Board of Director's Meeting Agenda

Meeting Date/Time: September 18, 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: August 21, 2025	D			3
2.2 Committee Meeting Summaries	D			9
3. OWNERSHIP LINKAGE				
3.1 Ownership Linkage Task Force Updates	O	6:35	Chang	Verbal
4. MONITORING / DEVELOPMENT				
5. POLICY				
5.1 Budget Discussion & Approval	O	6:40	Carpenter	16
Budget book pg 58 5.1.1 Financial Planning & Budgeting (2.4)	D	6:45	Reed	17
Budget PPT pg 123 5.1.2 FY2026 Budget Presentation & Approval	D	6:55	Reed	41
5.2 Policy Language Discussion (if needed)	O	7:25	Mozak	Verbal
6. BOARD EDUCATION / DISCUSSION				
7. OPERATIONAL UPDATES				
7.1 FY25 Q3 Service Report	O	7:45	Brooks	48
7.2 Legislative Updates	O	7:35	Carpenter	Verbal
7.3 CEO Report	O	7:55	Carpenter	53
8. EMERGENT ITEMS				
8.1 Officer Elections	D	8:00	Mozak	57
9. CLOSING ITEMS				
9.1 Action Item Recap	O	8:20	Holt	
9.2 Topics for Next Meeting Closed Session: Labor Negotiations Future: State Funding (Education)			Thursday, October 16, 2025 *6:00 pm start time*	
9.3 Public Comment	O	8:25		
9.4 Closed Session (Pursuant to 8(c) of OMA)	D	8:30		
9.5 Adjournment		9:00		

* 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: August 21, 2025 - 6:30pm – 9:00pm
Location: Ann Arbor District Library (4th Floor - Virtual via Zoom

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

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. Ms. Grand 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. Rich Chang: Yes Ms. Julie Grand: Yes Mr. Jesse Miller: Yes Ms. Susan Pollay: Yes Ms. Georgia Valentine: Yes Chairwoman Kathleen Mozak: Yes The motion to approve the agenda passed unanimously. **1.2 Public Comment** No public commenters. **1.3 General Announcements** No general announcements.
2. CONSENT AGENDA
2.1 Board Meeting Minutes: July 24, 2025 **2.2 Committee Meeting Summaries** **2.3 Board of Director's Meeting Run Times** **2.4 Add Determining Reasonableness Document to Board Policy Manual Appendix**

DRAFT

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

No discussion on the motion.

All in favor of accepting the Consent Agenda:

Mr. Mike Allemang: Yes
Mr. Chris Allen: Yes
Mr. Rich Chang: Yes
Ms. Julie Grand: Yes
Mr. Jesse Miller: Yes
Ms. Susan Pollay: 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 shared that a meeting has been scheduled in late September with the Ypsilanti Township. Meetings with the City of Ypsilanti and Ann Arbor Council member Briggs are also being coordinated.

4. MONITORING / DEVELOPMENT

4.1 Recommendation to Not Monitor Policy 2.5.12

In January, the Board adjusted monitoring of policy 2.5.12 to be "as needed." The annual monitoring is scheduled for September and after discussing this with staff, Mr. Allemang shared that the Finance Committee determined that no monitoring was necessary, and they would bring a recommendation forward to the Board for a vote at the August Board meeting.

Mr. Allen motioned not to monitor Fare Policy 2.5.12 as it is monitored *as needed* as no fare policy changes took place during the previous year, seconded by Ms. Grand.

There was no discussion on the motion.

All in favor of not monitoring Fare Policy 2.5.12:

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

The motion not to monitor Fare Policy 2.5.12 passed unanimously.

DRAFT

4.2 Governance Process Policies (3.0-3.4)

The Board reviewed and discussed responses from the Governance Process Policies (3.0-3.4). It was noted that the language in policy 3.3.3.3 is difficult to comply with as it prohibits board members from commenting on staff performance. The Governance Committee will review the policy and explore recrafting the wording, so the policy is less punitive and more reflective of the board's intent.

5. POLICY DEVELOPMENT

5.1 Policy Language Discussion (if needed)

5.1.1 Policy 3.2 Job Description

Chairwoman Mozak shared that in reviewing the Governance Process Policies there were other board job duties that had not been clearly defined. She introduced a proposed policy that would better define the board's participation in the procurement process for the General Legal Counsel, Auditing Firm and Governance consultant.

Ms. Grand motioned to accept the addition of policy 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*, seconded by Mr. Miller.

There was no discussion on the motion.

All in favor of accepting the addition of policy 3.2.13:

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

The motion of accepting the addition of policy 3.2.13 passed unanimously.

Staff will update the Boad Policy Manual to include the new policy.

6. BOARD EDUCATION / DISCUSSION

7. OPERATIONAL UPDATES

7.1 Draft Budget

Ms. Reed introduced the Board to the draft FY2026 Budget (Board packet, page 120), noting that the Operating Budget is balanced at $71.3M, but with lower state operating assistance, higher property tax revenues. and inflation and insurance pressure impacts. She discussed impacts of state LBO funding; however the organization has an overall stable financial outlook through the current millage period.

The Capital Budget is fully funded at $30.6M for capital projects that include funding for State of Good Repair (vehicles, equipment, existing facilities, IT), Value Added (bus stop improvements, Existing facilities/T, transit properties, transit signal priorities, emergent research/development), and Expansion (YTC, BTC, Bus Rapid Transit, Bus Maintenance/Storage Facility, IT, Transit Hubs).

DRAFT

Board members also discussed the implications of a state government shutdown and the use of capital and operating reserves should the State budget not pass.

7.1.1 Public Hearing RE: Budget

Chairwoman Mozak stated that in accordance with Budget Hearings of Local Government Act, local units are required to hold a public hearing on proposed budget.

Ms. Pollay motioned to suspend the regular board meeting and move into the public hearing, seconded by Mr. Chang.

There was no discussion on the motion.

All in favor of suspending the board meeting to move into the public hearing:

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

The motion to suspend the regular board meeting to move into the public hearing passed unanimously.

No public commenters.

Chairwoman Mozak requested a motion to close the public hearing and resume the regular board meeting.

Ms. Pollay motioned to close the public hearing and resume the regular board meeting, seconded by Ms. Valentine.

There was no discussion on the motion.

All in favor of closing the public hearing and resuming the regular board meeting:

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

The motion to close the public hearing and resume the regular board meeting passed unanimously.

The final budget will be presented at the September Board meeting for Board approval.

DRAFT

7.2 BTC Authorizations

Ms. Reed and Mr. Yang updated the Board on the status of the BTC expansion project and the need for Board approval to proceed with grant applications and funding requests.

Mr. Chang motioned to authorize the CEO to submit grant applications and funding requests as necessary to fund the project for the proposed BTC expansion, seconded by Ms. Pollay.

There was no discussion on the motion.

All of favor of authorizing the CEO to submit grant applications and funding requests as necessary to fund the project for the proposed BTC expansion:

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

The motion to authorize the CEO to submit grant applications and funding requests as necessary to fund the project for the proposed BTC expansion passed unanimously.

7.3 FY25 Q3 Financial Report

Ms. Reed presented an overview of the FY25 Q3 financial report noting the organization is operating within budgeted operating expenses. There is currently a net surplus but an increase in 4th quarter expenses is expected as project spending is ramped up before the end of the fiscal year. Investments remain steady and performing well, with little change.

Mr. Allemang highlighted the solid financial shape of the organization and thanked the Finance department for their continued good work in providing clear and concise reports to the Board.

7.4 CEO Report & Legislative Updates

Mr. Pfeifer discussed the ridership campaign and highlighted the multi-pronged approach for marketing and the positive feedback that has been received. He also provided legislative updates on the state budget process and federal funding opportunities in progress.

Mr. Carpenter shared that the trademark process has been completed successfully and he congratulated the Planning team for their work on NEPA approvals for the YTC projects. He also noted that Operations has been working diligently to keep up with continued route changes with road work around the area.

8. EMERGENT ITEMS

Chairwoman shared that she had neglected to share under General Announcements that the annual Audit Task Force is being assembled. Three to four board members are needed for the task force and board members can contact her directly if they are interested.

DRAFT

9. CLOSING ITEMS

9.1 Action Item Recap

- Update Board Policy Manual to include reasonableness guidance document and new policy 3.2.13
- Clerical update July Governance notes to reflect the change from “secured” to “pursuing” for the State Street project discussion
- Governance Committee review 3.3.3.3 policy wording and propose revisions
- Provide future board education on the responsibility of board members for ownership linkage and coordinated advocacy.

9.2 Topics for Next Meeting

Budget Approval
FY25 Q3 Service Report
Financial Planning & Budgeting (2.4)
Officer Elections

Future:
State Funding (Education)

9.3 Public Comment

No public commenters.

9.4 Adjournment

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

There was no discussion on the motion.

All in favor of adjourning the meeting:

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

The motion to adjourn the meeting passed unanimously.

Chairwoman Mozak adjourned the meeting at 7:58pm.

Respectfully Submitted by Deborah Holt

DRAFT

Governance Committee Meeting Notes

Meeting Date/Time: Thursday, August 28, 2025 – 3:00 – 5:00pm

Members Present: Kathleen Mozak (Chair), Mike Allemang, Rich Chang

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

Location: REMOTE – Via Zoom

Mr. Allemang called the meeting to order at 3:05pm

Agenda Item
1. OPENING ITEMS
1.1 Agenda (Additions, Approval) Update to the agenda - items 2.1, 2.4, 3.2, 3.3 will be deferred to the September Governance Committee meeting. **1.2 Communications** Mr. Carpenter shared updates on the recent fall service rollouts.
2. BOARD DEVELOPMENT
2.1 Recruitment / Training / Attendance Discussion deferred to September meeting. **2.2 OLTF** Mr. Chang shared a brief update on OLTF and ideas to further community input with advertising on buses. **2.3 Ends Development & Priorities** Discussion deferred to September meeting. **2.4 Ownership Linkage Education** The committee will investigate ownership linkage educational opportunities for the board.

DRAFT

3. POLICY MONITORING & DEVELOPMENT

3.1 Construction Policy Monitoring Decision

Mr. Carpenter shared that on the monitoring scheduled, the Construction Policy is "review as needed" with the Governance Committee determining if it would be monitored each year. The committee agreed that the monitoring report would be monitored this year.

3.2 Policy 3.3.3.3 Re: Complimenting Staff

Discussion deferred to September meeting.

3.3 Executive Committee + OM Act

Discussion deferred to September meeting.

4. STRATEGY & OPERATIONAL UPDATES: CEO

4.1 Budget Update

Ms. Reed shared that the Finance team continues to work on finalizing the budget with no major changes noted since the Board meeting. She continues to monitor potential for impacts in state operating assistance as the state budget has not been finalized. She has received board members' questions related to the budget and a response is in progress.

4.2 Legislative Updates

Mr. Pfeifer shared updates on the release and passing of the State House budget and implications with state operating assistance. He and Mr. Carpenter will be going to Lansing in early September to meet with elected officials to discuss and advocate for public transportation funding. He continues to monitor the potential risks if a state shutdown was to occur.

5. EMERGENT ITEMS

6. CLOSING ITEMS

6.1 Committee Agendas

Service Committee – meeting date has been changed to September 8th. Update order to 3.1 Legislative Update, 3.2 Budget Update and 3.3 FY25 Service Report.

Finance Committee – Update order to 3.1 Legislative Updates, 3.2 Budget Update, and 3.3 Financial Planning & Budgeting.

Board Meeting – Update 7.1 Legislative Update, 7.2 CEO Report, 7.3 FY25 Q3 Service Report and add 9.4 Closed Session placeholder related to Labor relations.

6.2 Action Item Recap

Updates (above) noted for agendas. Add deferred agenda items 2.1, 2.4, 3.2, 3.3 to the September Governance Committee meeting

DRAFT

6.3 Topics for Next Meeting

CEO Expense Report
Recruitment / Training / Attendance
Ends Development & Priorities
Policy 3.3.3.3 Re: Complimenting Staff
Executive Committee + OM Act

Future:
Governance Training Options, Policy Manual Mock-Up, Ownership Linkage Task Force or Committee?

6.4 Adjournment

Mr. Allemang thanked the committee and staff and adjourned the meeting at 3.39pm.

Respectfully Submitted by Deborah Holt

DRAFT

Service Committee Meeting Notes

Meeting Date/Time: September 8, 2025, 10:00am – 12:00pm

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

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

Location: REMOTE – Via Zoom

Mr. Barr called the meeting to order at 10:00am.

Agenda Item
1. OPENING ITEMS
1.1 Agenda (Additions, Approval) No changes or updates noted on the agenda. **1.2 Communications** No new communications.
2. POLICY MONITORING & DEVELOPMENT
3. STRATEGY & OPERATIONAL UPDATES: CEO
3.1 Legislative Update Mr. Pfeifer provided an update on latest developments in the state budget approval process and the House and Senate have not agreed upon a final budget and LBO funding details are still in flux. Mr. Pfeifer and Mr. Carpenter will be going to Lansing on September 9th to meet with legislators as a part of an MPTA lobbying day to highlight the importance of funding for transit agencies. **3.2 Budget Update** Ms. Reed provided an update on the budget process with the final budget to be presented at the September Board Meeting. The Operational Budget has planned for 26% LBO funding with a note that even if state funding is less, there are other avenues of funding to be pursued. She shared that the Capital Budget is also being finalized after staff thoroughly reviewed key project timelines. The committee and staff also discussed LBO funding, and potential risks and impacts if the state budget is not approved by October 1st.

DRAFT

3.3 FY25 Q3 Service Report

Mr. Brooks provided the FY25 Q3 Service Report and noted the continued positive trend of increases in ridership/boardings and on-time performance continues to trend over 80%. MV ridership increased slightly, and no trip denials noted. FlexRide has continued to increase ridership boardings up 94% and total trip requests up 78% – much of the increase is driven by Late Night Service which grew 133%. He also noted that holiday service increased 4x normal demand, which was linked to a dramatic increase in denials. The Committee discussed how staff will continue to explore ways to improve Flex-Ride services. Committee members also requested the inclusion of overall service targets within the report for easier comprehension.

4. CLOSING ITEMS

4.1 Action Item Recap

- Final FY26 Budget and FY25 Q3 Service Report will be presented at the September 18th Board of Director's Meeting.
- Mr. Brooks will review including service targets within the Service report.

4.2 Topics for the Next Meeting

Future:

4.3 Adjournment

Mr. Barr thanked the committee and staff and adjourned the meeting at 10:50am.

Respectfully submitted by Deborah Holt

DRAFT

Finance Committee Meeting Notes

Meeting Date/Time: Tuesday, September 9, 2025 - 3:00 – 5:00pm

Members Present: Mike Allemang (Chair/Treasurer), Chris Allen, Julie Grand
Members Absent: Georgia Valentine (Excused)
Staff: Matt Carpenter, Dina Reed, Forest Yant, George Brooks, Jeff Pfeifer, Andy Huber, Rosa-Maria Kamau, Deb Holt

Location: REMOTE – Via Zoom

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

Agenda Item
1. OPENING ITEMS
1.1 Agenda (Additions, Approval) No changes noted to the agenda **1.2 Communications** No communications
2. POLICY MONITORING & DEVELOPMENT
3. STRATEGY AND OPERATIONAL UPDATES
3.1 Budget Update Ms. Reed shared that as the budget is being finalized, there have been very little changes in the last month as projections have been stable. The Operational Budget has a planned 26% LBO funding – however, she and the finance team will pursue other revenue funding opportunities should final LBO funding be lower than expected. She shared that there was a slight reduction within the Capital Budget funding as the timing of a projected project implementation has been moved to FY2027. The committee discussed the capital/operational reserves and Ms. Reed noted that while there is no plan to utilize any of those funds, should the need arise, the Board would need to approve the use of those funds. The final budget will be presented for Board approval at the September 18th Board meeting.

DRAFT

3.2 Financial Planning & Budgeting (2.4)

Ms. Reed provided an overview of the monitoring report for Financial Planning & Budgeting (2.4) – there were no areas within the report that were non-compliant. She noted overall board survey responses were positive. The committee agreed to recommend to the Board that the monitoring report be accepted as (A) fully compliant.

3.3 Legislative Updates

Mr. Pfeifer shared that he and Mr. Carpenter joined other MPTA members in Lansing meeting with state legislators to discuss budget implications for transit agency needs.

He shared that the State House and Senate have now put forth their recommended budgets – he noted that the House version included proposals of a farebox recovery provision as a stipulation of additional funding. The committee discussed the challenges of that stipulation and potential impacts.

4. CLOSING ITEMS

4.1 Action Item Recap

- Ms. Reed will be presenting the final budget to the Board at the September 18th Board meeting
- The Finance Committee will recommend the Financial Planning & Budgeting monitoring report as (A) fully compliant

4.2 Topics for Next Meeting

Future Meeting:
Gas Tax information / update

4.3 Adjournment

Mr. Allemang thanked the committee and staff and adjourned the meeting at 3:31 pm.

Respectfully submitted by Deborah Holt

DRAFT

Agenda Item: 5.1

FY2026 Budget Approval Process

Board Meeting Date: September 18, 2025

INFORMATION TYPE:
Decision Preparation
ISSUE SUMMARY:
This issue brief provides an overview of the budget approval process for the September Board meeting.
BACKGROUND:
Each year, staff prepare a recommended budget that advances the Board's goals (Ends policies) and complies with the Board's other expectations (Executive Limitations policies). Staff then present the budget to the Board for their consideration. TheRide's Board of Directors follows a two-step process to approve the budget: • In Step One the Board reviews and accepts Monitoring Reports from the CEO (per Policy Governance). This ensures that it is the whole Board giving direction to staff via written and approved policies, and that the CEO's interpretation and evidence of compliance with those collective expectations is satisfactory. This ensures unity of delegation to staff, speaking with one voice, and accountability and transparency. Should the Board accept the report, it indicates that staff have met the Board's expectations for the Budget. • In Step Two the Board members vote on accepting the Budget Resolution. This satisfies state law. The Board may accept the CEO's recommended budget or amend the recommended budget. Per the Bylaws, 6 of the 9 serving members must vote to approve a budget (Sec 6 p. 3). A budget must be adopted before October 1, 2025.
IMPACTS OF RECOMMENDED ACTION(S)
• **Budgetary/Fiscal**: The annual budget authorizes spending on all agency programs. By state law, the Board must approve a budget. • **Social/Environmental**: All services are funded through the budget. • **Governance**: Board approves the annual budget.

Monitoring Report:
Financial Planning / Budgeting (Policy 2.4)
Monitoring Period: October 2024 – September 2025

Finance Committee Meeting Review Date: September 9, 2025

Board of Directors Meeting Review Date: September 18, 2025

INFORMATION TYPE

Monitoring

RECOMMENDED ACTION(S)

That the Board review this monitoring report and consider accepting it as:

(A) a reasonable interpretation for **all** policy items and that the evidence demonstrates compliance with the interpretations.

(B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.

(C) 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation
2. For policy items x.x.x – the interpretation is not reasonable
3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance
4. For policy items x.x.x – the Board acknowledges and accepts the CEO's stated non-compliance and the proposed dates for compliance

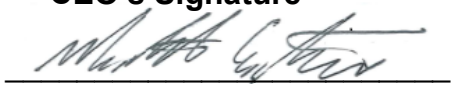
ISSUE SUMMARY

TheRide's Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO's interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board's written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.

Per Appendix A of the Board Policy Manual, this report was scheduled for monitoring in September and was submitted in September. The Budget is attached to this monitoring report for reference

I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.

CEO's Signature **Date**



8/29/2025

BACKGROUND

Annual Board oversight of budget process via monitoring reports

PRIOR RELEVANT BOARD ACTIONS & POLICIES

Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:

1. CEO sends Monitoring Report to all board members

2. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)

IMPACTS OF RECOMMENDED ACTION(S)

- Budgetary/Fiscal: Current staff budget process continues as is
- Governance: Compliance with monitoring report requirements

ATTACHMENTS

1. Monitoring report for Financial Planning / Budgeting (Policy 2.4)
2. FY 2026 Draft Operating and Capital Budget
3. FY 2026 Corporate Business Plan link here.
4. FY 2024 Auditors Report link here

Table of Contents

POLICY TITLE: FINANCIAL PLANNING / BUDGETING	Page #	Compliance
2.4 Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:	4	
2.4.1. Risks incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."	6	
2.4.2 Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.	8	
2.4.3 Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.	10	
2.4.4 Is unclear about long-term funding needs and growth projections.	11	
2.4.5 Causes deficit spending.	13	
2.4.6 Does not provide for adequate reserves.	15	
2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.	17	
2.4.8 Funds ongoing operations via debt or creates unfunded future obligations.	18	

Fully Compliant Partially Compliant Non-Compliant

Preliminary CEO Interpretations and Evidence

POLICY 2.4
Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan.

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

Degree of Compliance: Compliant

Interpretation

Operational Definition
I interpret this policy to mean that the draft budget submitted alongside this monitoring report advances Ends policies and is compliant with policies 2.4.1-2.4.8 below.

Measure/Standards & Level of Achievement
Compliance with this policy will be demonstrated when

A. The agency clearly indicates how the budget promotes achievement of Ends policies and
B. Lower-level policies are compliant.

Rationale
This is reasonable because

A. Ends explicitly define what the agency must achieve. Establishing a clear connection between the proposed budget and the Ends policies ensures that the agency allocates financial resources to projects, initiatives, and operations that ultimately align with Board expectations.
B. Lower-level policies address the following requirement of this policy:
   - Deviation from Board's Ends priorities (2.4.2),
   - Derived from strategic multi-year plan (2,4,2, 2.4.4, 2.4.7), and
   - Risk fiscal jeopardy (2.4.1, 2.4.3, 2.4.5, 2.4.6, 2.4.7, 2.4.8).

Evidence

Source of Data: Proposed budget, ends policies and compliance of lower-level policies
Date of Data Review: 8/29/2025 as verified by DCEO, Finance and Administration.
Data:

A.

Policy	Budget provision (where applicable)
1.0 Increase ridership & efficient stewardship	The budget provides a funding plan for LRP initiatives, which is the agency's blueprint to increase ridership and demonstrate efficient stewardship (pgs. 37-39, and 40-44)
1.1: Equitable accessibility	The Board found this policy to be compliant except for bus stop accessibility. The agency has a plan to achieve compliance by 2033. The current budget has funding allocated for this project (pg. 42)
1.2: Transit positively impacts the environment	The Board found policy 1.2, 1.3, 1.4, and 1.5 to be compliant. The budget provides funding to maintain the current strategic trajectory. Any changes to the strategic direction or budgetary concerns that would result in non-compliance of these policies will be communicated timely as required by the 'no surprise' policy.
1.3: Transit facilitates access to jobs, schools, and visitor access and there's a connection between Detroit and Ann Arbor	
1.4: High customer satisfaction	
1.5: Recognition of TheRide's positive contribution to the area	

B. As demonstrated below, policies 2.4.1-2.4.8 are reported as compliant.

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

Degree of Compliance: Compliant

Interpretation

Operational Definition:
I interpret this policy to be about elements in a recommended annual budget that could impact compliance with policy 2.5 (Financial Conditions and Activities) *in the future*. The Budget does not impact many elements of policy 2.5 directly, for example having policies and procedures, which are duties of staff. These issues will be addressed in the monitoring report for 2.5.

