12.3%	
Total Expenses	\$ 103,582,867	\$ 101,848,523	\$ (1,734,344)	-1.7%	

Millage Funding Provides Stable Outlook



Strong Cash Position for the Projection Period



Budget Opportunities and Risks

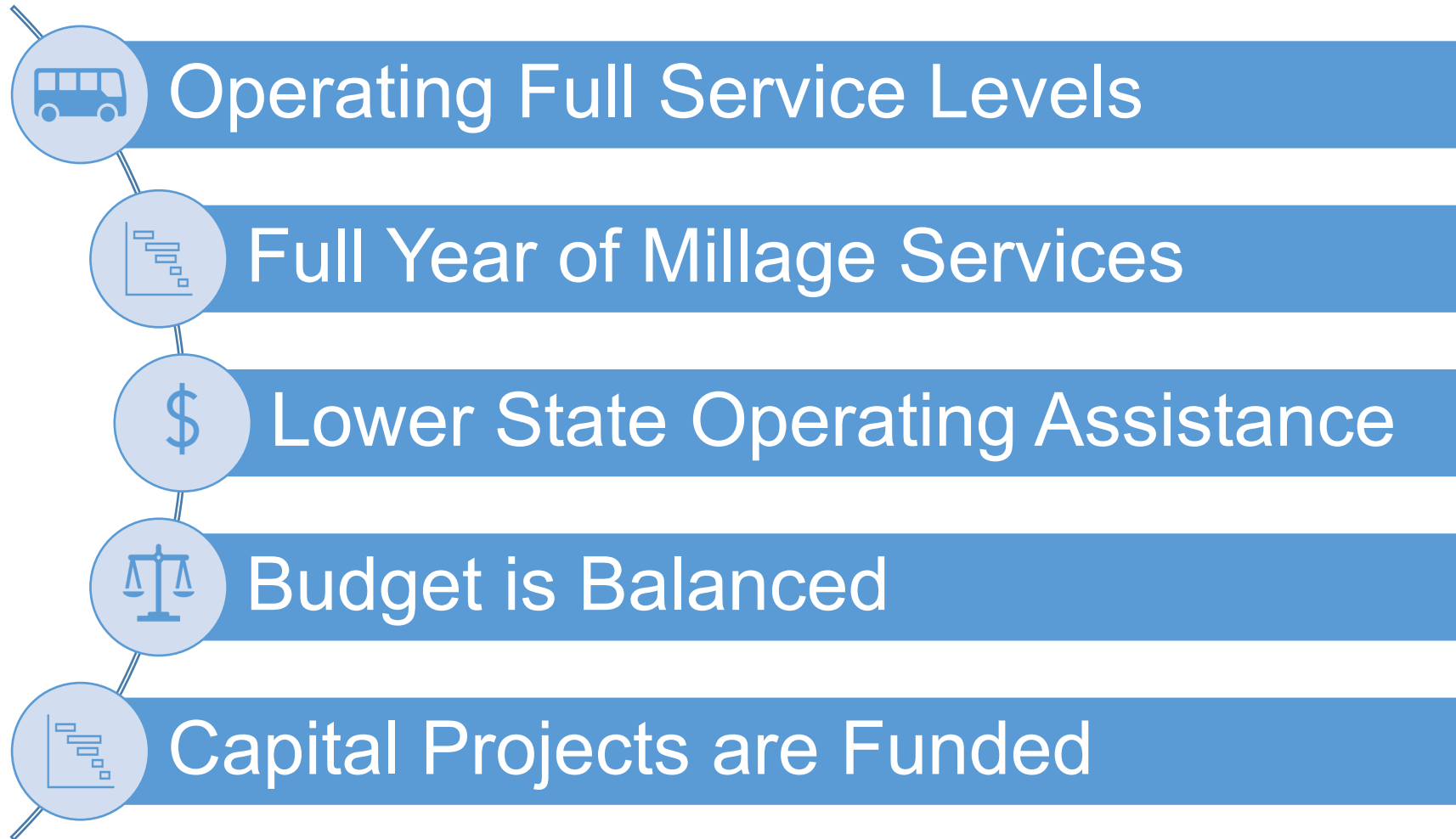
Opportunities

- Maintaining Services to Communities
- Executing on the LRP
- Approved Millage through 2028
- Funded Reserves
- No Debt