Measure/Standards & Level of Achievement
Compliance will be demonstrated when:

A. **Board Decisions:** Recommendations pertaining to decisions the Board has reserved for itself (i.e., authorization of unbudgeted contracts over $250,000, use of the Capital Reserve, adjustments to tax rates or fares, real estate transactions, or creation of debt) are clearly noted.
B. **Auditing Resources:** The recommended budget includes sufficient resources to hire an independent auditor.

Rationale

A. The Board has limited the CEO's financial authority in 2.5, thereby identifying decisions only the Board can make. Ensuring these items are addressed in the budget maximizes compliance with 2.5.
B. I interpret policy 2.5.4 to include a prohibition on impeding the auditing process by failing to budget to hire an auditor. Therefore, the budget must allocate sufficient resources for an external auditor. In addition, the audit provides additional detailed review of compliance with 2.5.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget Board meeting minutes, and the FY 2024 Audit.
Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration
Data:

A. The following decisions reserved for the Board under Policy 2.5 are addressed in the budget as follows:
   a. **2.5.6 Budgeted Contracts** – Contracts over $250,000 are illustrated on page 52 of the recommended budget.
   b. **2.5.7 Capital Reserve Funds** – There is no use of capital reserve funds in the FY2026 Budget, although the CEO may seek such an approval in the next few years. Use of the capital reserve forecasted in future years is outlined in the

10-Year Capital Plan, Figure 21, on page 42. It is also illustrated on page 46 in Figure 26, Projected Capital Reserve Activity.

c. **2.5.9 Tax Rates** – There are no recommended changes to Tax Rates in the budget. The impact of the approved millage on revenues is described under "Local Property Taxes" (pages 34-35).

d. **2.5.10 Real Estate Transactions** – The capital budget includes a budget for acquiring land for the Ypsilanti Transit Center (page 42). Approval of the budget allocates the financial resources to acquire the land but does not provide approval of land purchases. However, approval to begin the land acquisition process in accordance with Policy 2.5.10 was provided by the Board at the June 19th, 2025, Board meeting.

e. **2.5.11 Debt** – As indicated in the capital plan (pages 41-42) there is no debt funding planned in the budget.

B. Auditing Fees are provided as indicated in Figure 14: Contractual Services Summary (pages 32-33). Sufficient funding is provided for external auditing fees in the budget. Based on recent audits and the current audit contract, audit expenses incurred in FY2026 are estimated to be $83,000 and are budgeted accordingly.

In addition, the annual audit provides additional reassurance that the agency is in compliance with policy 2.5. Below is a description of how the audit reviews the requirements of policy 2.5.

Policy description	FY 2024 Audit references
2.5.1: Financial controls meet generally accepted standards.	Reviewed and described in Note 1 of Audited Financial Statements on page 22.
2.5.2 Federal and state funding is not jeopardized.	Reviewed and described in Notes 1 and 2 of Audited Financial Statements on pages 22-26, plus page 59.
2.5.3: Controls meet the Board appointed auditor's standards.	Reviewed and described on pages 2-3 of the Independent Auditor's Report.
2.5.4 Independent uncompromised audit.	Reviewed and confirmed in Independent Auditor's Report.
2.5.5 Expenditures are within overall Board-approved budget.	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.
2.5.6 Contracts of a value greater than $250,000.	Reviewed and described on pages 2-3 of the Independent Auditor's Report.
2.5.7 Use of Capital Reserve funds.	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements
2.5.8 Reserve policy	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.
2.5.9 Tax rates	Reviewed and described in Note 1 of Audited Financial Statements on page 23.
2.5.10 Real estate	Reviewed and described in Note 12 of Audited Financial Statements on page 33.

2.5.11 Incurring debt	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.
2.5.12 Adjusting fares	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.

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

Degree of Compliance: Compliant

Interpretation

Operational Definition:
I interpret this policy to mean that each draft annual budget (and the expenditures therein) must be informed by a multi-year strategic plan that illustrates how the agency will align its resources to make progress toward achieving the Board's expectations (i.e., Ends and Executive Limitations).

Measure/Standards & Level of Achievement
Compliance with this policy will be demonstrated when the CEO produces an annual Corporate Business Plan that:

A. Uses the Board policies to guide agency goals/outcomes. *All* efforts are aligned towards these outcomes.
B. Provides a summation of the agency's current situation sufficient to establish a common understanding of the plan's starting point and key considerations that guide agency efforts to achieve Ends within set limitations.
C. Staff, community and the Board have the opportunity to provide input on the activities before they are adopted in the budget for funding.
D. Provides a multi-year framework for illustrating initiatives. Longer-term context can be provided, as necessary, in supplemental documents like a long-range plan.

Rationale
This is reasonable because:

A. Aligning agency activities to Board policies indicates a deliberate focus of operational matters to accomplish Board's Ends.
B. A summary of the agency's current situation establishes a common understanding of the starting point, clarifies background, provides situational awareness, and focuses on key issues.
C. Providing staff, board and the public with the opportunity to review activities before they are funded ensures transparency.
D. Multi-year timeframes are necessary because initiatives to pursue Ends take many years, risks might be unseen in shorter time frames, and funding and business decisions only make sense in a longer-term perspective. Major

anticipated business decisions are addressed, directly or indirectly, through the Business Plan and Budget documents. All expenditures are addressed in each annual budget.

Evidence

Source of Data: Corporate Business Plan FY2026 (the business plan), FY2026 Draft Operating and Capital Budget (the budget), TheRide2045 (long-range plan)
Date of Data Review: 8/29/2025 as verified by Corporate Strategy & Performance Officer
Data:

A. The Board's Ends policies appear on page 31 of the Business Plan. All recommended initiatives are cross-referenced to illustrate which Board policy (Ends or Executive Limitation) they are intended to advance (pgs. 13-26).
B. The Business Plan provides historical background on ridership trends (pg. 8) in part to focus attention on this key output. The SWOT analysis on pg. 7 provides a current analysis highlighting agency strengths and weaknesses, threats and opportunities.
C. The Business Plan provided ways to provide input and feedback on the plan (pg. 3).
D. The Business Plan provides a 21-year plan in Gantt chart format on page 27.

POLICY 2.4.3

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

Degree of Compliance: Compliant

Interpretation

Operational definition:

I interpret this policy to mean that the FY2026 Budget will provide transparent estimates and defensible assumptions based on historical trends and future projections. And that there will be a clear separation of revenues and expenses, capital and operational items, and cashflows.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the annual draft budget includes:

A. All anticipated revenue estimates by source,
B. All anticipated expense estimates by general category or project as appropriate,
C. Operating budget is separate from the capital budget,
D. Anticipated cash flow projections (annually) for the current year and the next five years based on operating and capital budget requirements,
E. Explanations for any significant assumptions are justified or supported with credible evidence and logical reasoning, and can withstand criticism or counterarguments

Rationale

This interpretation is reasonable as the policy unambiguously requires provision of those items.

A.-D. Having all anticipated revenues, expenses, and cashflow displayed in the budget is a reasonable level of achievement as it shows available financial resources and how resources are allocated to further the Board's Ends.

E. Explicitly identifying assumptions allows them to be disclosed. Providing a rationale as stated above demonstrates defensibleness.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget
Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration
Data:

A. **Revenue Estimates** – Page 39 provides estimates of 7-year operating revenues by category and page 42 provides 10-year capital expenses by project.
B. **Cost Estimates** – Page 39 provides estimates of 7-year operating expenses by category with historical context and page 42 provides 10-year capital expenses by project.
C. **Operating and Capital budgets** are separated (see pages 37 and 41)
D. **Cash Flow Projections** – Page 45 provides cash balances for the current year in September and the next six years. Cash flow is based on operating and capital budget revenue and expense projections as presented in the budget.
E. **Assumptions** – Pages 28 through 39 and 48 through 51 provide operating and capital budget assumptions, respectively.

POLICY 2.4.4

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

Degree of Compliance: Compliant

Interpretation

Operational Definition:
I interpret this policy to mean that the proposed budget will account for ridership growth projections, address associated impacts e.g., infrastructure expansion, and identify corresponding funding requirements.

Measure/Standards & Level of Achievement
Compliance with this policy will be demonstrated when the annual budget clearly outlines five-to-ten-year financial assumptions for:

A. Maintaining operation of existing services,
B. Maintaining assets (per Board policy and FTA requirements),
C. Mitigating against foreseeable risk,
D. Implementing expansion plans (i.e., TheRide2045, the long-range plan), and
E. Changes in ridership (i.e., passenger demand).

Rationale

This is reasonable because it accounts for the main elements of funding needs i.e., maintaining existing services and equipment, risk, service expansion, and growing demand for services.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget
Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration
Data:

A. Page 10 of the budget states that the budget includes operating full-service levels and funding for millage service expansions. Page 38 demonstrates that there is no reduction in funding for operations, and that the increased levels of funding for expanded services cover expenses through FY2029.
B. Page 42 of the budget demonstrates that there is funding for maintaining assets through capital funding in the "State of Good Repair" section for the projection period (10 years).
C. The projections included on pages 38-39 of the budgets include average annual inflationary increases of at least 3% per year. There are some exceptions, such as union salary and wage increases, which are based on the current bargaining unit contract in the first few years, and then 3% annually after expiration of the current contract. Additionally, some areas of the budget include additional inflationary adjustments based on historical trends that may be higher than 3%, such as different types of insurance costs.
D. Expansion plans are included in the budget as follows:
    a. Millage services to be implemented in FY2026 and through the projection period are described in the operating budget on pages 8-10. Increased funding to support initiatives is demonstrated in the projections on pages 38-39. Operating costs supporting the longer-term service changes, such as Bus Rapid Transit (BRT), are beyond the current millage cycle and are not included in the projections as funding has not been approved and will not be implemented until funding becomes available.
    b. Longer term expansion plans are described in the capital plan on pages 10-12. Increased funding to support capital initiatives are provided in the capital budget and projections on pages 40-44.
E. Changes in ridership are described in the budget on pages 24 through 27.

POLICY 2.4.5

Causes deficit spending.

Degree of Compliance: Compliant

Interpretation

Operational Definition:

I Interpret this policy to mean that staff will recommend a balanced budget.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the draft annual budget demonstrates that:

A. Projected costs do not exceed reasonable forecasts of revenues,
B. Any "unsecured" revenue sources (i.e. unconfirmed), such as aspirational or competitive capital grants, are clearly identified,
C. Operating and Capital reserves are maintained at appropriate levels, and
D. Maintenance is not deferred.

Rationale

This is reasonable because:

A. Deficits are created by costs exceeding revenues. A balanced budget is also required by State law.
B. In accordance with Generally Accepted Accounting Principles (GAAP), revenue should be recognized only when it is both earned and realizable. Identifying unsecured revenue supports adherence to this standard and mitigates the risk of incurring deficits due to premature financial commitments. Additionally, forecasting future deficits may be necessary to represent the agency's circumstances honestly and transparently. While multi-year forecasts are included in the budget for context, the Board only approves one year of budget at a time. Projections of future deficits do not cause immediate deficit spending.
C. Stipulating the reserves must be maintained eliminates the option of drawing down those reserves to temporarily increase spending beyond what revenues could support longer-term, a less-obvious deficit.
D. Requiring timely maintenance of assets avoids underfunding these important activities in the current year, effectively eliminating the risk of postponing critical needs for short-term expenses that would likely result in spending beyond what revenues can support longer-term.

Evidence
Source of Data: FY2026 Draft Operating and Capital Budget **Date of Data Review:** 8/29/2025 as verified by the Deputy CEO, Finance and Administration **Data:** A. On page 37, Figure 17 demonstrates that the FY2026 Operating Budget is balanced. On page 41 of the budget, Figure 20 demonstrates that the FY2026 Capital Budget is balanced. Operating costs are projected to be covered through FY2029 due to the approved millage. Capital items are fully funded as well. B. On page 42, Figure 21 shows anticipated funding sources for expansion projects, some of which are aspirational in nature as they are unfunded later in the projection period. C. On pages 45-46, descriptions of required operating and planned capital reserves are provided, along with multi-year projections demonstrating reserve requirements are met through the projection period. Additional compliance with operating reserve requirements is described on pages 19-23. D. Maintenance of assets is budgeted in several areas of the operating and capital budget. In the operating budget on page 32, the description of Fuel, Materials, and Supplies assumptions demonstrate consistent funding for materials and supplies needed to maintain vehicles and other assets. Additionally, in Figure 14, contracted services are maintained in the operating budget. Finally, fleet and facilities maintenance staff are fully funded in the operating budget at levels consistent with the current fiscal year. In the capital budget on page 42, Figure 21 illustrates consistent funding for maintaining “State of Good Repair” of assets in FY2026 and through the projection period.

POLICY 2.4.6
Does not provide for adequate reserves.

Degree of Compliance: Compliant

Interpretation

Operational Definition:
I interpret this policy to mean that the proposed budget will include sufficient operational and capital reserves. Further, I interpret 'sufficient' to mean that identified reserves are capable of sustaining agency operations and funding capital initiatives throughout the budget year.

Measure/Standards & Level of Achievement
Compliance with this policy will be demonstrated when the draft annual budget provides for:

A. An operating reserve with funding equivalent to at least 2.0 months of operating costs. 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.
B. A Worker's Compensation Insurance Reserve with at least $500,000 is available to pay for claims costs beyond what is anticipated in the budget in any given fiscal year.
C. A Capital Reserve (of whatever amount is available) intended to help pay for the local match in competitive federal grant applications, or for other capital expenses.

Rationale
This is reasonable because:

A. An **operating reserve** is prudent because it provides an easily accessible amount of funding to ensure agency operations do not have to shut down in the event normal funding mechanisms are temporarily interrupted. Unpredictable circumstances beyond the agency's control such as cyberattacks, federal government shutdowns or paperwork errors can disrupt normal cash flow and impact paychecks and fuel purchases. A reserve provides an emergency buffer against such interruptions.

   TheRide expresses the reserve in terms of 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.

B. The **Worker's Compensation Insurance Reserve** is an important part of the agency's approach to being self-insured, which is more cost-effective than

paying high insurance premiums. The level of $500,000 has been historically adequate.

C. A **capital reserve** is a valuable tool for setting aside one-time surplus funds to help provide the local match for competitive federal grants. The agency has a board-approved long-range plan with many capital projects supported by various grant sources. In this context, a capital reserve is a prudent tool to ensure the successful completion of these projects. It also demonstrates the agency's ability to complete large-scale projects, which boosts the confidence of external funders.

   The adequacy of the amount of funding in the capital reserve is entirely dependent on available resources. Saving for future growth is the last priority after maintaining existing assets and services. Presently, the agency does not have a permanent funding source for the capital reserve.

   There are no other reserves.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget
Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration
Data:

A. **Operating Reserves** – As indicated on page 46, Figure 25 illustrates the Operating Reserve Balance will meet the reserve target through the projection period.
B. **Worker's Compensation Insurance Reserve** – As described on page 22, the reserve is fully funded.
C. **Capital Reserve** – As illustrated in Figure 26 on page 46 of the budget, there is no anticipated contribution to the Capital Reserve in FY2026.

POLICY 2.4.7

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

Degree of Compliance: Compliant

Interpretation

Operational definition:
I interpret this policy to mean that the proposed budget includes sufficient funding for the Board to carry out its work in a manner compliant with its governing policies (3.0).

Measure/Standards & Level of Achievement
Compliance with this policy will be demonstrated when the draft annual budget incorporates a budget for Board activities. This board budget is reviewed by the Governance Committee prior to budget adoption.

Rationale
This is reasonable because cost of governance is one of the Governance Committee's primary responsibilities per policy 3.7.1 and policy 3.8.3 specifically requires inclusion of the board budget in the overall budget each year.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget
Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration
Data:
Cost of Governance is addressed on page 34 of the budget and notes that $35,000 is allocated for Board activities. The details of the board budget were reviewed by the Governance Committee as documented in committee meeting minutes for August 28, 2025.

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

Degree of Compliance: Compliant

Interpretation

Operational definition

I interpret this policy to mean that the recommended budget cannot use loans or other financial liabilities to pay for non-capital expenses. Nor can the recommended budget extend forecasted operational expenses beyond direct operational revenues.

However, the CEO can recommend that the Board approve debt as long as there is a revenue source to pay for it, for example revenue bonds paid for by a supplemental millage.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when:

A. The draft annual budget does not require the Board to approve any form of debt to maintain operations or assets for the upcoming year,
B. Any one-time revenues are not used to create permanent ongoing expenses, and
C. The draft annual budget does not forecast operating deficits.

Rationale

This is reasonable because:

A. The absence of debt in the budget demonstrates that it is not necessary. The CEO cannot create debt without Board approval (2.5.11).
B. Creating ongoing expenses with temporary funding would create a future obligation, and
C. The credible projections required in earlier policies illustrate the future implications of immediate spending decisions.

Evidence
Source of Data: FY 2026 Draft Operating and Capital Budget, 2024 Audit **Date of Data Review:** 8/29/2025 as verified by the Deputy CEO, Finance and Administration **Data:** A. **Debt** – As illustrated in Figure 3 on page 21 of the recommended budget, revenues are sufficient to cover expenses for the immediate future. In addition, in the 2024 audit on page 18 in the Statement of Net Position of the under Liabilities, AAATA has no debt. B. **One-Time Revenues** – As indicated on page 38 of the budget, the CEO has not created new obligations for AAATA that cannot be funded with reasonably foreseeable revenues. All increased expenses related to service expansions are funded with the August 2022 millage beginning in Summer 2024. C. **Operating Deficits** – As indicated on page 37 of the budget, there is no projected deficit in FY2026.

Policy Trendlines

Policies	FY 23	FY 24	FY 25
2.4	3	3	3
2.4.1	3	3	3
2.4.2	3	3	3
2.4.3	3	3	3
2.4.4	3	3	3
2.4.5	3	3	3
2.4.6	3	3	3
2.4.7	3	3	3
2.4.8	3	3	3

LEGEND	
	Policy is not compliant
	Policy is partially compliant
	Policy is compliant

Guidance on Determining "Reasonableness" of CEO Interpretations

Are the interpretations reasonable?
An interpretation is reasonable if the following are provided,
1. a measure or standard,
2. a defensible rationale for the measure or standard,
3. a level of achievement necessary to achieve compliance and
4. a rationale for the level of achievement.

Is evidence verifiable?
Evidence is verifiable if there is
1. actual measurement/data,
2. the source of data and
3. the date when data was collected is provided.

Board's Conclusion on Monitoring Report

Board's conclusion after monitoring the report.
Following the Board's review and discussion with the CEO, the Board finds that the CEO:

(A) a reasonable interpretation for **all** policy items and that the evidence demonstrates compliance with the interpretations.

(B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance.

(C) 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation
2. For policy items x.x.x – the interpretation is not reasonable
3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance
4. For policy items x.x.x – the Board acknowledges and accepts the CEO's stated non-compliance and the proposed dates for compliance

Board Notes: (If Applicable)

WORKSHEET RESULTS:

Financial Planning / Budgeting (Policy 2.4)

Participants: (7) Board Members:
Mike Allemang, Chris Allen, Rich Chang, Julie Grand, Kathleen Mozak, Susan Pollay, Georgia Valentine

Performance on reasonable interpretation and verifiable evidence			
	% of Board members that find the interpretation reasonable	**% of Board members that find the evidence verifiable**	**If you stated NO, or have other comments, kindly provide additional context**
Policy 2.4 Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:	**100%**	**100%**	
Policy 2.4.1 Risks incurring those situations or conditions described as	**100%**	**100%**	

unacceptable in the Board policy "Financial Condition and Activities."			
Policy 2.4.2 Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.	**86%**	**86%**	• It's not clear if progress has been made; interpretations are in compliance.
Policy 2.4.3 Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.	**100%**	**100%**	
Policy 2.4.4 Is unclear about long-term funding needs and growth projections.	**100%**	**100%**	
Policy 2.4.5 Causes deficit spending.	**100%**	**100%**	• Confusing how this is worded, but I have no concerns re deficit spending.
Policy 2.4.6 Does not provide for adequate reserves.	**100%**	**100%**	• Wording is confusing. But no concerns re adequate reserves.

Policy 2.4.7 Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.	**86%**	**86%**	• Ditto. No concerns.
Policy 2.4.8 Funds ongoing operations via debt or creates unfunded future obligations.	**86%**	**86%**	• Again, no concerns

Additional context questions

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

   Responses – (7) NO

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

   Responses – (7) N/A

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

   Responses – (7) NO

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

25, 15, 20, 20, 25, 15, 15

Agenda Item: 5.1.2

FY2026 Recommended Budget

Meeting: Board of Directors Meeting

Meeting Date: September 18, 2025

INFORMATION TYPE:
Decision
RECOMMENDED ACTION(S):
That the Board adopt the resolution in Attachment 2, thereby approving the Recommended FY2026 Operating and Capital Budget.
ALTERNATIVE OPTION(S):
The Board may amend the recommended budgets by vote.
PRIOR RELEVANT BOARD ACTIONS & POLICIES
• Governance Process: Policy 3.2.7 "…the Board has direct responsibility to create…approval of the annual budget developed and recommended by the CEO." • Executive Limitation: Policy 2.4 Financial Planning/Budgeting
ISSUE SUMMARY:
This issue brief presents the Recommended FY2026 Operating and Capital Budget for approval. Adoption of the FY2026 operating and capital budget is required this month to continue operations and capital spending after September 30, 2025 (last day of the current approved FY2025 Budget). The budget is balanced (revenues are sufficient to cover expenses without deficits) for the fiscal year, services are maintained, and fares are unchanged.
BACKGROUND:
The Recommended FY2026 Operating and Capital Budget furthers Board Ends within Executive Limitations and provides multi-year context. The Michigan Uniform Budgeting and Accounting Act of 1968 requires the Board to adopt a balanced operating budget by Board Resolution for our next fiscal year, which begins October 1. In addition, the Board needs to authorize a multi-year capital program for federal funding. A formal public hearing for the budget is required and was held at the August 21st Board meeting.
IMPACTS OF RECOMMENDED ACTION(S):
• 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 for approving the annual budget (Policy 3.2.7).
ATTACHMENTS:
1. FY2026 Recommended Operating and Capital Budget Updates 2. Resolution 05/2025: Adoption of the FY2026 Operating and Capital Budget 3. FY2026 Recommended Operating and Capital Budget Document

Attachment 1

FY2026 Recommended Budget Updates

Since presentation of the Draft FY2026 Operating and Capital Budget (the draft budget) to the Board on August 21, 2025, several activities and budget refinements have occurred. With reference to additional review and consideration of the budget and budget assumptions, the following activities have transpired:

- Public engagement outreach and opportunities for public comment,
- Information provided to Board members as well as process updates and open communication regarding budget items at committee meetings,
- Operating and capital budget staff review, and updates based on:
    - Detailed analysis and review of budget assumptions,
    - Current industry information and state and federal funding updates,
    - Monitoring of external factors that influence budget assumptions, and
- Thorough review of the budget resolution.

I. Public Comment

Opportunities for public comment regarding the FY2026 Draft and Recommended Operating and Capital Budgets have been solicited and encouraged in several ways:

- Official and informal public notices of opportunities to review the budget and encourage public comment (newspaper, press release, social media and web site),
- Opportunities for comment at two public Board meetings, and
- Posting the budget online and providing a hard copy available for public inspection at the front desk at the operations center, as publicized.

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

The final opportunity for public comment will be at the Board meeting on September 18, 2025.

II. Budget Updates: Draft Budget compared to Recommended Budget

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

Operating Budget Updates

Revenues and Expenses are budgeted at **$71,477,067**, which is an increase from the draft budget of 0.3%. The nominal increase reflects higher anticipated security and consulting costs, based on new information received during the budget process. It also reflects additional budget for passthrough subrecipient revenue and expense, based on further analysis and projected unspent funds at the end of FY2025.

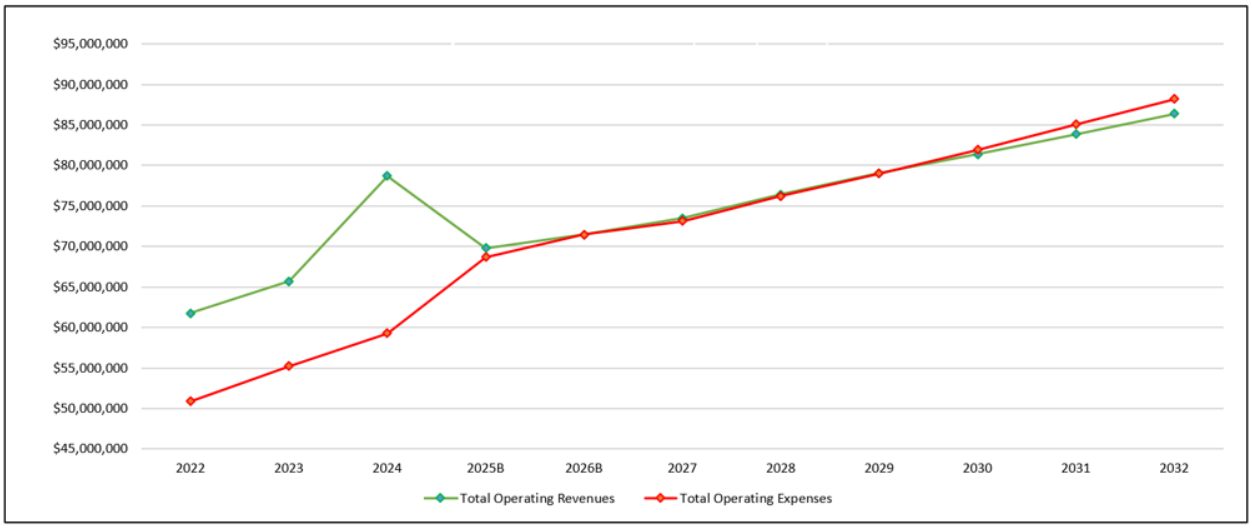
In tandem with this, State Operating Assistance income increased by $31,017, or 0.2%. Other Revenues were also raised slightly, by $93,970 or 6.1%, supported by additional analysis of current and prior year actuals that justified modest adjustments. Including the adjustment of

passthrough revenue and expense of $92,557, or 4.9% of the Other Federal Programs line, the total change in the budget comes to $217,544, or 0.3%.

Based on updated data from the health insurance renewal process, budgeted costs were reallocated from fuel to benefits in the amount of $170,823, to ensure proper coverage of a significant increase in premiums starting in calendar year 2026. Even with this reduction in the fuel line, the recommended FY2026 budget maintains an 18% contingency on current pricing throughout the fiscal year.

The Operating Budget remains balanced as projected in the Draft FY2026 Budget. While assumptions for the projection period continue to be refined, 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. This is demonstrated in Figure 1 below. 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 deficit emerges, gradually widening through FY2032. Actual expenses and projections will be continuously monitored throughout each fiscal year to ensure spending is managed within available revenues through this millage period (in place until FY2028) and to plan for the next five-year millage cycle, which will begin in FY2029.

Figure 1: Current Projection of Revenues and Expenses (10 years)



Capital Budget Updates

The Recommended Capital Budget for FY2026 is **$24,912,000**, down from the previous draft, and the remaining nine years of the 10-year capital plan, FY2027-FY2035, have been reduced slightly to **$442,338,000**. These changes reflect revised timing for State of Good Repair projects, updated cost projections across the forecast period, and minor changes in expansion projects.

The largest driver of the FY2026 decrease is the rescheduling of the Intelligent Transportation System (ITS) project to the following fiscal year. This *State of Good Repair* project will modernize dispatch and vehicle location systems that are essential to daily operations. The upgraded hardware will support operators, improve real-time management, and enhance the rider experience. Shifting the project to the next year allows installation to occur during the summer, when ridership is lower and potential disruptions are easier to manage. It also provides necessary lead time to prepare for a smooth rollout of a project with broad operational and

customer impacts. In addition, start-up work on the next-generation fare system has been deferred to align with the ITS timeline. Offsetting these reductions are smaller technology upgrades that were advanced into FY2026, including improvements to the phone system and time and attendance tracking software. All these adjustments fall under State of Good Repair.

Other *State of Good Repair* adjustments impacting the budget are changes to equipment and existing facilities. Bus component purchases were added to the budget for FY2026 (initially planned in FY2025) due to supply chain delays. A proposed emergency paging and intercom system was removed pending the outcome of a security review scheduled for the fall. Renovations at the Dawn Gabay Operations Center (DGOC) were added to continue facility improvements in the operations and administration areas.

One previously scheduled FY2025 Transit Priorities project, a coordinated bus stop improvement with the University of Michigan, was rescheduled into FY2026. This accounts for the small increase in the *Value Added* category.

There were several changes to *Expansion Projects* that impacted FY2026 budgeted expenses. Most significantly, planned construction costs for the Blake Transit Center were reduced to reflect current anticipated project costs. TheRide is partnering with the Downtown Development Authority (DDA) for a shared portion of the BRT project; work completed in FY2026 will be the DDA's portion and TheRide will continue the project in future years, so no funding from TheRide's budget is required in FY2026.

The combined effect of these changes reduces the FY2026 capital budget compared to the draft budget. See Figure 2 below for cost details on the changes made between the Recommended Capital Budget and the Draft Capital Budget presented last month.

Figure 2: FY2026 Capital Budget Detail (compared to Draft Budget)

($ in thousands)

Category	Project Description	FY2026 Draft Budget	FY2026 Recommended Budget	Variance
STATE OF GOOD REPAIR	Vehicles	$ 7,689,066	$ 7,689,066	$ -
	Equipment	850,360	1,668,360	818,000
	Existing Facilities	2,939,463	2,981,400	41,938
	Information Technology	7,160,550	1,343,000	(5,817,550)
	Category Total	**18,639,439**	**13,681,826**	**(4,957,613)**
VALUE ADDED	Bus Stop Improvements	412,000	412,000	-
	Existing Facilities and IT	1,515,563	1,515,563	-
	Transit Priorities	500,000	583,000	83,000
	Transit Signal Priority (TSP)	250,000	250,000	-
	Low & Zero-Emission	-	-	-
	Emergent R&D	25,000	25,000	-
	Category Total	**2,702,563**	**2,785,563**	**83,000**
EXPANSION	Ypsilanti Transit Center	5,397,735	5,495,500	97,765
	Blake Transit Center	1,473,759	454,736	(1,019,023)
	Bus Rapid Transit	562,000	500,000	(62,000)
	Bus Maintenance & Storage Facility	1,250,000	1,368,081	-
	Information Technology and Other	563,710	625,710	62,000
	Category Total	**9,247,203**	**8,444,027**	**(921,258)**
EXPENSE TOTAL		**$ 30,589,205**	**$ 24,911,416**	**$ (5,795,870)**

III. Recommended FY2026 Operating and Capital Budget Summary

The FY2026 Recommended Operating Budget is provided in Figure 3 on the following page. Variances are compared to the FY2025 Approved Budget. For reference, the draft budget presented on August 21st is included in the table and labelled accordingly.

Figure 3: FY2026 Operating Budget Detail (variance compared to prior year)

TheRide FY2026 Operating Budget					
	FY2025 Approved Budget	FY2026 Draft Budget	FY2026 Recommended Budget	2026 Recommended vs. 2025 Approved	
				$	%
OPERATING REVENUES					
Passenger Revenue	$ 3,800,535	$ 4,138,392	$ 4,138,392	$ 337,857	8.9%
Local Property Tax Revenue	37,494,802	41,647,533	41,647,533	4,152,731	11.1%
POSA & Other Governmental Partners	2,939,682	3,060,136	3,060,136	120,454	4.1%
State Operating Assistance	22,198,615	18,984,021	19,015,038	(3,183,578)	-14.3%
Federal Operating Assistance	-	-	-	-	0.0%
Other Federal Programs	1,446,166	1,877,500	1,970,057	523,891	36.2%
Pandemic Relief Funds	-	-	-	-	0.0%
Advertising, Interest, and Other	1,909,143	1,551,941	1,645,911	(263,232)	-13.8%
TOTAL REVENUES	$ 69,788,943	$ 71,259,523	$ 71,477,067	$ 1,688,124	2.4%
OPERATING EXPENSES					
Salaries, Wages and Benefits	$ 37,984,127	$ 39,586,005	$ 39,656,741	$ 1,672,614	4.4%
Purchased Transportation	13,554,686	13,809,906	13,902,463	347,777	2.6%
Diesel Fuel and Gasoline	3,417,000	3,049,212	2,878,389	(538,611)	-15.8%
Materials and Supplies	4,259,770	4,190,622	4,190,622	(69,148)	-1.6%
Contracted Services	4,956,685	5,660,099	5,885,173	928,488	18.7%
Utilities	929,800	1,018,500	1,018,500	88,700	9.5%
Casualty & Liability Insurance	2,121,050	2,184,370	2,184,370	63,320	3.0%
Other Expenses	1,493,453	1,760,809	1,760,809	267,356	17.9%
TOTAL EXPENSES	$ 68,716,571	$ 71,259,523	$ 71,477,067	$ 2,760,496	4.0%
SURPLUS (DEFICIT)	$ 1,072,373	$ -	$ -	$ (1,072,373)	0.0%

The FY2026 Recommended Capital Budget is presented in Figure 4 on the next page and illustrates the FY2026 budget in the context of the full 10-year capital plan at a high level, including sources of funding.

Figure 4: Capital Plan Projects and Funding Sources

CAPITAL PROJECTS	FY2026 Budget	FY2027-FY2035
State of Good Repair	$13,682,000	$144,188,000
Value Added	2,786,000	31,390,000
Expansion	8,444,000	266,760,000
TOTAL EXPENSES	**$24,912,000**	**$442,338,000**
FUNDING SOURCES	**FY2026 Budget**	**FY2027-FY2035**
State & Federal Grants	$22,412,000	$217,362,000
Congressionally Directed Spending	2,500,000	6,550,000
Local Capital Reserve	-	33,260,000
Unidentified Funding	-	185,166,000
TOTAL REVENUE	**$24,912,000**	**$442,338,000**
UNIDENTIFIED FUNDING PORTION	**FY2026 Budget**	**FY2027-FY2035**
Unidentified Funding %	**0%**	**42%**

TheRide's Recommended FY2026 Operating and Capital Budget resolution is presented in Attachment 2 of this issue brief and requests a total of $96,388,483 in total expenditures.

Attachment 2

Resolution 03/2025

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) in order 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:

- **$71,477,067** for operations, and
- **$24,911,416** 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:

Agenda Item: 7.1

FY2025 Q3 Service Report

Service Committee Meeting Date: September 2, 2025

Board of Director's Meeting Date: September 18, 2025

RECOMMENDED ACTION(S)

Receive as CEO Operational Update.

PRIOR RELEVANT BOARD ACTIONS & POLICIES

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

ISSUE SUMMARY

In accordance with Board Policy 2.9.1.5 A, I present the Quarterly Satisfaction and Service Report for the third quarter of FY2025. I certify that the information is true and complete, with exceptions noted, and I request that the Board accept this as an operational update.

This report includes currently available and reportable data/targets for Fixed Route, A-Ride/Paratransit, VanPool, and FlexRide services.

Ridership continues to grow across the system, with Fixed Route boardings up 14% year-over-year and on-time performance holding steady at 87%, reaffirming the Authority's reputation for reliable service. FlexRide showed exceptional growth, with boardings nearly doubling from last year and Late Night trips up 133%, demonstrating the program's growing value to the community. A-Ride maintained strong performance, achieving 98% on-time service and meeting all trip requests, while VanPool efficiency improved, with fuel costs per rider decreasing and miles per gallon increasing 36% compared to last year.

The Q3 FY2025 results reflect a system that is building momentum, strengthening its role as a trusted provider of safe, dependable, and responsive service. Our teams remain dedicated to supporting this growth and ensuring that the Authority continues to deliver high-quality service to the communities we serve.

ATTACHMENTS

1. Highlights Brief
2. FY 2025 Q3 Service Report

TheRide

Ann Arbor Area Transportation Authority

Operations Report

For the Period Ended June 30, 2025

Q3 Service Report

April - June 2025

Fixed Route

Fixed Route	FY 2024	FY 2024	FY 2025	FY 2025	FY 2025	Q3 24 -
Measure	Q3	Q4	Q1	Q2	Q3	Q3 25
Revenue Miles	898,466	942,466	987,825	1,007,165	999,320	**11%**
Revenue Hours	68,600	77,169	79,241	79,453	81,566	**19%**
Operational Cost	$10,357,970	$13,702,830	$12,053,030	$11,436,180	$11,477,060	**11%**
Boardings	1,090,795	1,288,645	1,395,485	1,394,619	1,247,428	**14%**
Boardings/Revenue Hour	15.9	16.7	17.6	17.6	15.3	**-4%**
Cost/Revenue Hour	$150.99	$177.57	$152.11	$143.94	$140.71	**-7%**
Cost/Boarding	$9.50	$10.63	$8.64	$8.20	$9.20	**-3%**
On-time Performance	82%	80%	82%	87%	87%	**6%**
Collisions (New Metric)	NA	NA	74	76	63	**NA**
Percent of Passengers on an On-time Bus	NA	NA	NA	NA	NA	**NA**
Avg Miles Between Road Calls	23,751	20,438	24,440	22,107	25,248	**6%**
Average Age of Fleet	7.2	7.2	8.5	7.93	7.93	**10%**
Complaints/100,000 Boardings	1.0	1.6	1.1	1.0	1.0	**-5%**
Compliments/100,000 Boardings	1.6	1.3	1.4	2.5	1.7	**8%**

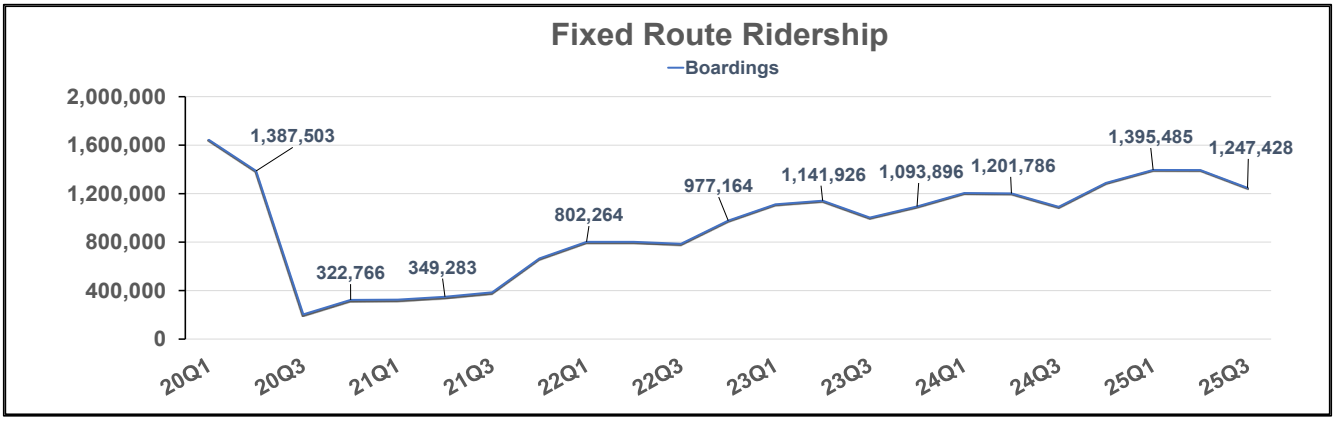
Boardings increased by 14% compared to Q3 of FY24, highlighting sustained year-over-year growth and continued success in attracting new riders to the system.

Complaints per 100,000 Boardings for Q3 decreased compared to Q3 of FY24, supported by a notable increase in ridership. This reflects improved service reliability and growing public confidence in the Authority's transit operations.

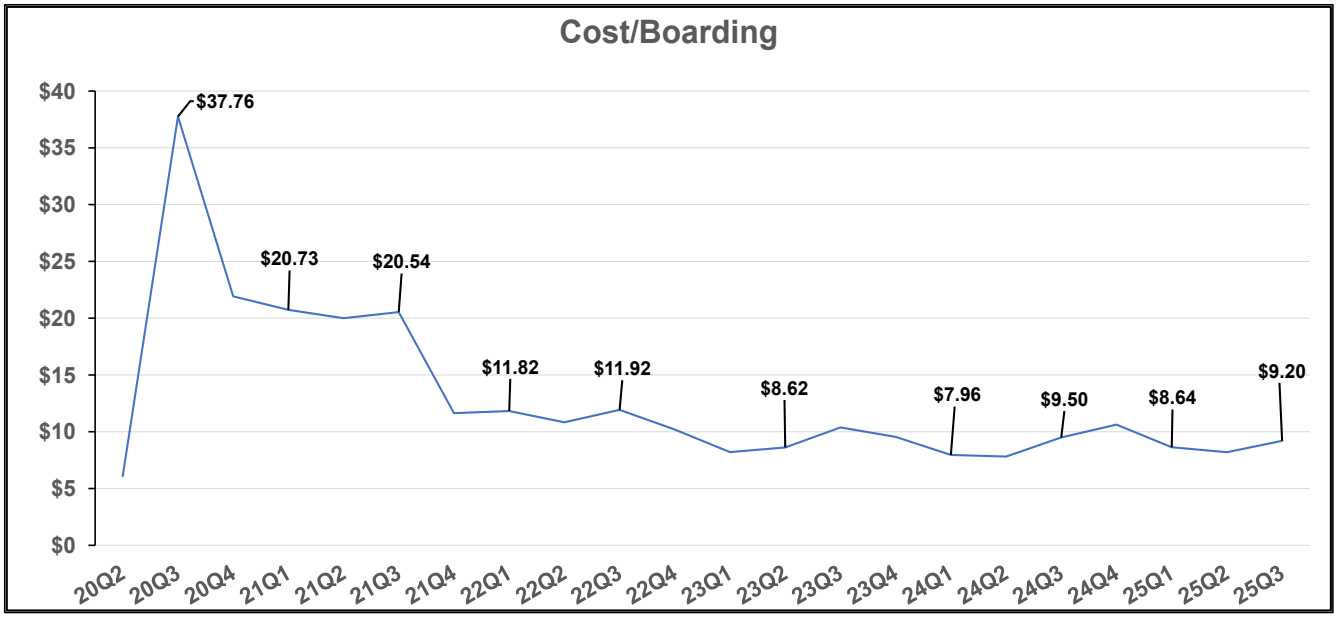
Complaints per 100,000 Boardings improved compared to Q3 of FY24, reflecting steady operational focus despite the impacts of road construction season.

This quarter's **Collision** totals decreased compared to prior quarters, even while contending with the challenges of summer construction and detour season.