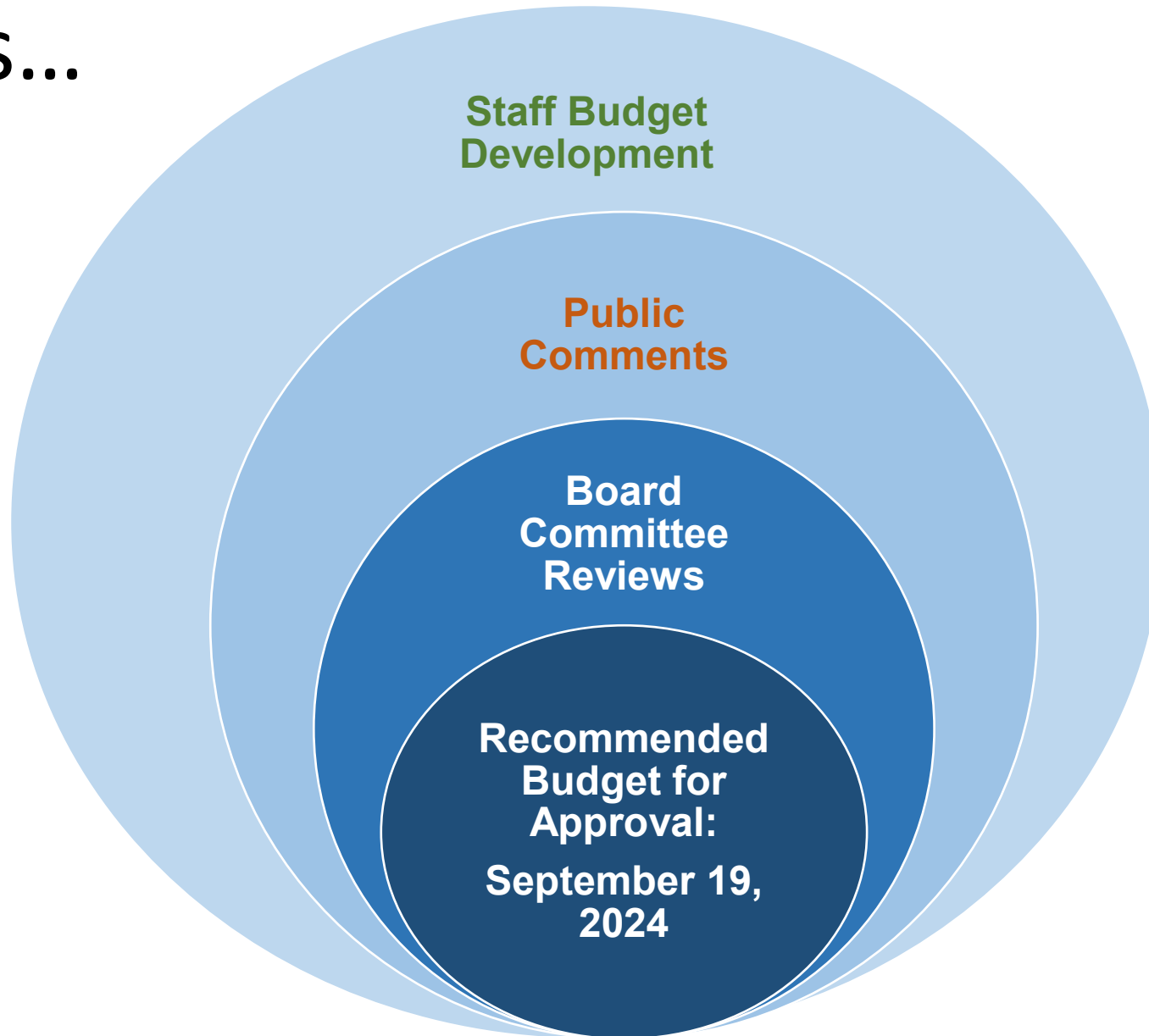
Risks

- State LBO Funding
- Economic Uncertainty & Effects on Cost of Goods
- Labor Negotiations
- Cost Inflation – Capital Impact
- Federal Funding for Capital

Draft Budget Summary



Next Steps...



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Performance

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TheRide values transparent business practices. That's why we make financial and service performance information available to the public.



Business Plan & Budget

TheRide's corporate business plan and annual budgets are planning tools to help align our work with expectations from the Board of Directors. Take a look at our business plan and annual budgets for current and previous years.



Financial Performance

Thank You

Questions/Discussion

For Additional Questions, please contact:

Dina Reed
Deputy CEO, Finance and Administration
dreed@theride.org