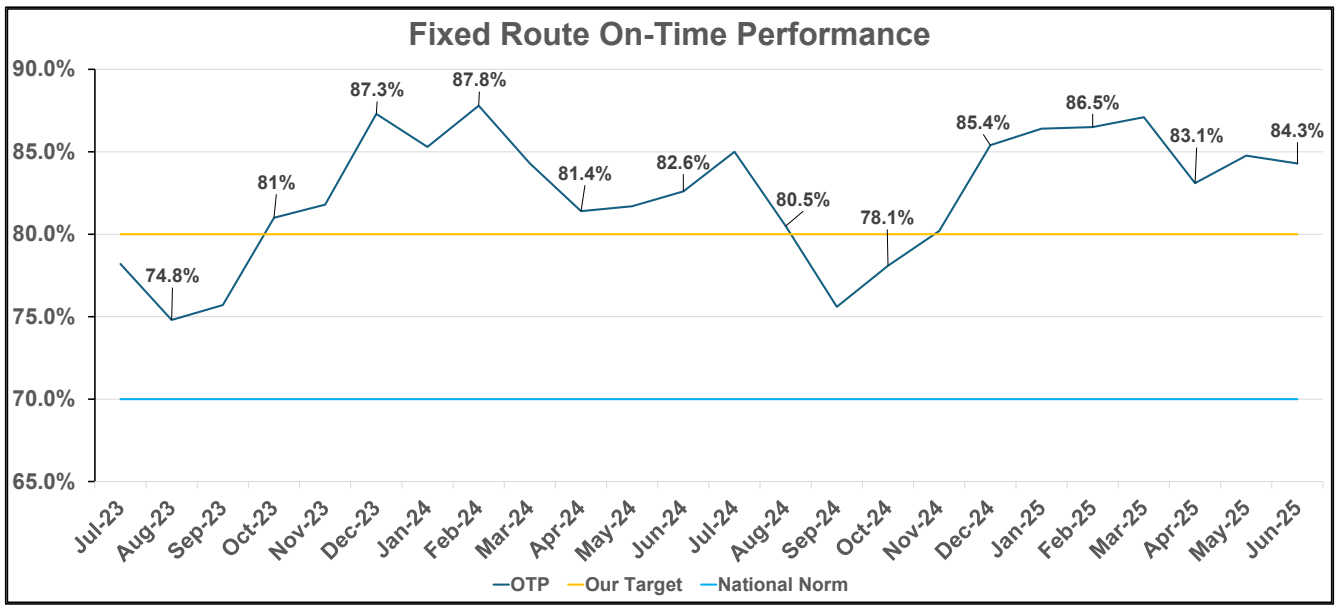
Fixed Route Ridership Comparison



Fixed Route Cost Per Boarding



Fixed Route On-Time Performance



TheRide

Ann Arbor Area Transportation Authority

Operations Report

For the Period Ended June 30, 2025

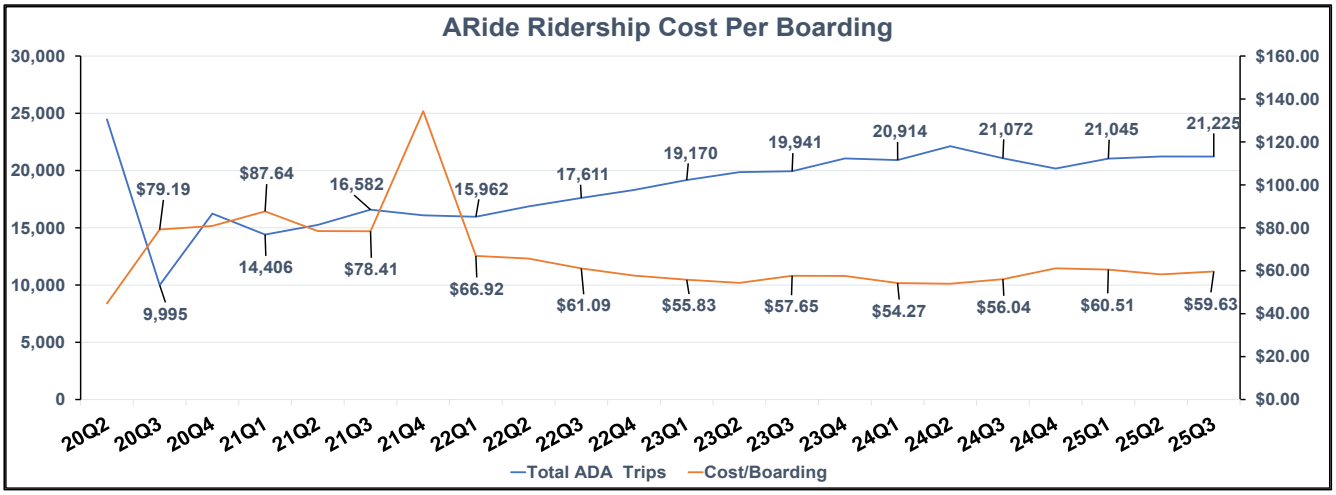
Q3 Service Report

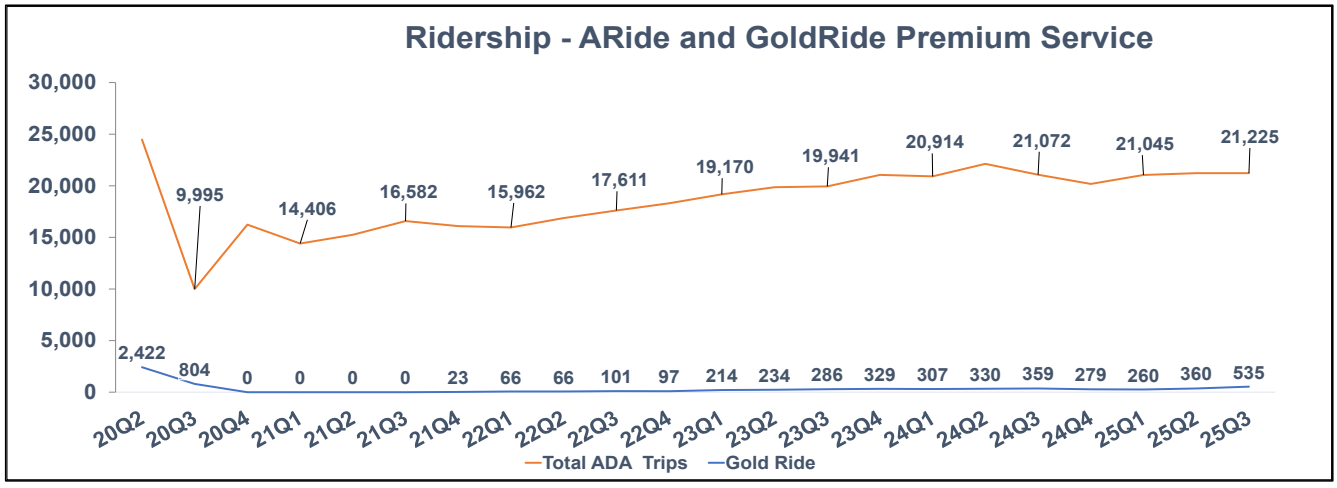
April - June 2025

ARide / ParaTransit (MV)

ARide/ParaTransit (MV) Measure	FY 2024 Q3	FY 2024 Q4	FY 2025 Q1	FY 2025 Q2	FY 2025 Q3	Q3 24 - Q3 25
Revenue Miles	196,604	188,334	182,255	189,672	195,171	-1%
Revenue Hours	13,603	13,791	14,076	13,499	13,980	3%
Operational Cost	$1,180,821	$1,233,161	$1,232,389	$1,237,586	$1,265,585	7%
Senior Trips	359	279	260	360	535	49%
Total ADA Trips	21,072	20,178	21,045	21,226	21,225	1%
Cost/Revenue Hour	$86.81	$89.42	$89.75	$91.68	$90.53	4%
Boardings/Revenue Hour	1.58	1.46	1.48	1.57	1.65	5%
Cost/Boarding	$56.04	$61.11	$60.51	$58.31	$59.63	6%
Ontime Performance with 30 Minute Service Window	97%	98%	98%	96%	98%	1%
Complaints/100,000	75.9	42.8	33.3	18.8	61.2	-19%
Compliments/100,000	18.98	4.75	14.26	4.71	0.00	-100%
Trip Denials	2	2	3	2	0	-100%
Total Trip Requests	21,433	20,459	21,308	21,588	21,760	2%
Precentage Provided	99.99%	99.99%	99.99%	99.99%	100.00%	0%

ARide Ridership Cost Per Boarding (MV)





TheRide

Ann Arbor Area Transportation Authority

Operations Report

For the Period Ended June 30, 2025

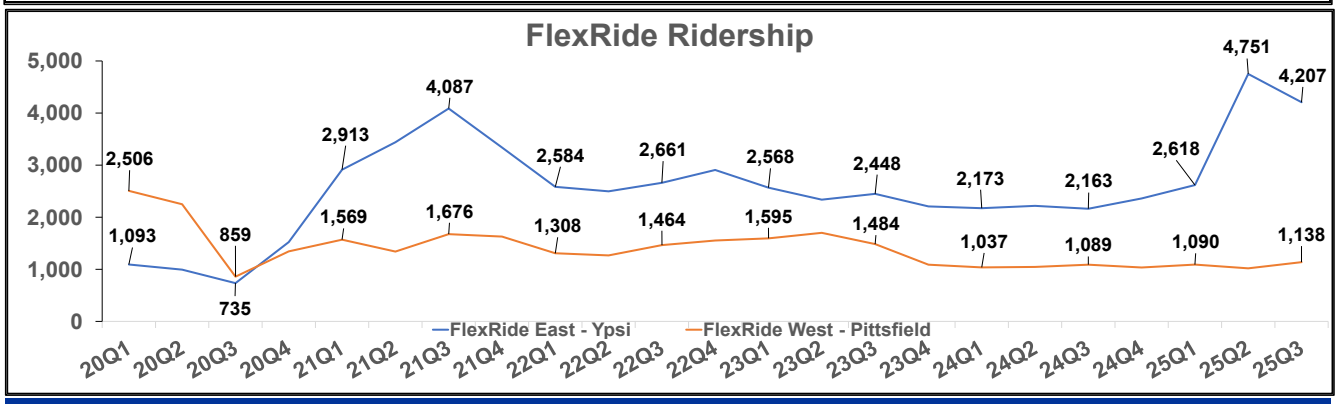
Q3 Service Report

April - June 2025

FlexRide (Via)

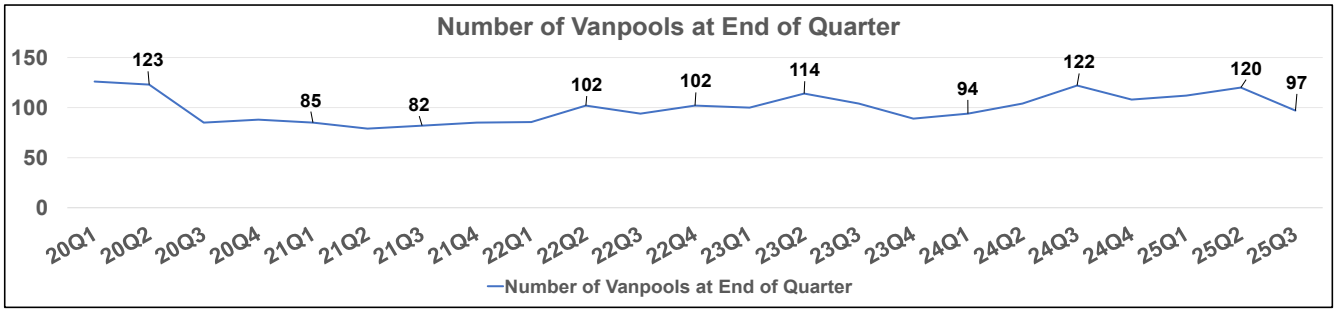
FlexRide (Via)	FY 2024	FY 2024	FY 2025	FY 2025	FY 2025	Q3 24 -
Measure	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q3 25**
Operational Cost (Contractor)	$161,265	$284,025	$278,295	$303,538	$270,943	**68%**
Trips - East Service Area	2,163	2,361	2,618	4,751	4,207	**94%**
Trips - West Service Area	1,089	1,035	1,090	1,019	1,138	**4%**
FlexRide - Late Night	2,475	2,881	3,062	4,305	5,777	**133%**
Cost/Boarding	$49.59	$83.64	$75.05	$52.61	$50.69	**2%**
Complaints	9	18	24	7	4	**-56%**
Compliments	1	0	1	0	0	**-100%**
Denials East	3	22	191	120	130	**4233%**
Denials West	2	11	32	16	21	**950%**
Denials Late Night/Holiday	41	244	162	151	370	**802%**
Boardings	5,727	6,277	6,770	10,075	11,122	**94%**
Trip Denials	46	277	385	287	521	**1033%**
Total Trip Requests	3,298	3,673	4,093	6,057	5,866	**78%**
Percentage Provided	98.61%	92.46%	90.59%	95.26%	91.12%	**-8%**

FlexRide services continue to see strong growth, with boardings up **94%** and total trip requests up **78%**. Much of this increase is driven by the Late Night service, which grew by an impressive **133% compared to Q3 2024**.



Vanpool

VanPool	FY 2024	FY 2024	FY 2024	FY 2025	FY 2025	Q2 24 -
Measure	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q2 25**
Number of Vanpools at End of Quarter	104	122	108	112	120	**15%**
Number of Rider Trips Taken	46,860	44,060	46,854	47,781	54,942	**17%**
Avg Fuel Cost to Rider	$58.87	$63.56	$66.64	$55.46	$53.60	**-9%**
Avg Monthly Rider Miles	178,106	180,014	194,526	196,555	205,922	**16%**
Federal Subsidy/Rider Trip	$3.58	$3.14	$3.68	$3.67	$3.32	**-7%**
Rider Miles/Gallon	27.24	27.29	29.67	18.12	28.06	**3%**



Agenda Item: 7.3

CEO Report

Meeting: Board of Directors

Meeting Date: September 18, 2025

INFORMATION TYPE

Other

LONG-RANGE PLAN STATUS UPDATES

YPSILANTI TRANSIT CENTER PLANNING

Staff continues to work towards transitioning into 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 in July 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 September or 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). The team is aggressively pursuing site plan approval and has hired a general contractor. They are tentatively preparing for the start of spring 2026 construction. Modifications to TheRide's existing BTC platform will be necessary to accommodate the housing development and approved concept of the new platform, and these will be submitted with the site plan for platform expansion later this fall or winter. The transit elements of the development will not be under construction until FY2027 at the earliest. 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. The Fourth Ave. team is making progress on 90% design for the block, aiming to submit the final design for city consideration in October. Critical elements of the sidewalk design are still uncertain and some temporary infrastructure installations to study impacts on bus operations may affect service this fall on Fourth Ave. Construction is slated to begin in spring 2026, which will close most of Fourth Ave and significantly affect bus operations. The BTC driveway will remain open for most or all of construction. AAATA is working closely with the team to develop phasing plans and plans for where buses will park during construction. This month, the DDA approved their recommended Capital Improvements Schedule for FY26-27, which included an additional $2m in funding for the transit elements on Fourth Ave, a significant benefit for TheRide. 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 in late September, which would help fund some of the improvements associated with the 350 S. Fifth development, the BTC expansion, and the Fourth Ave. reconfiguration

BUS FACILITIES AND GARAGE STUDY
The Dawn Gabay Operations Center (DGOC) is over 40 years old and was identified as operating over-capacity in an Operational Facility Needs Study completed in 2017. A new garage is critical for enabling the recommendations of TheRide 2045 Long Range Plan, especially as it relates to service expansion. HDR was selected earlier this year to assist with this effort, and their work is generally organized under the following tasks: 1) Review Existing Conditions; 2) Facility Programming and Needs Assessment; 3) Site Selection; 4) Conceptual Alternatives; 5) Environmental Documentation (including NEPA clearance); and 6) Schematic Design and Next Steps. The consulting team performed a site visit to the DGOC September 2-4, 2025, at which time they toured the facility and made observations about garage operations during peak bus pull-out (morning) and peak pull-in (evening). Additionally, they had interviews with several AAATA departments on current conditions and future needs.

OPERATIONAL UPDATES

UM BUS GARAGE VISIT
Board members and staff toured the new-ish UM bus garage on the north side of Ann Arbor on August 27th. Of particular interest was the arrangements made for their fleet of battery electric buses.

BUS ROADEO
The Bus Roadeo is scheduled to take place on Sunday, September 21st at 10:00am at the Glazier Way Parking Lot (2601 Glazier Way, Ann Arbor, MI, United States). AAATA drivers will compete against each other, and UM Transportation drivers. The winner will go on to represent AAATA at the APTA International Roadeo in Salt Lake City in the Spring.

LOCAL ADVISORY COMMITTEE (LAC)
The LAC met on September 9th, where service updates were given, as well as initial discussions on LAC feedback for the board monitoring report Policy 2.1 Treatment of the Traveling Public. The next LAC meeting is set to take place on October 14th.

ANN ARBOR CITY COUNCIL
AAATA will be presenting to City Council on October 20th.

TRANSPORTATION COMMISSION (ANN ARBOR)
The August meeting was cancelled. The next meeting is scheduled for September 17th.

WATS POLICY COMMITTEE UPDATE
The August WATS Policy Committee meeting was canceled.

STATE ASSOCIATION ANNUAL MEETING
Key staff attended the annual meeting of the Michigan Public Transit Association near Thompsonville, MI in mid-August. In addition to networking, a trade show and educational experience, our CEO, Matt Carpenter stepped down from the leadership of the Association board, and Jeff Pfiefer stepped into the role of board member at large. Mr. Carpenter had been

on the board for nine years including two as President and two as Immediate Past President. Next year's dates are August 17-19, 2026, and AAATA Board members are encouraged to attend.

LEGISLATIVE UPDATE

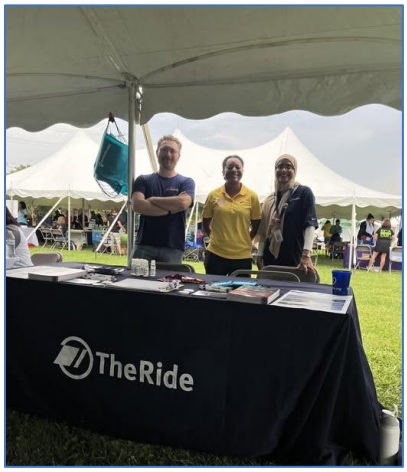
This month key staff travelled to Lansing to meet with elected officials regarding the state budget. AAATA staff will provide an additional verbal update at the board meeting with the most recent information.

EMPLOYEE AND COMMUNITY ENGAGEMENT

COMMUNITY EVENTS



AAATA Staff attended Washtenaw Community College's Welcome Day event on September 10th, where they engaged with students who were current riders, as well as perspective riders.



AAATA was also present at the Parkridge Summer Festival and Joe Dulin Community Day in Ypsilanti in late August.

AAATA is sponsoring TRU's 25th Anniversary Gala on September 25th in Dearborn. More ticket information to follow.

AADL/YDL FREE RIDE WEEKENDS

The annual program ran from June 14 – August 24th this year, and overall, the number of free rides taken increased by nearly 900 more rides compared to last year. The total number of rides taken this year was 7,641.

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

As approved in the FY2025 budget, The CEO authorized the purchase of three (3) TESCO Turtle Top Small Class II paratransit vehicles through the Michigan Department of Transportation state vehicle purchasing program, contract number 2500000000581. The estimated total is $553,308.

Agenda Item: 8.1

Board Officer Elections

Meeting: Board of Director's

Meeting Date: September 18, 2025

INFORMATION TYPE
Decision
RECOMMENDED ACTION(S)
Elect Board officers for the coming fiscal year: Chair, Treasurer, and Secretary.
ISSUE SUMMARY
In accordance Ann Arbor Area Transportation Authority Bylaws, Article II, Section 2, Election and Term of Office: *Nominations for each Board Officer position shall be made from the floor. Offices will be filled one at a time by roll call vote. Officers shall be elected in September to take office October 1 for a one-year term.*











TheRide

OPERATING & CAPITAL BUDGET

Recommended

Fiscal Year 2026

2026

Growing

for the

Future

ANN ARBOR AREA TRANSPORTATION AUTHORITY



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 FY2026 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) Recommended 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 FY2026 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 8.6*, is for total operating and capital expenditures.

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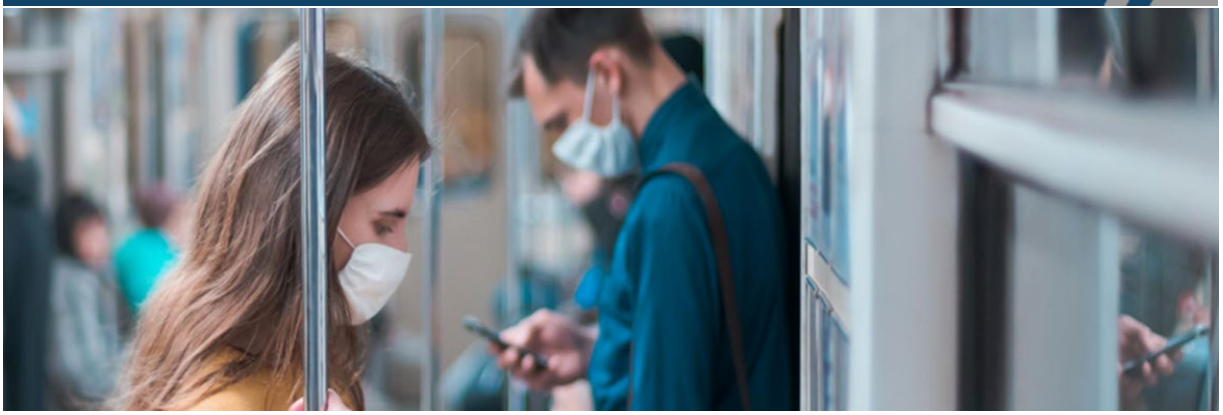
1. About TheRide

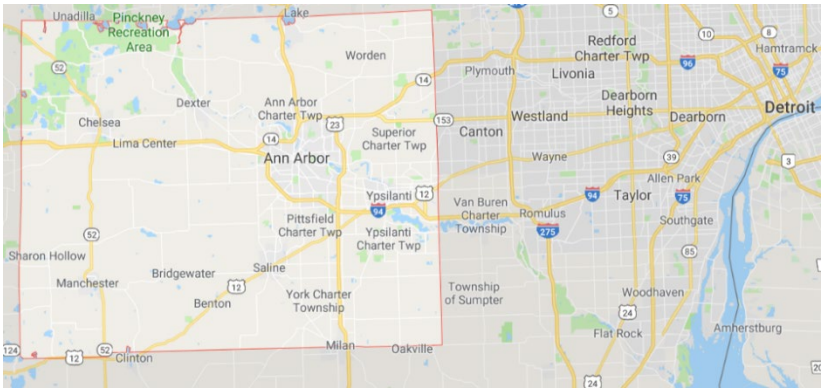


The Ann Arbor Area Transportation Authority (AAATA, or TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

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, driving more than 6.6 million revenue miles, and carries more than 5 million passenger trips on transit services annually during a typical year.



Washtenaw County, Michigan

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 (DGOC) 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

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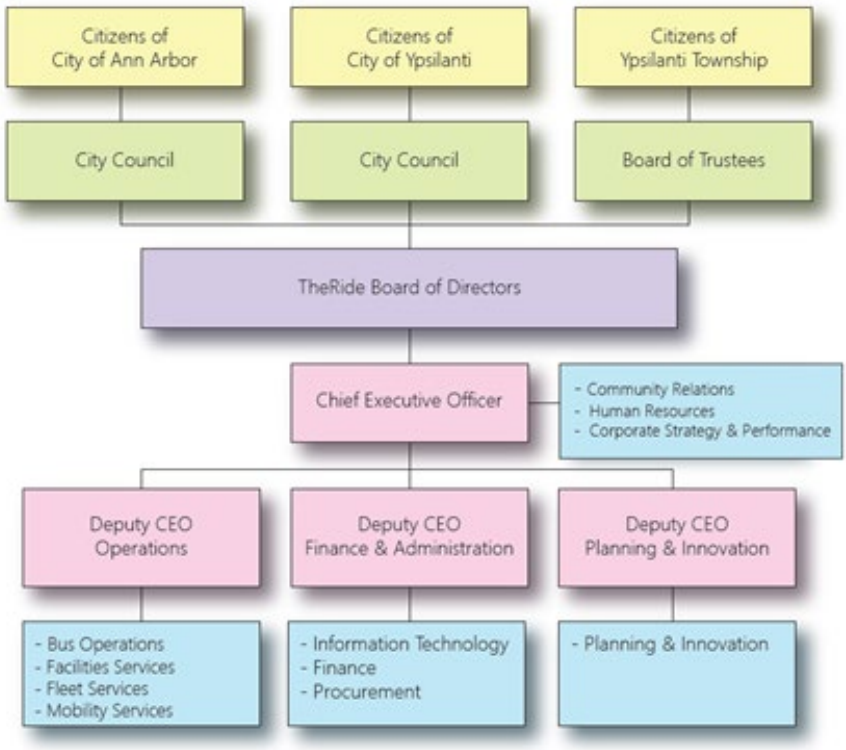
Michael Allemang, Treasurer
Jesse Miller, Secretary
Chris Allen, Board Member
Simi Barr, Board Member
Rich Chang, Board Member
Julie Grand, Board Member
Susan Pollay, Board Member
Georgia Valentine, Board Member
Praveena Ramaswami, Board Member

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

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**

September 12, 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.

Matt Carpenter
Chief Executive Officer

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 operates. 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 updated the Corporate Business Plan (the 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 some projects carried forward from FY2025. The updated business plan assumes that the next few years will have more economic uncertainty than recent years and was developed with a greater emphasis on 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 business plan informs 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 Recommended Budget. The budget provides reasonably conservative assumptions to maintain current services and fund initiatives which all advance the Board's 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.

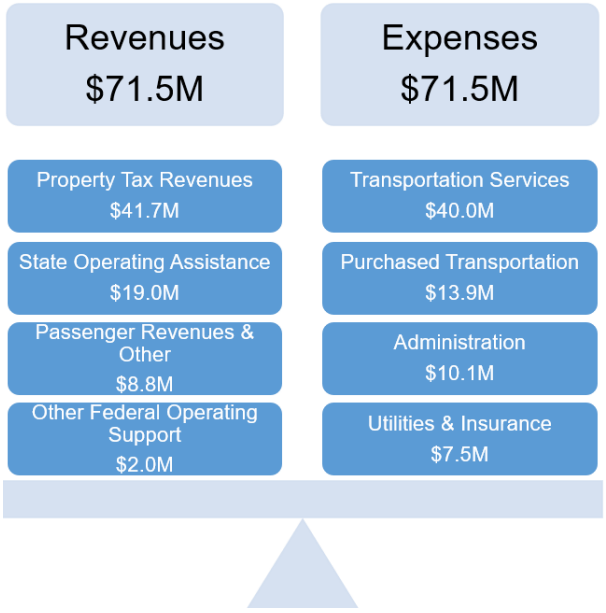
Initiatives are approved in the context of organizational priorities, available resources, and align with the business plan.

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
- Property tax revenues 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, analysis and projections result in a balanced budget.

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 continue in earnest this fiscal year. Design is expected to finish, land acquisition will be pursued, and construction is expected to commence in FY 2026.
b. Blake Transit Center Expansion & Redesign (1.0, 1.4, 1.5, 2.5.2, 2.10) – The Blake Transit Centers platform must be redesigned to efficiently accommodate loss of bus bay capacity on 4th and 5th Ave and future service expansion. For FY2026, capital funds will be allocated for planning and design to improve bus operations along 4th Ave. TheRide will continue to work with the Ann Arbor Housing Commission, Downtown Development Authority, 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. 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 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. The following initiatives aimed at **continuous improvement** are being implemented throughout the next fiscal year and are funded in the budget:

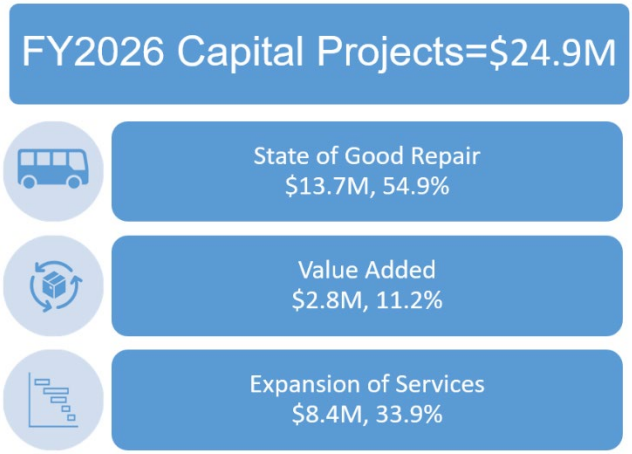
a. Information Technology (IT): (1.4, 2.0, 2.7) – Technology improvements include replacements and improvements of major systems required to support transportation services. IT needs are strategically planned for several years at a time and are based on evaluations of systems and software for current 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:

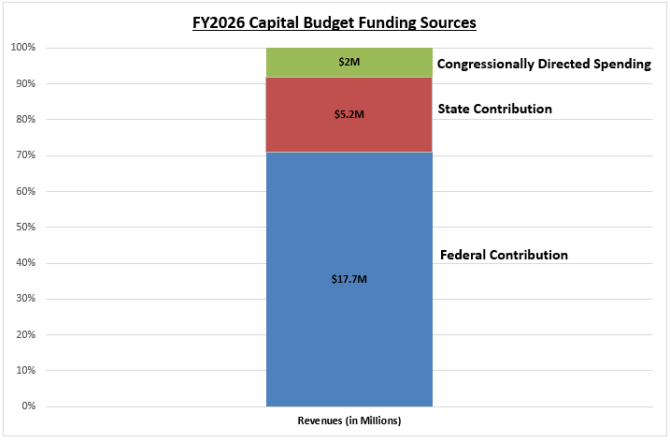
- Architecture and design services for both the Ypsilanti Transit Center and the Blake Transit Center, along with land acquisition and the commencement of construction at the Ypsilanti Transit Center
- Replacement of buses and vans in line with the Transit Asset Management (TAM) Plan
- Purchase of service vehicles
- Administration office, generator, garage door and lighting renovations at Dawn Gabay Operations Center



- Facility planning, design, and site selection for a bus maintenance and storage facility
- Planning and design for Bus Rapid Transit (BRT) services on Washtenaw Corridor

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 graphic to the right illustrates the proportion and amount of all funding sources for the capital budget.



The Budget Recap

The FY2026 Budget was refined throughout late spring and summer, culminating in the final recommended version presented here. Most items are now settled, but there remains uncertainty around the state operating assistance percentage, as the state budget is still being finalized. The key risks outlined below will be closely monitored throughout the fiscal year:

- The State Operating Assistance percentage will be determined by funding for public transportation in the FY2026 State of Michigan budget, which is still not finalized or passed. Guidance from MDOT has been used to inform the current figures anticipated for State Operating Assistance in FY2026, but the final reimbursement percentage could differ from what was used here.
- 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 six-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 **$71,477,067 and $24,911,416** 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 in FY2026:
    - Design work for both the Ypsilanti and Blake Transit Centers
    - Land acquisition and construction for the Ypsilanti Transit Center
    - Replacement and rehabilitation of fixed-route buses
    - Capital maintenance for the operations center
    - Early-stage development of Intelligent Transportation System (ITS) replacement

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 the full schedule of transportation services, and initiatives referenced in the FY2026 Corporate Business Plan.

Financial Executive Limitations Policies

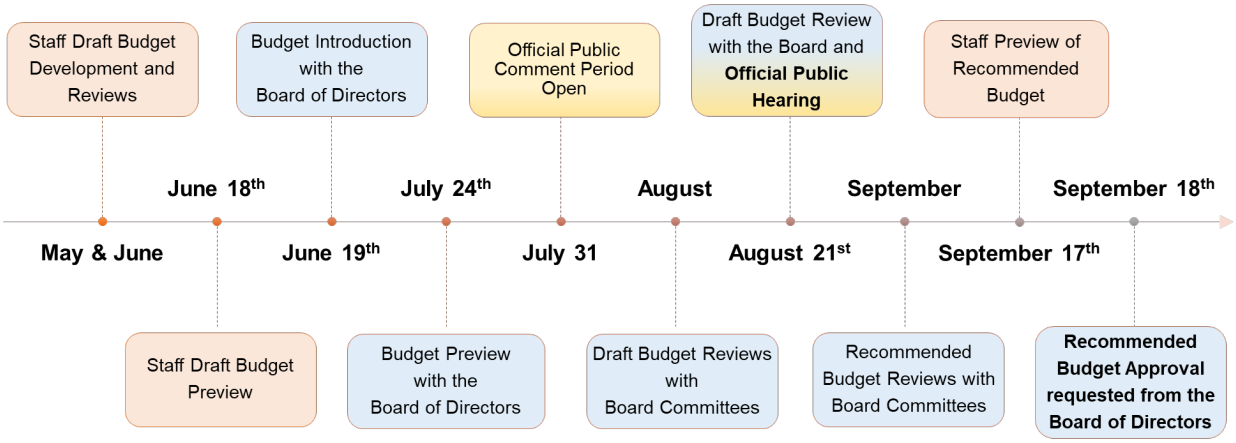
TheRide's Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on the website. Many of the policies have a direct effect on shaping the annual budget. For example, the Board has set clear limitations upon Financial Planning and 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's 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 FY2026 budget supports funding for TheRide to preserve the strengths of the 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, Section 7, on page 46.

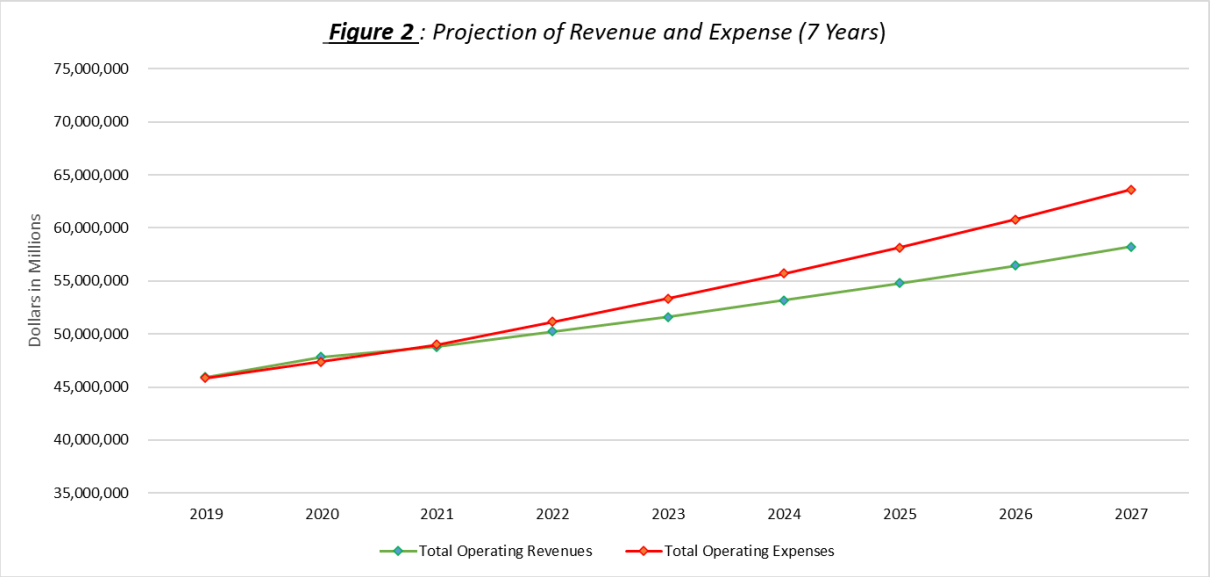
Current Millage Provides Longer-Term Financial Stability

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 before then 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: Former Projection of Revenues and Expenses (from 2019)



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.

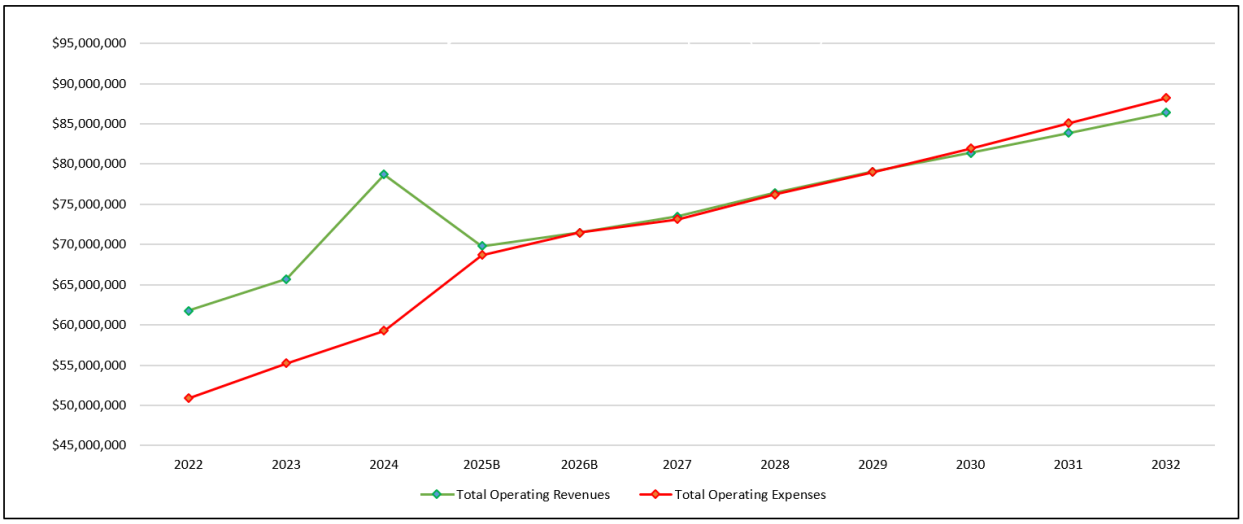
The need to re-focus and address the structural deficit became two-fold as time marched us toward the expiration of the 2018 millage for property tax funding set to expire in 2023. As the emergency of the pandemic began to stabilize, TheRide prioritized attention on recovery and the future. Efforts to 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 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, as of FY2026)



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.

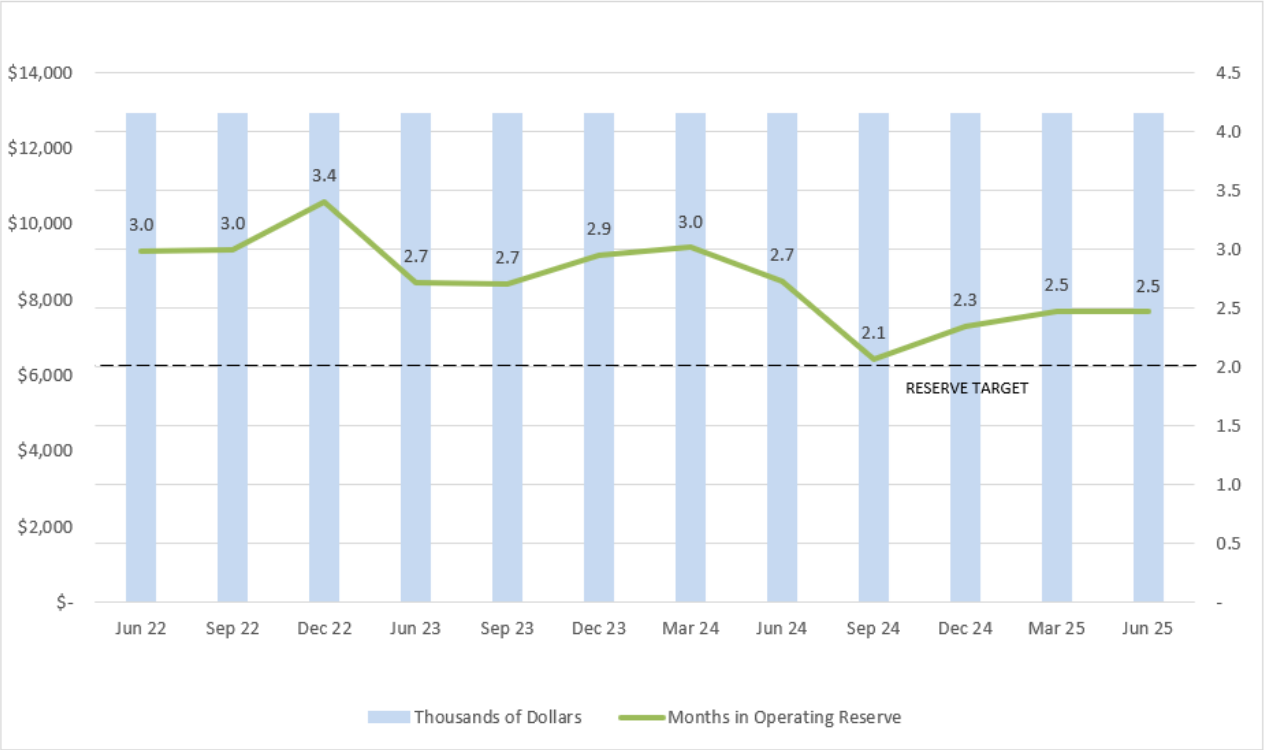
Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Through Board adoption, TheRide established the following reserves and target levels:

- Up through FY2024, the operating reserve had a target level of 2.5 months of operating cash. Starting in FY2025, given the 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 *Impacts of 2026 Budget,* Section 7, on page 46.

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 on page 28.

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.

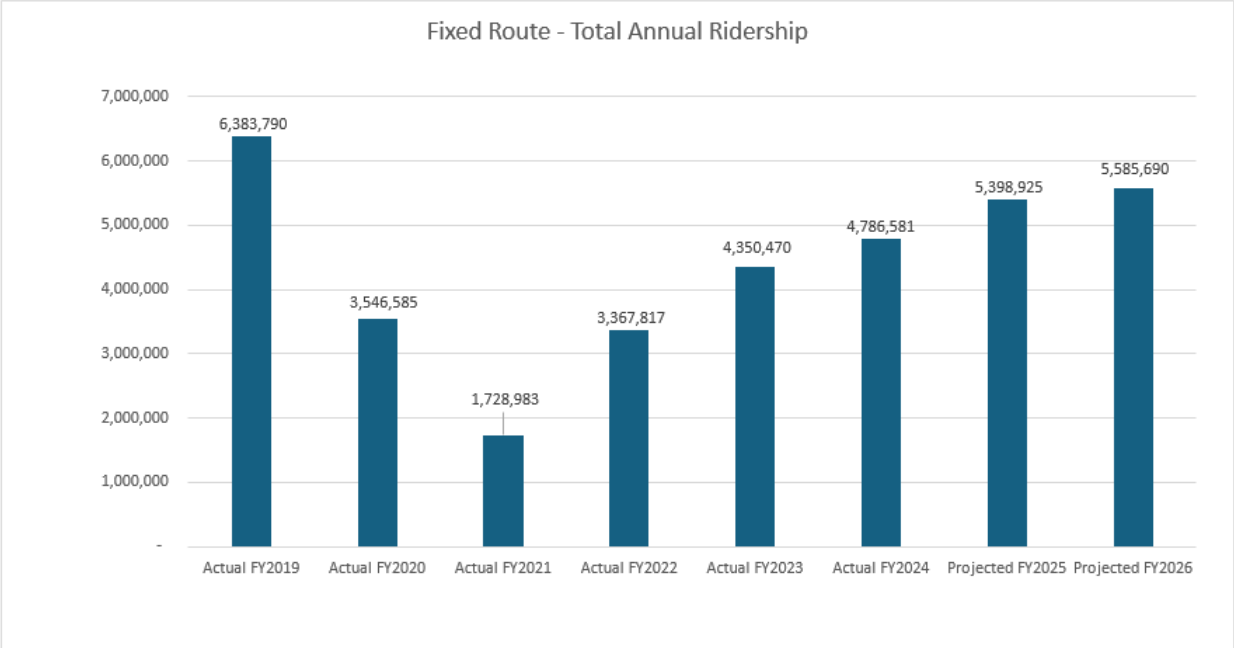
Fixed-route ridership represents approximately 96% of all ridership for services offered by TheRide and is the most compared metric for mid and large-sized public transportation agencies. The significance of the ridership as a percentage of total also makes it the primary driver for budget projections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

Ridership growth peaked in 2018, declined slightly in 2019, then dramatically in 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 3.5% higher compared to FY2025. Importantly, FY2025 ridership is projected to end 13% higher than FY2024,

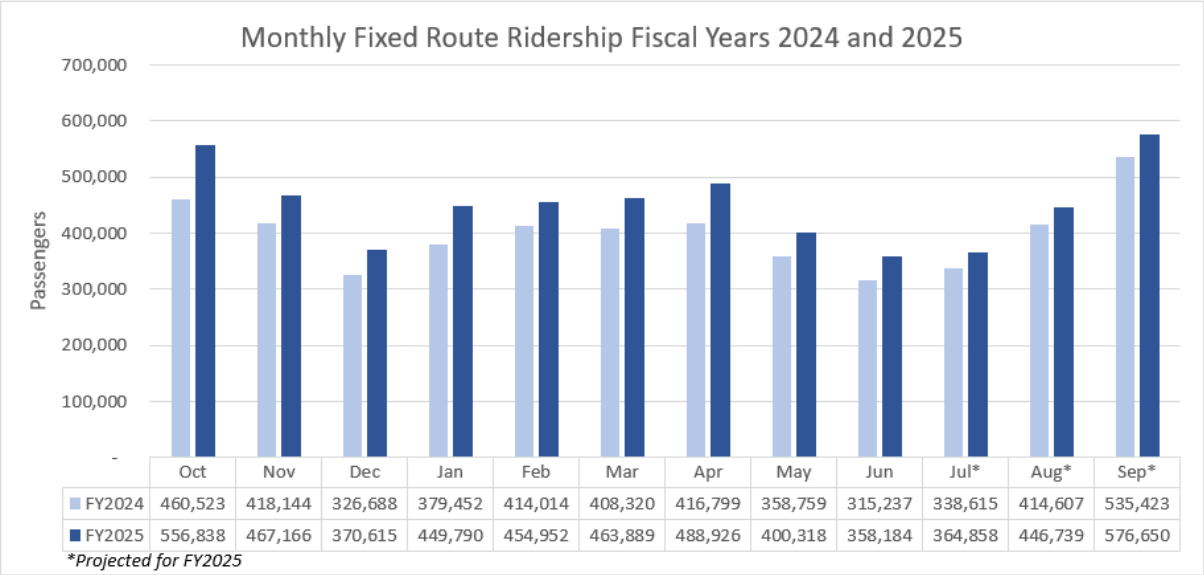
substantively higher than the 6% ridership growth that had been budgeted. Riders immediately took advantage of the expanded millage services which began in August of 2024. Budget expectations for FY2025 assumed that it may take time for utilization to develop after the new services were implemented. TheRide's ability to deliver the services on time and successful communication and promotion of expanded services resulted in quick public response resulting in a boost of ridership growth in FY2025 to continue to build on. Ridership in FY2026 is projected to increase modestly, trending more like the gradual growth seen years without service changes.

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.

Figure 6: Monthly Fixed Route Ridership



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul*	Aug*	Sep*
FY2024	460,523	418,144	326,688	379,452	414,014	408,320	416,799	358,759	315,237	338,615	414,607	535,423
FY2025	556,838	467,166	370,615	449,790	454,952	463,889	488,926	400,318	358,184	364,858	446,739	576,650

**Projected for FY2025*

D2A2 Services and Ridership

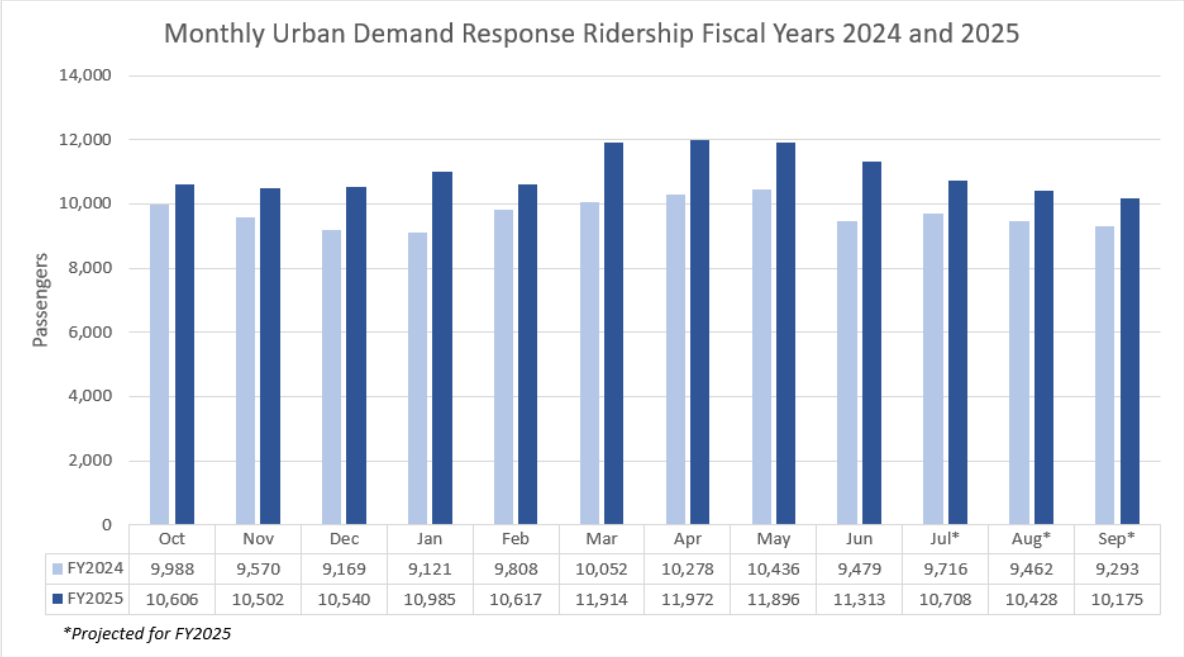
D2A2 service provides non-stop service between Ann Arbor and metro Detroit. The services were a startup partnership between the RTA and TheRide. TheRide operated the service at inception, with the intent to transfer operations to the RTA when the services were fully operational. In FY2025, operational control of D2A2 moved to the RTA, and the services are continuing uninterrupted. However, since TheRide is no longer responsible for operations, D2A2 ridership is not included in TheRide's passenger reporting. 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



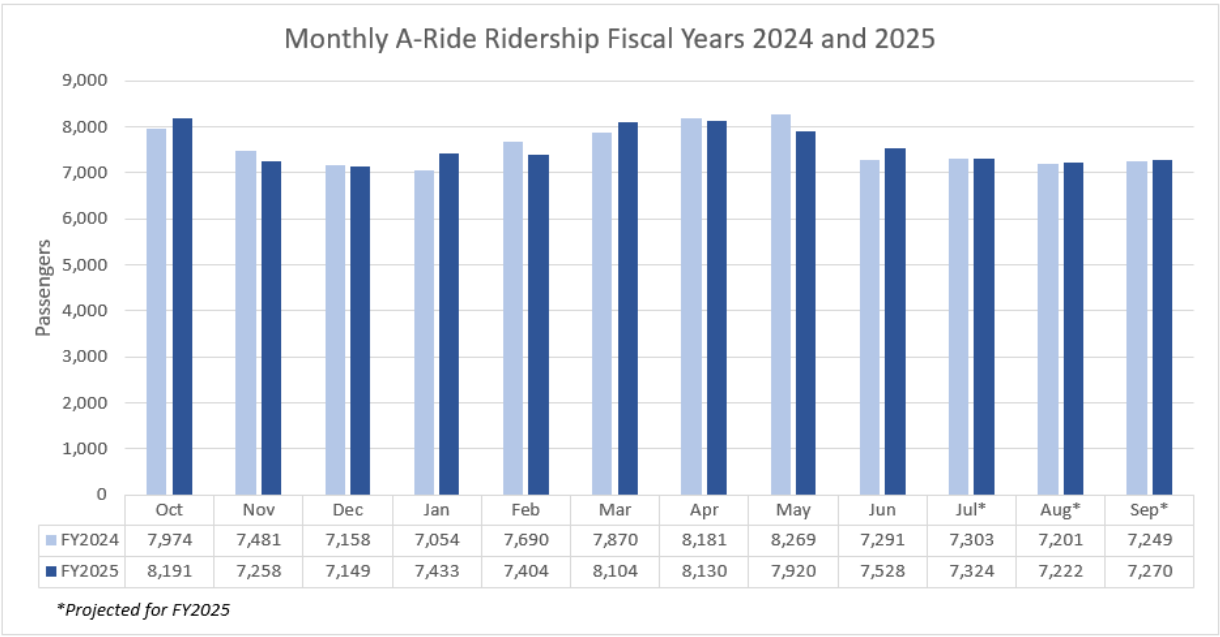
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul*	Aug*	Sep*
FY2024	9,988	9,570	9,169	9,121	9,808	10,052	10,278	10,436	9,479	9,716	9,462	9,293
FY2025	10,606	10,502	10,540	10,985	10,617	11,914	11,972	11,896	11,313	10,708	10,428	10,175

**Projected for FY2025*

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



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul*	Aug*	Sep*
FY2024	7,974	7,481	7,158	7,054	7,690	7,870	8,181	8,269	7,291	7,303	7,201	7,249
FY2025	8,191	7,258	7,149	7,433	7,404	8,104	8,130	7,920	7,528	7,324	7,222	7,270

**Projected for FY2025*

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
- Architecture and design work for the Ypsilanti and Blake Transit Centers
- Land acquisition and commencement of construction for the Ypsilanti Transit Center
- Early development of the Intelligent Transportation System (ITS) replacement
- Additional value-added facilities projects at Dawn Gabay Operations Center

Operations Overview

In FY2026, TheRide will operate at millage-supported service levels for the entire year. The organization is focused on serving existing riders and leveraging increased operations to reach more individuals. Ridership has come in well above conservative staff forecasts for FY2025, due to successful communication and promotion of the expansion of services, which were delivered on-time and on budget by TheRide. Projections for FY2026 remain conservative but build on the increased ridership experienced 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 4% compared to FY2025 budget to support millage-funded operating levels, along with staff development and support.

Operating revenues are 2.4% 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.

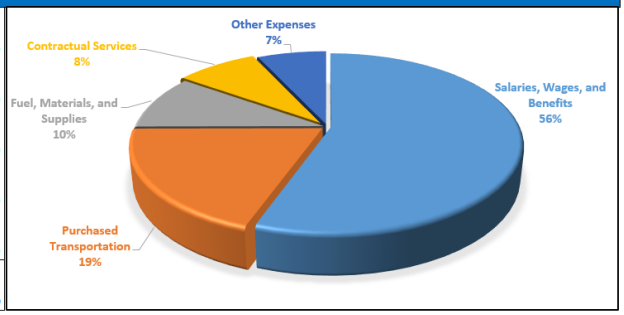
Operating Expenses

As illustrated in Figure 11, FY2026 Operating Expenses are budgeted at **$71,477,067**, 4.0% higher than FY2025.

Figure 11: FY2026 Operating Expenses (with FY2025 Comparison)

FY2026 Budgeted Expenses (with FY2025 Comparison)

Operating Expenses	FY2025	FY2026	Change $	Change %
Salaries, Wages, and Benefits	$ 37,984,127	$ 39,656,741	$ 1,672,614	4.4%
Purchased Transportation	13,554,686	13,902,463	347,777	2.6%
Fuel, Materials, and Supplies	7,676,770	7,069,011	(607,759)	-7.9%
Contractual Services	4,956,685	5,885,173	928,488	18.7%
Other Expenses	4,544,303	4,963,679	419,376	9.2%
Total Operating Expenses	**$ 68,716,571**	**$ 71,477,067**	**$ 2,760,496**	**4.0%**



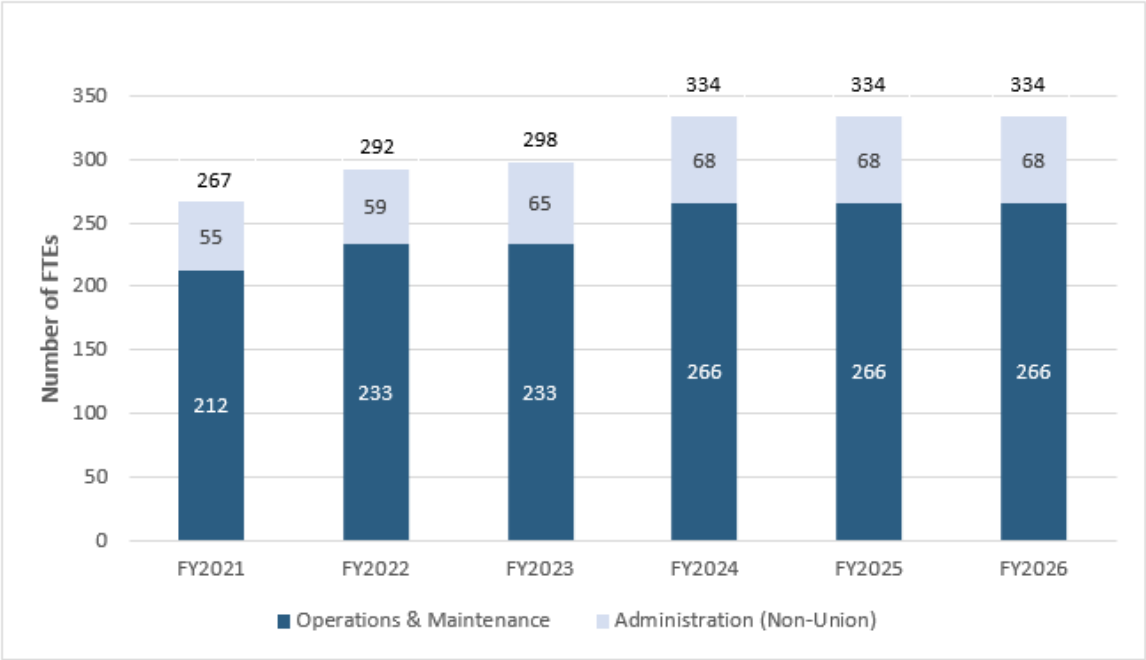
Descriptions of expenses and key budget assumptions are as follows:

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

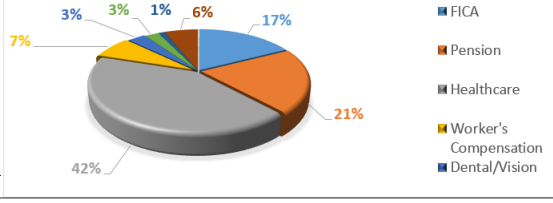


- *Employee benefits* costs are estimated based on historical actual costs and adjusted for anticipated inflationary rates. Figure 13 provides a comparison of the detailed employee benefits expenses and key assumptions. Benefits expenses are increasing by 4.2% in line with flat staffing levels and more 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 $	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	4,891,043	(328,177)	-6.3%
Worker's Compensation	238,476	832,441	593,965	249.1%
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**	**$ 11,672,146**	**$ 475,428**	4.2%



*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 consistent with the prior year performance.

- Pension expenses are based on contractual (union) or established rates (non-union) for eligible employees. Pension expenses are 9% of wages and is budgeted accordingly.

- Healthcare expenses are budgeted to decline by 6.3% in aggregate from the prior year's budget, aligning more closely with current and historical actuals. Compared to the FY2025 forecast for these costs, the adjustment reflects a 16% increase in benefit premium costs, which are projected to fall well below budget this year. Preliminary rate information from insurance providers have indicated a significant increase in premiums starting in calendar year 2026, which is reflected in this allocation.

- 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, cost savings from healthcare expenses are reallocated to this area. Analysis of these costs is underway and will continue in the upcoming fiscal year.

- *Purchased transportation* expenses are projected to elevate slightly compared to FY2025, up 2.6% 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 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.

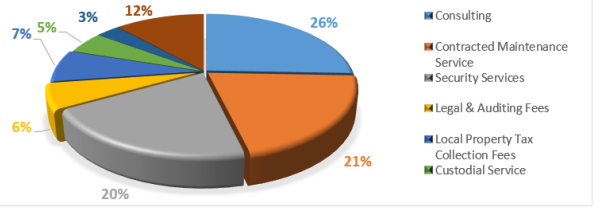
- *Fuel, materials, and supplies* expenses, shown in Figure 11, are projected to decrease by 7.9%. This reduction is driven mainly by fuel costs, which have remained well below budget in FY2025 and are expected to continue at that level into FY2026, even with an 18% contingency added to current prices. 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 18.7% higher in FY2026, due to increases in security services.

Figure 14: Contractual Services Summary

FY2026 Budgeted Contracted Services (with FY2025 Comparison)

Type of Contractual Service	FY2025	FY2026	Change $	Change %
Consulting	$ 1,481,000	$ 1,506,500	$ 25,500	1.7%
Contracted Maintenance Service	1,172,927	1,214,826	41,899	3.6%
Security Services	611,755	1,208,427	596,672	97.5%
Legal & Auditing Fees	340,000	346,650	6,650	2.0%
Local Property Tax Collection Fees	423,500	438,323	14,822	3.5%
Custodial Service	227,600	299,375	71,775	31.5%
Agency Fees	201,770	182,414	(19,356)	-9.6%
Other	498,133	688,658	190,525	38.2%
Total Contracted Services	**$ 4,956,685**	**$ 5,885,173**	**$ 928,488**	**18.7%**



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

- Recent security incidents warrant the need for additional security services to maintain safety standards for public transportation options. Additional security guard services have been added at the Blake and Ypsilanti Transit Center, and additional security measures are funded as initiatives in the budget. A security review will be conducted in FY2026 which will provide strategic direction and inform security-related operational improvements to ensure TheRide continues to provide 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 coming in March of 2026. The budget includes assumptions that provide sufficient coverage for cost increases associated with the new agreement.

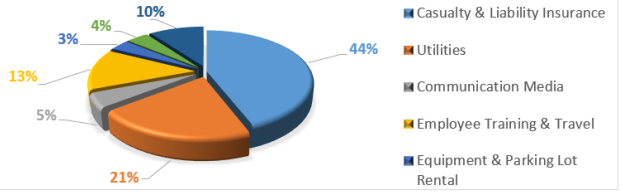
- The increase of 38.2% in "other" contractual service expenses is primarily driven by temporary staffing support, which provides AAATA staff with operational assistance, as needed. Temporary resources help maintain service levels, address workload surges, and ensure continuity in essential functions.

- *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

FY2026 Budgeted Other Expenses (with FY2025 Comparison)

Type of Other Expense	FY2025	FY2026	Change $	Change %
Casualty & Liability Insurance	$ 2,121,050	$ 2,184,370	$ 63,320	3.0%
Utilities	929,800	1,018,500	88,700	9.5%
Communication Media	250,500	230,570	(19,930)	-8.0%
Employee Training & Travel	474,065	658,045	183,980	38.8%
Equipment & Parking Lot Rental	188,000	173,560	(14,440)	-7.7%
Uniforms	175,000	200,000	25,000	14.3%
Other	405,888	498,634	92,746	22.9%
Total Other Expenses	**$ 4,544,303**	**$ 4,963,679**	**$ 419,376**	**9.2%**



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

- Casualty and liability insurance costs are modestly increasing in the budget. Following the recent insurance renewal, AAATA opted 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. The cost assumption is based on insurance rates that went into effect on August 1, 2025.

- 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 accounts for scheduled replacement cycles to maintain consistent, professional standards of appearance and ensure employees have functional, weather-appropriate uniforms.

- The upward change in "Other" expenses is based on anticipated increases in uncollectible property tax revenues which are proportional to the anticipated growth in property tax revenues for FY2026.

  Also note that per Board Policy 3.8, the costs of governance to support the Board's education and ability to govern effectively are required to be included in the annual budget. Budgeted costs of governance are budgeted within the Other Expenses category, at $35,000 for FY2026.

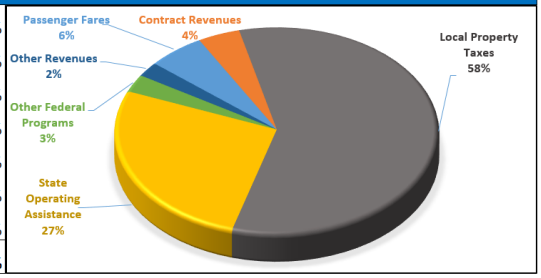
Operating Revenues

As illustrated in Figure 16, FY2026 Operating Revenues are budgeted at **$71,477,067**, a 2.4% increase from the FY2025 budget year.

Figure 16: Operating Revenues (with FY2025 Comparison)

FY2026 Budgeted Revenues (with FY2025 Comparison)

Operating Revenues	FY2025	FY2026	Change $	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	19,015,038	(3,183,578)	-14.3%
Federal Operating Assistance	-	-	-	0.0%
Other Federal Programs	1,446,166	1,970,057	523,891	36.2%
Other Revenues	1,909,143	1,645,911	(263,232)	-13.8%
Total Operating Revenues	**$ 69,788,943**	**$ 71,477,067**	**$ 1,688,124**	**2.4%**



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 relatively standard annual increase in revenue of 4.1% to cover nominal 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 were 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.

  Projections are based on prior year gross assessments and adjusted for changes in assessed property values. 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, are factored into revenue assumptions.

  The budget 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, FY2024 property tax revenues exceeded initial budgeted estimates. While projections used during the 2022 millage campaign were closely aligned with actual revenues, 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 to confidently support a higher projection. Based on a revised base assumption and refined forecasting, 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 $3.2 million in FY2026, or 14.3%, 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, 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.

- *Other federal programs:* 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 36.2%, largely due to increased passthrough revenues. Matching costs are found within the purchased transportation category as an equivalent expense, resulting in a net zero impact in the budget.

- *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 year's favorable performance, 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 $263,232, or 13.8%.

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 $	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**	**19,015,038**	(3,183,578)	-14.3%
Other Federal Programs	2,882,847	**1,446,166**	**1,970,057**	523,891	36.2%
Advertising, Interest, and Other	3,240,071	**1,909,143**	**1,645,911**	(263,232)	-13.8%
TOTAL REVENUES	**$ 78,713,272**	**$ 69,788,943**	**$ 71,477,067**	**$ 1,688,124**	**2.4%**
OPERATING EXPENSES					
Salaries, Wages and Benefits	$ 31,506,016	**$ 37,984,127**	**$ 39,656,741**	$ 1,672,614	4.4%
Purchased Transportation	13,904,906	**13,554,686**	**13,902,463**	347,777	2.6%
Diesel Fuel and Gasoline	2,426,822	**3,417,000**	**2,878,389**	(538,611)	-15.8%
Materials and Supplies	3,181,403	**4,259,770**	**4,190,622**	(69,148)	-1.6%
Contracted Services	4,084,531	**4,956,685**	**5,885,173**	928,488	18.7%
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**	**$ 71,477,067**	**$ 2,760,496**	**4.0%**
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.

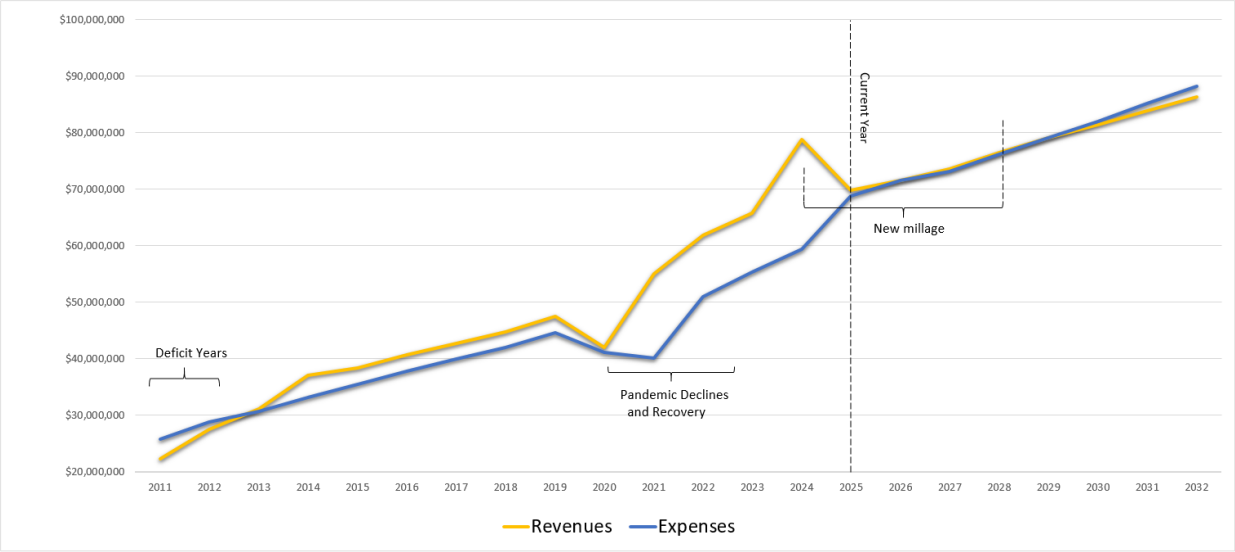
The fully audited Comprehensive Annual Financial Report (CAFR) is presented to the full Board for review and acceptance on an annual basis.

Long-Term Financial Context: 2011-2032

The Board's policies require the annual budget to be contextualized within a multi-year forecast of revenues and expenses (Policy 2.4). The FY2026 budget and 5-year forecast for subsequent years is detailed in *Figure 19*, on page 40.

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)



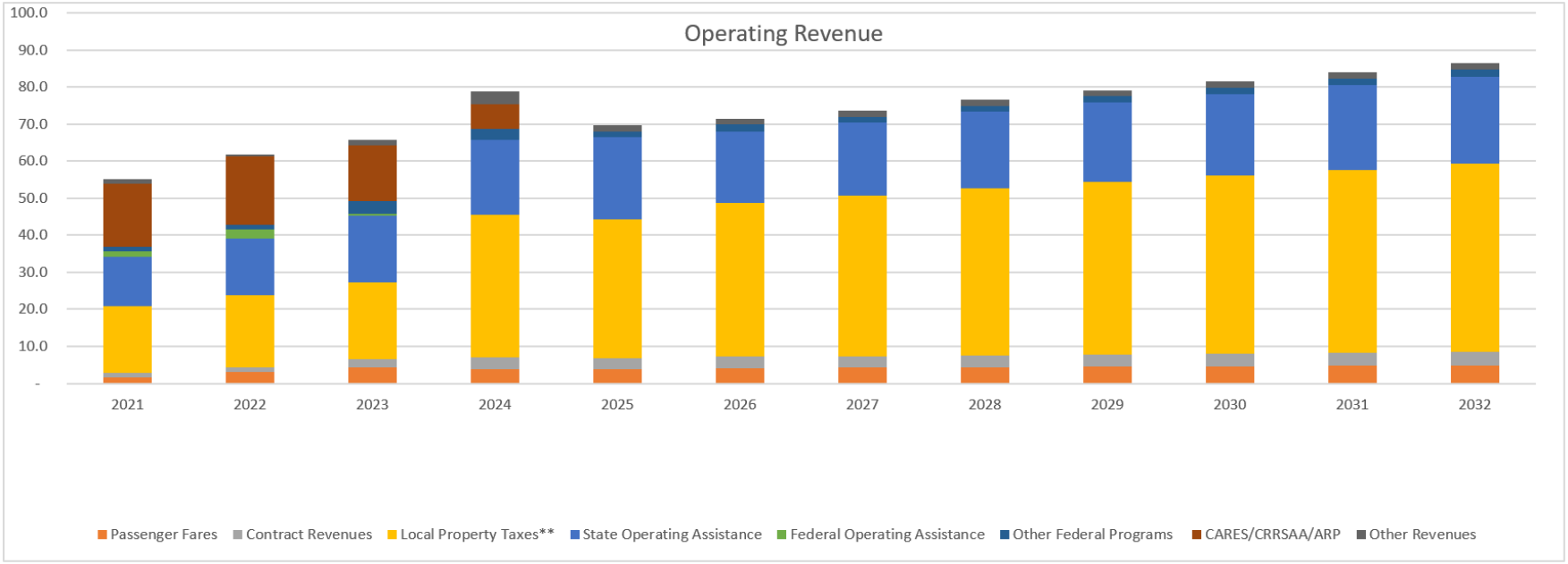
At the onset of the pandemic in 2020, revenues declined, and cost-cutting measures including staff reductions and suspended transit service were enacted in response. Federal pandemic relief funds helped to gradually restore service in late FY2020 continuing through FY2021 and helped assure mid-term financial 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.

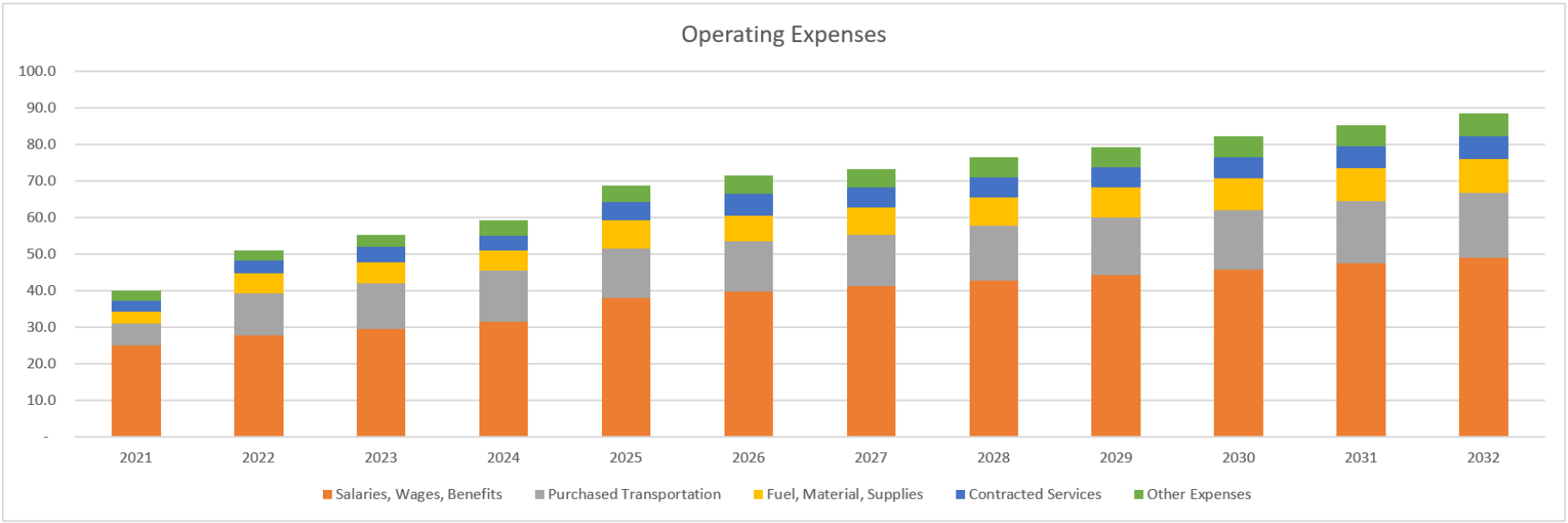
The millage, which was approved in August 2022, began providing additional funding in summer 2024. This revenue expanded services and, crucially, helped cover the structural deficit which was temporarily bridged with federal funds in prior years. Operating revenues are projected to stay ahead of expenses through FY2029, but the margin begins to narrow in FY2026 with the anticipated reduction in State Operating Assistance based on MDOT's current guidance. Growth in local property tax revenue from the millage and rising assessed values only delays the impact, keeping revenues just ahead of expenses

through FY2029. By that point, expenses nearly match revenues, and a modest structural deficit is projected to emerge and grow steadily through FY2032.

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 recommended 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
State of Good Repair	$13,682,000	$144,188,000
Value Added	2,786,000	31,390,000
Expansion	8,444,000	266,760,000
TOTAL EXPENSES	**$24,912,000**	**$442,338,000**
FUNDING SOURCES	**FY2026 Budget**	**FY2027-FY2035**
State & Federal Grants	$22,412,000	$217,362,000
Congressionally Directed Spending	2,500,000	6,550,000
Local Capital Reserve	-	33,260,000
Unidentified Funding	-	185,166,000
TOTAL REVENUE	**$24,912,000**	**$442,338,000**
UNIDENTIFIED FUNDING PORTION	**FY2026 Budget**	**FY2027-FY2035**
Unidentified Funding %	**0%**	**42%**

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 on the following page.

Figure 21: 10-Year Capital Plan

($ in thousands)

Category		Project Description	FY23-25 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	9,604,059	11,792,897	11,645,583	10,023,727	10,911,420	8,295,091	8,693,756	10,846,180	9,549,895	99,051,675
		Equipment	N/A	1,668,360	955,094	993,298	1,033,030	1,074,351	1,117,325	1,162,018	1,208,499	1,256,839	1,307,113	11,775,929
		Existing Facilities	N/A	2,981,400	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	21,644,456
		IT	N/A	1,343,000	7,469,562	4,773,625	3,938,644	1,182,326	1,231,442	1,282,614	1,335,929	1,391,477	1,449,352	25,397,971
		Category Total	-	**13,681,826**	**19,792,244**	**19,393,890**	**18,524,689**	**14,264,133**	**15,323,266**	**12,885,325**	**13,469,610**	**15,815,179**	**14,719,869**	**157,870,031**
VALUE ADDED		Bus Stop Improvements	727,000	412,000	424,360	437,091	450,204	463,710	477,621	245,975	253,354	253,354	260,955	4,405,622
		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	583,000	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	13,910,081
		Transit Signal Priority (TSP)	490,000	250,000	-	486,000	335,000	-	-	-	-	-	-	1,561,000
		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	**1,217,000**	**2,785,563**	**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**	**35,392,982**
EXPANSION	*Ypsilanti Transit Center*	YTC Planning, NEPA, Design, & Acquisition	1,236,880	2,995,500	-	-	-	-	-	-	-	-	-	4,232,380
		YTC Construction	-	2,500,000	10,837,391	5,820,254	-	-	-	-	-	-	-	19,157,645
		YTC Subtotal	***1,236,880***	***5,495,500***	***10,837,391***	***5,820,254***	-	-	-	-	-	-	-	***23,390,025***
	Blake Transit Center	BTC Planning, NEPA, & Design	192,695	454,736	-	-	-	-	-	-	-	-	-	647,431
		BTC Construction	-	-	561,852	3,031,006	-	-	-	-	-	-	-	3,592,858
		BTC Subtotal	***192,695***	***454,736***	***561,852***	***3,031,006***	-	-	-	-	-	-	-	***4,240,289***
	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	3,781,474	17,658,351
		BRT Construction & Vehicles	N/A	-	-	-	7,649,089	13,047,732	43,795,314	41,180,957	2,459,748	-	-	108,132,841
		BRT Subtotal	-	***500,000***	***597,026***	***2,152,279***	***13,349,555***	***14,352,505***	***43,795,314***	***41,388,592***	***3,671,645***	***2,202,801***	***3,781,474***	***125,791,191***
	Bus Maintenance & Storage Garage	Garage Planning, NEPA, Design, & Acquisition	309,939	1,368,081	1,306,255	6,149,370	2,913,571	-	-	-	-	-	-	12,047,216
		Garage Construction	N/A	-	-	-	19,001,551	32,619,330	33,597,909	-	-	-	-	85,218,790
		Garage Subtotal	***309,939***	***1,368,081***	***1,306,255***	***6,149,370***	***21,915,122***	***32,619,330***	***33,597,909***	-	-	-	-	***97,266,006***
	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	717,625	5,866,361
		Information Technology Subtotal	-	***100,000***	***545,900***	***615,322***	***601,000***	***619,030***	***637,601***	***656,729***	***676,431***	***696,724***	***717,625***	***5,866,361***
		Transit Hubs	N/A	463,710	716,431	-	380,031	1,304,773	-	415,270	712,880	2,937,067	3,176,438	10,106,602
		Additional Vehicles for Service Expansion	N/A	62,000	-	-	2,532,941	1,683,761	187,802	2,619,751	122,987	-	3,074,046	10,283,288
		Category Total	**1,739,514**	**8,444,027**	**14,564,856**	**17,768,231**	**38,778,649**	**50,579,399**	**78,218,626**	**45,080,342**	**5,183,943**	**5,836,592**	**10,749,584**	**276,943,762**
EXPENSE TOTAL			**2,956,514**	**24,911,416**	**36,606,645**	**39,972,105**	**66,732,027**	**68,449,614**	**97,264,069**	**60,367,743**	**21,136,311**	**23,957,052**	**27,853,278**	**470,206,774**

Funding Sources	FY23-25 Spend on Ongoing Projects	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	Project/CIP Total
FORECASTED:												
5307 Federal + State Match	2,466,514	17,242,214	20,481,090	28,362,155	24,499,624	13,031,298	13,308,125	13,590,486	13,878,496	14,172,266	14,471,912	175,504,179
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	1,449,979	15,478,910
CMAQ Federal + State Match	-	2,201,169	1,540,819	3,877,756	2,012,273	1,783,690	1,872,875	1,966,518	2,064,844	2,168,086	2,276,491	21,764,521
Low and No Emissions Federal + State Match	-	-	5,200,000	5,564,000	11,568,370	2,620,229	-	-	-	-	-	24,952,599
5310 Federal + State Match	-	-	-	-	-	-	-	-	-	-	-	-
STBG Flex Federal + State Match	-	412,000	424,360	437,091	450,204	433,305	257,107	259,677	262,274	264,898	267,546	3,468,461
State Initiatives (TSP)	490,000	250,000	-	486,000	335,000	-	-	-	-	-	-	1,561,000
Congressionally Directed Spending + State Match	-	2,500,000	6,550,000	-	-	-	-	-	-	-	-	9,050,000
Local Capital Reserve	-	-	-	-	26,594,061	6,666,010	-	-	-	-	-	33,260,071
UNIDENTIFIED:												-
Other	-	-	-	-	-	42,614,591	80,496,862	43,192,720	3,542,472	5,933,036	9,387,351	185,167,032
REVENUE TOTAL	**2,956,514**	**24,911,416**	**36,606,644**	**39,972,105**	**66,732,027**	**68,449,614**	**97,264,070**	**60,367,743**	**21,136,311**	**23,957,053**	**27,853,278**	**470,206,774**

FY2026 Recommended 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	$1,668,000
	Existing Facilities	$2,982,000
	Information Technology	$1,343,000
	Sub-total	***$13,681,000***
Value Added	Bus Stop Improvements	$412,000
	Existing Facilities and IT	$1,516,000
	Transit Properties	$583,000
	Transit Signal Priority (TSP)	$250,000
	Emergent Research & Development	$25,000
	Sub-total	***$2,786,000***
Expansion	Ypsilanti Transit Center	$5,496,000
	Blake Transit Center	$455,000
	Bus Rapid Transit	$562,000
	Bus Maintenance and Storage Facility	$1,368,000
	Information Technology	$100,000
	Transit Hubs	$464,000
	Sub-total	***$8,445,000***
Total Capital Costs		**$24,912,000**

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 56)*.

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.	$330,000
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).	$4,932,000
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.	$13,794,000
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.	$1,761,000
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	**$24,912,000**

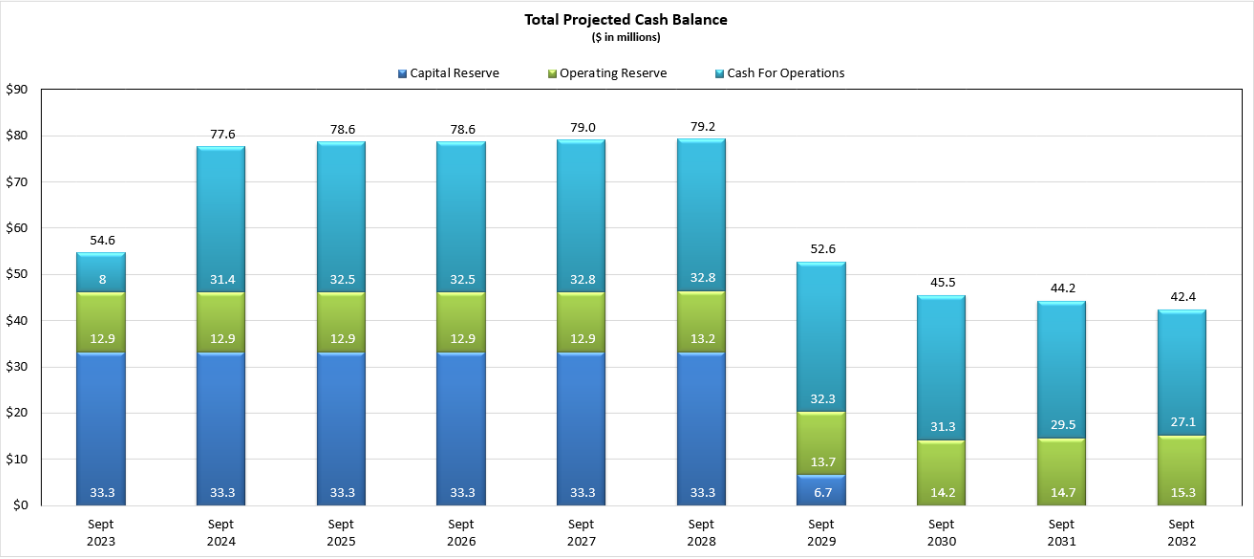
7. Impacts of 2026 Budget

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

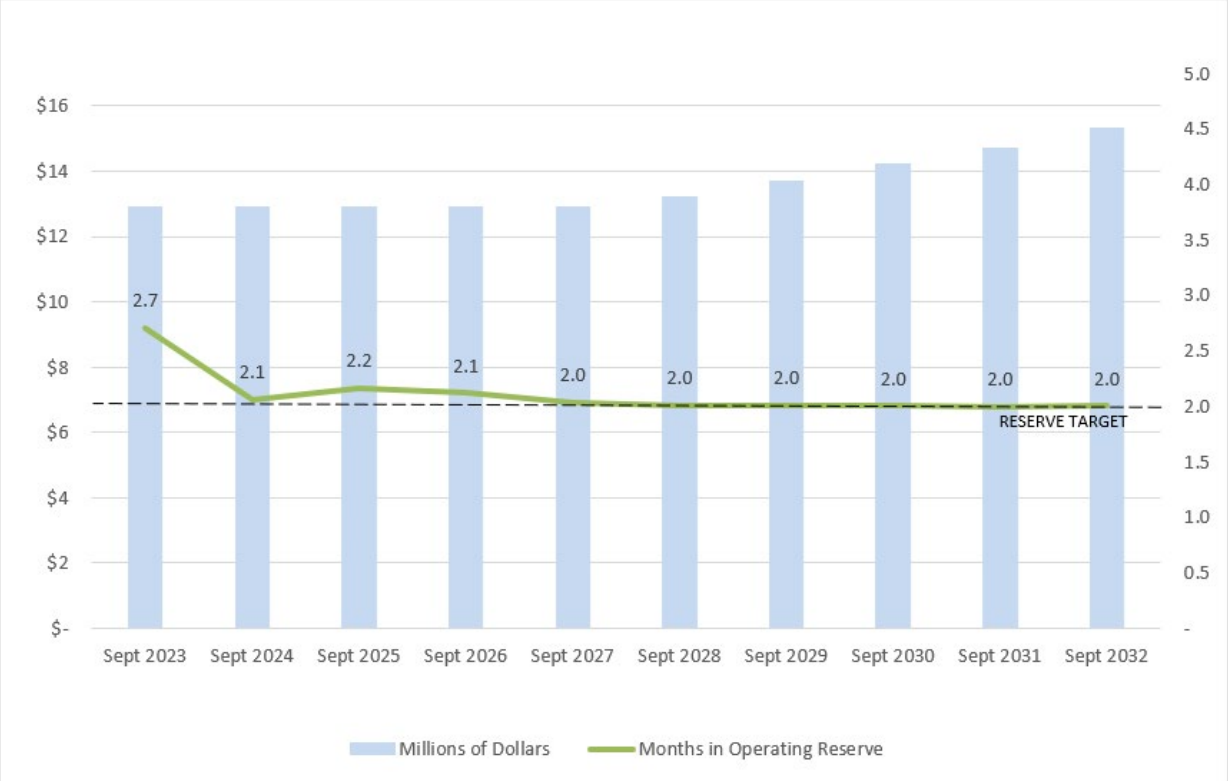


Projected Operating Reserve Balance

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	-	-	-	-	-	-	-	-	$ 26,594	$ 6,666	$ 33,260
Remaining Capital Reserve	**$ 11,939**	**$ 22,814**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 6,666**	**$ -**	**$ -**

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 continue to advance each facility. Both projects require formal Board approval during FY2026 and implicate significant capital costs. (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10, 2.11).
    - **Ypsilanti Transit Center (YTC):** TheRide is requesting $5,495,500 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. TheRide staff is requesting $454,736 for the completion of planning and design. 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 an east-west 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, which are currently being finalized. TheRide will build on this work done by MDOT, and staff are requesting $500,000 to begin alternatives analysis. Staff also request $62,000 for the purchase of a support vehicle to aid in the development process. 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:** $1,368,000 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. FY2026 work will lead directly into the conceptual design and formal environmental documentation processes.

4. **Transit Hub**: 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. Staff are currently working with Briarwood Mall to explore a transit hub opportunity at this location. Staff requests $464,000 in FY2026 to advance this work.

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: $1,478,000 (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, and high-speed garage doors. Budget: $2,981,000 (Policies 2.1, 2.2, 2.4, 2.7)
5. **Information Technology:** This FY2026 budget includes $1,343,000 for preliminary consulting costs for the replacement of TheRide's Intelligent Transportation System (ITS), technology improvements to the phone system, and attendance tracking software for employees. It also includes budget for hardware and software replacements, laptops, computer monitors and essential software. Replacement of current ITS hardware, as well as the 4G routers that were purchased in 2015, is currently scheduled for FY2027. (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 FY2026 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 $833,000 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/START DATE (ESTIMATED)	VALUE OF AWARD (ESTIMATED)	FY2026 BUDGETED EXPENSE
1	BTC Platform Design - Phase II	Smith Group	10/1/2025	$ 280,000	$ 280,000
2	Bus Advertising Services	N/A	10/1/2025	$ 1,300,000	Revenue Contract
3	Electrical Services - General Maintainance	Shaw Systems & Integration	3/1/2026	TBD	$ 250,000
4	Electrical Services - LED Lighting	Shaw Systems & Integration	10/1/2025	$ 800,000	$ 710,700
5	Emergency Backup Generator for DGOC	New	10/1/2025	$ 775,000	$ 775,000
6	Engine Replacements	Cummins Bridgeway	10/1/2025	$ 1,300,000	$ 647,160
7	Finance Consulting Services	Rehmann	2/1/2026	$ 360,000	$ 300,000
8	Fleetwide Seating Transition	New	10/1/2025	$ 350,000	$ 350,000
9	Gasoline and Diesel Fuel	Multiple Providers	10/1/2025	$ 3,049,212	$ 3,049,212
10	High Speed Overhead Garage Doors	New	10/1/2025	$ 300,000	$ 225,000
11	ITS (CAD/AVL) Project Management	New	1/1/2026	$ 300,000	$ 500,000
12	Janitorial Services	JNS Commercial Cleaning	4/1/2026	TBD	$ 299,375
13	Natural Gas	Constellation	7/1/2026	$ 1,252,500	$ 417,500
14	Non-Revenue Vehicles	New	10/1/2025	TBD	$ 355,000
15	Paratransit Demand Response Services - ARide	MV Transportation	8/1/2026	TBD	$ 5,716,114
16	Paratransit Vehicles - Vans	New	10/1/2025	TBD	$ 330,000
17	Public Transit Buses*	Gillig	10/1/2025	TBD	$ 5,869,785
18	Small/Medium Bus Replacements	New	10/1/2025	TBD	$ 1,134,000
19	Snow Removal Services	Margolis and RNA	10/1/2025	$ 250,000	$ 50,000
20	Transit Hub Development	New	10/1/2025	$ 464,000	$ 464,000
21	Transmission Replacements	W.W. Williams	10/1/2025	$ 250,000	$ 113,994
22	Washtenaw BRT Planning	New	10/1/2025	$ 500,000	$ 500,000
23	YTC Construction GMP Agreement	New	7/1/2026	$ 18,449,000	$ 2,200,500
24	YTC Construction Management Services	New	1/15/2026	$ 1,102,000	$ 270,000
25	YTC Phase III & IV Detailed Design (A/E)	DLZ	10/1/2025	$ 1,914,000	$ 1,914,000
26	YTC Phase V Construction Administration Services	DLZ	7/1/2026	$ 845,000	$ 111,000

**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 FY2025 or in the recommended FY2026 budget. The FY2026 fares are the basis for budget assumptions.

Table 8.3 – FARES			
FIXED ROUTE FARES	**FY2024**	**FY2025**	**FY2026**
Single Ride Fares – Cash or Token			
Full Fare	$1.50	$1.50	$1.50
Transfer	Free	Free	Free
Discount Single Ride Fares – Cash or Token			
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
Passes			
Day Pass	$3.00	$3.00	$3.00
30 Day Flex Pass	$45.00	$45.00	$45.00
Discount Passes			
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	**FY2024**	**FY2025**	**FY2026**
FlexRide			
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
NightRide and HolidayRide			
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
GoldRide			
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

FootballRide			
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
GroceryRide			
GroceryRide	$0.75	$0.75	$0.75
A-RIDE FARES	**FY2024**	**FY2025**	**FY2026**
Cash Fares			
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
Scrip Coupons			
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 5307and 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 AAATA can 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 percentage 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 receives 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	19.7	20.6	21.4	22.1	22.7	23.4
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	2.0	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**	**71.5**	**73.5**	**76.5**	**79.1**	**81.5**	**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	39.7	41.1	42.8	44.3	45.8	47.4	49.1
Purchased Transportation	10.7	8.4	5.9	11.6	12.5	13.9	13.6	13.9	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	7.1	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	5.9	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**	**71.5**	**73.3**	**76.4**	**79.3**	**82.2**	**85.4**	**88.5**
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)**

TheRide

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:

- **$71,477,067** for operations, and
- **$24,911,416** 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.

Recommended Budget

FY2026 Operating & Capital Budget

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



Agenda

- FY2026 Budget Processes and Policies

- FY2026 Recommended Budget
  - Key Accomplishments
  - Overview
  - Operating Budget
  - Capital Budget
  - Conclusion

FY2026 Budget Process and Policies



Our Budget Process is…



Policy Driven



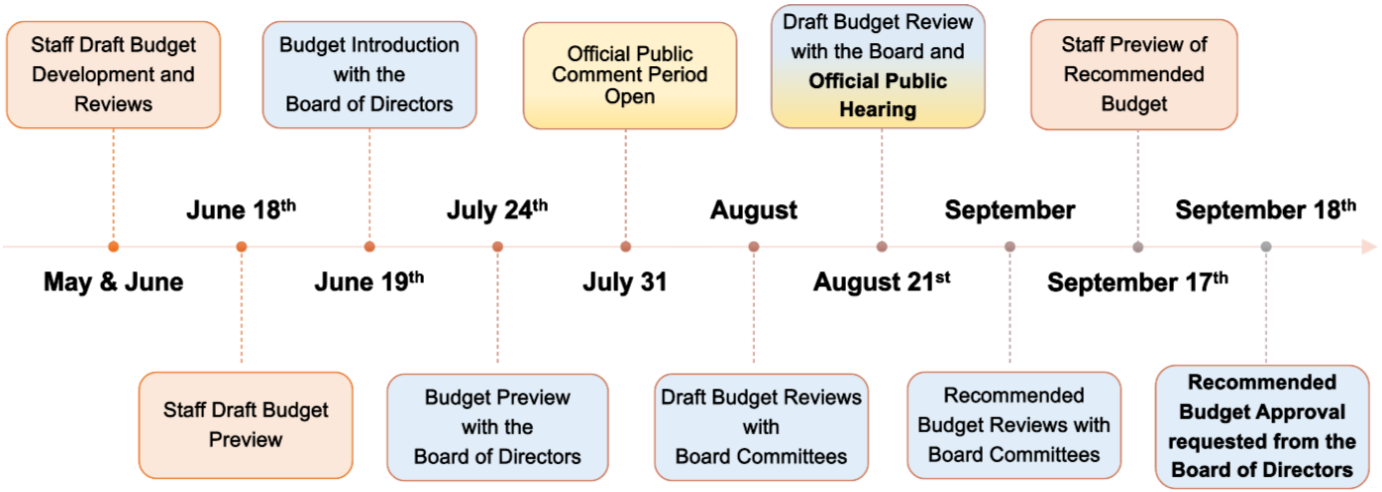
Strategic



Collaborative



Transparent





The Budget Advances Board "Ends"

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

1.1 Residents/ 1.4 Passengers		Equitable access and Passengers are Highly satisfied
1.2 Environment		Positively Impacts Environment
1.3 Economic Prosperity		Positively Impacts Economic Prosperity
1.5 Residents		Positively Impacts Area's Quality of Life
1.0 Fiscal Responsibility		Efficient Stewardship and Value for Money

The Budget is Aligned with Business Plan Priorities

The Corporate Business Plan provides an opportunity for the Board, staff, and the public to have a dialogue about *priorities* before a budget to fund projects is developed.



Excellence in Service Delivery & Customer Retention

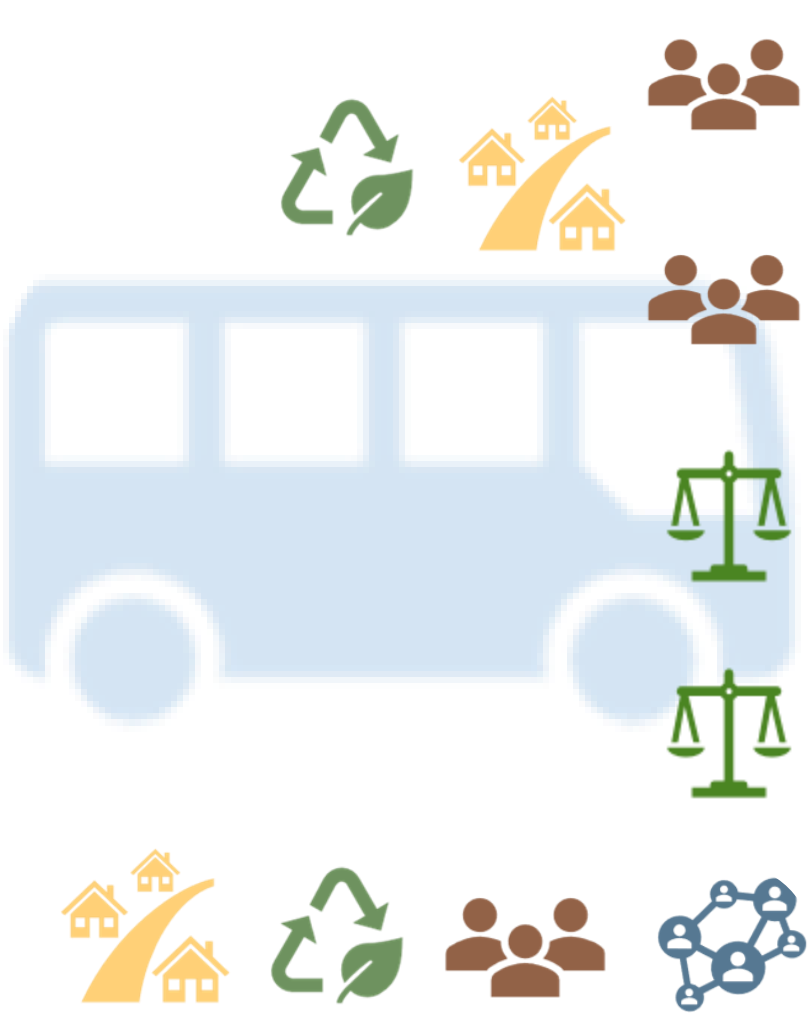
Attract New Riders & Increase Ridership

Agency-wide Continuous Improvement

FY2026
Operating and Capital Recommended Budget



Highlights: FY2026 Key Budget Accomplishments



- Operating Full-Service Levels
- No Fare Changes
- Lower State Operating Assistance
- Budget is Balanced
- Capital Projects are Funded

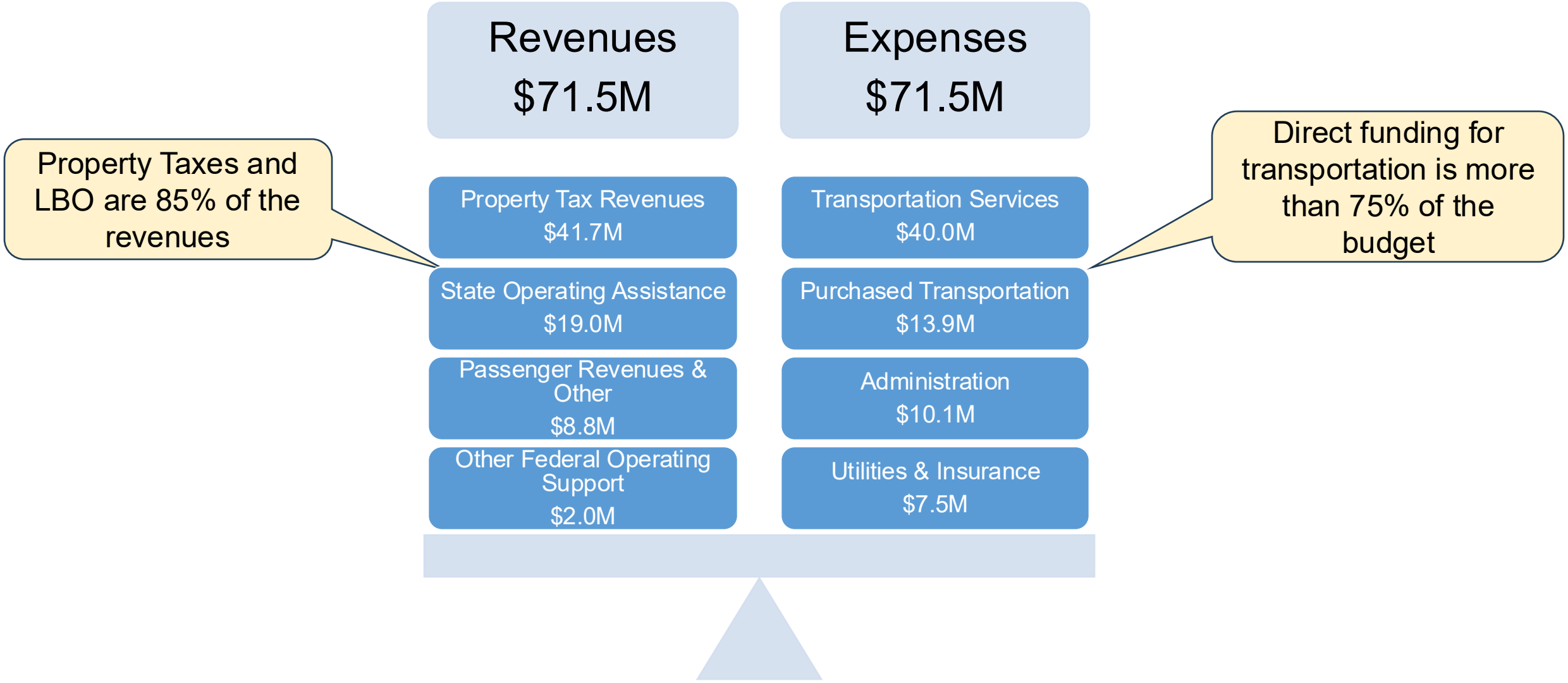
FY2026 Operating and Capital Budget Overview

- **$71.5 million** for operations
- **$24.9 million** in capital investments
- Continues funding for full schedules of transportation services
- Provides funding for operating and capital initiatives
- Presents 7-year operating budget projection
- Includes 10-year capital projects funding plan

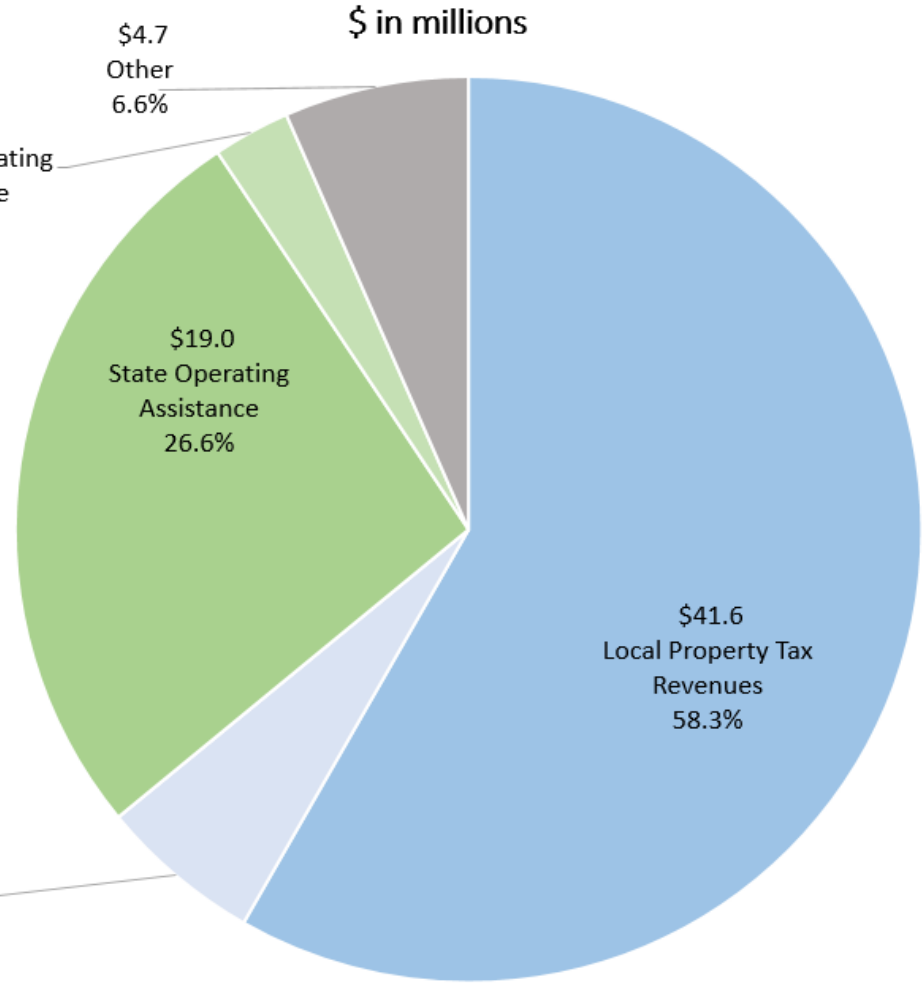


Operating Budget

The FY2026 Operating Budget is Balanced



Where Does Operating Money Come From?



MDOT Michigan Department of Transportation

Federal Transit Administration

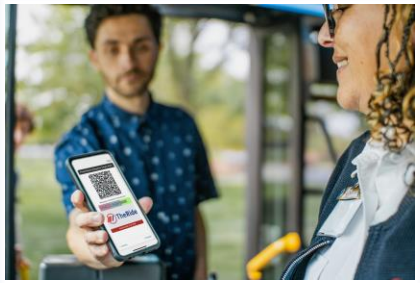
State & Federal Funding

YPSILANTI TOWNSHIP WHERE YOUR FUTURE GROWS

CITY OF ANN ARBOR MICHIGAN

City of Ypsilanti

Local Property Taxes



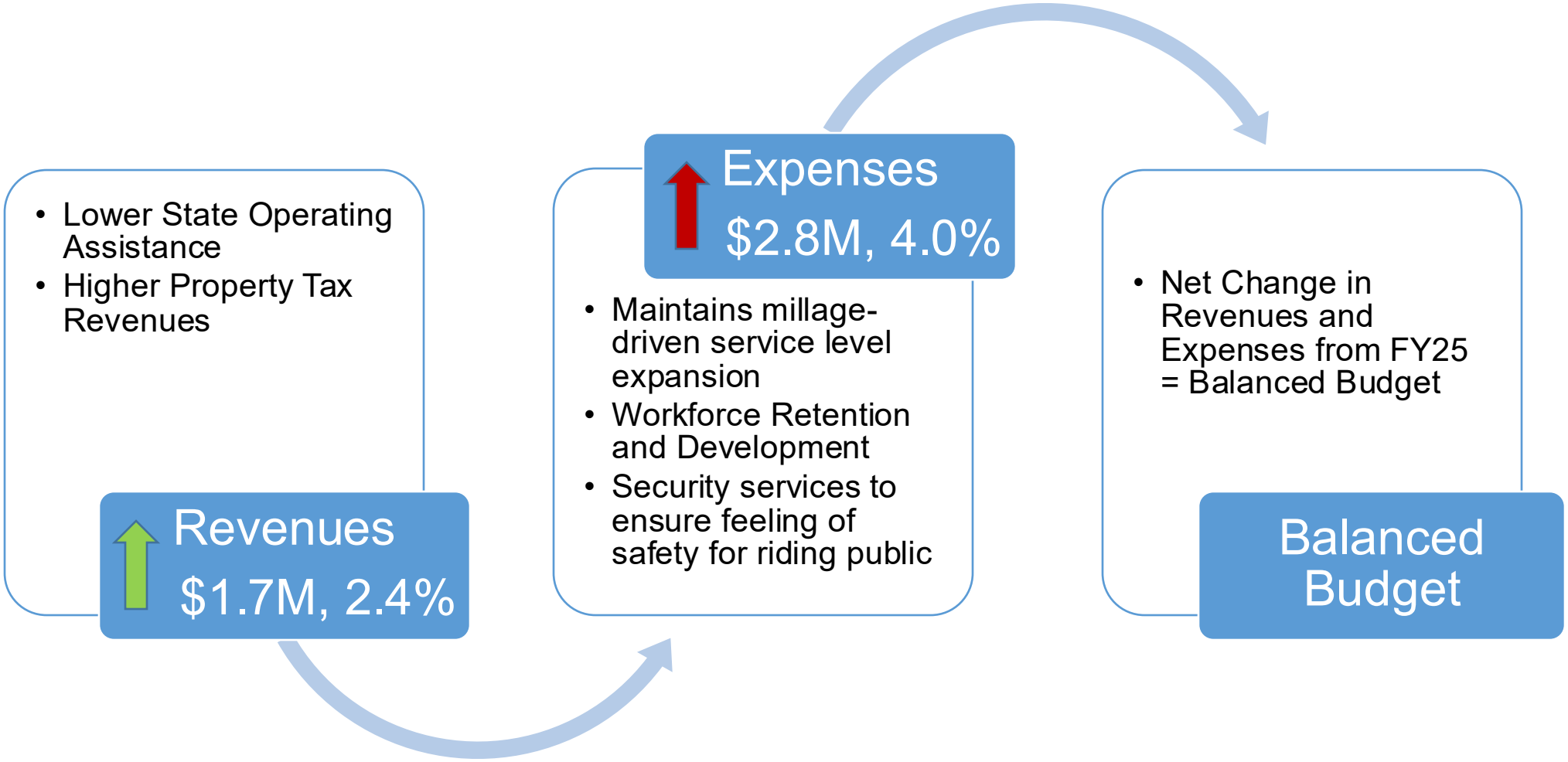
Passenger Fares

The Budget Provides Funding for Initiatives

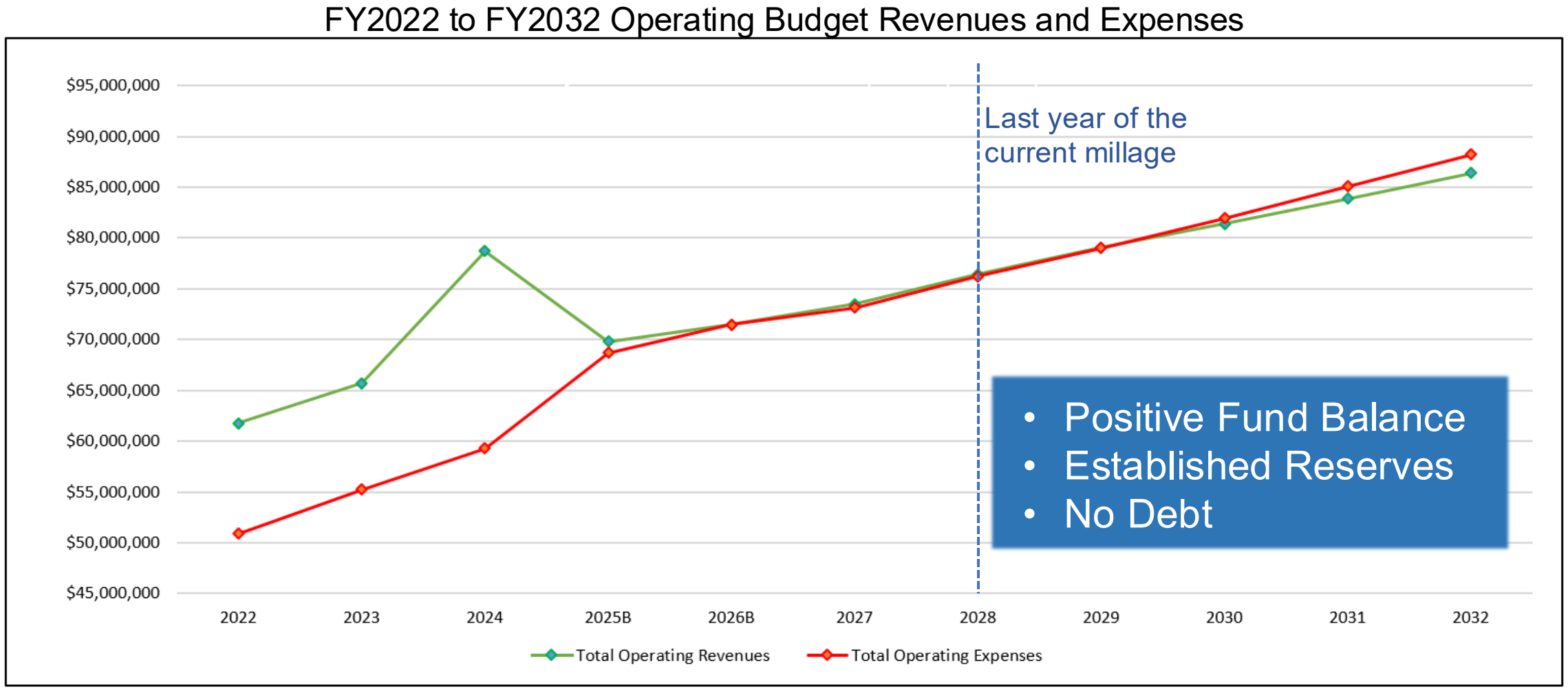


Attract New Riders and Increase Ridership	• More Service Hours and Frequencies • Improved Accessibility & Convenience • Services Education & Advocacy • Evaluating Rider Experience
Excellence in Service Delivery	• Replacing & Upgrading Vehicles, Equipment, & Facilities • Bus Stop & Bus Lane Improvements
Agency-wide Continuous Improvement	• Staff Training & Development • Technology Improvements • Administration Facilities Upgrades

Key Changes in the FY2026 Operating Budget



Stable Financial Projection



Capital Budget

The FY2026 Capital Budget is Balanced

FY2026 Capital Budget is $24.9M



State of Good Repair
$13.7M, 54.9%



Value Added
$2.8M, 11.2%



Expansion of Services
$8.4M, 33.9%

Capital Funding for Maintaining State of Good Repair

DGOC Renovations



Maintaining the Fleet



Technology Replacements & Upgrades





Capital Funding for Value Added & Expansion Projects

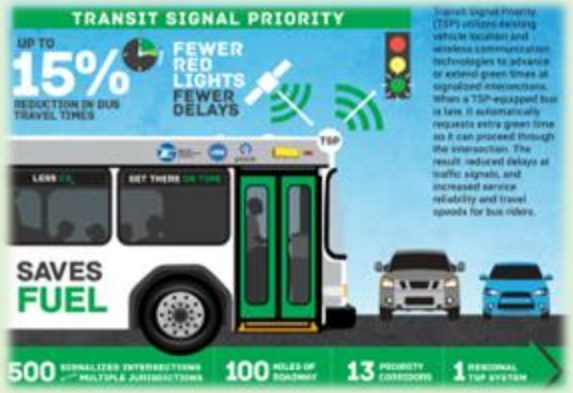
Ypsilanti Transit Center Expansion



Blake Transit Center



Transit Signal Priority



Bus Stop Improvements



Bus Maintenance & Storage Facility



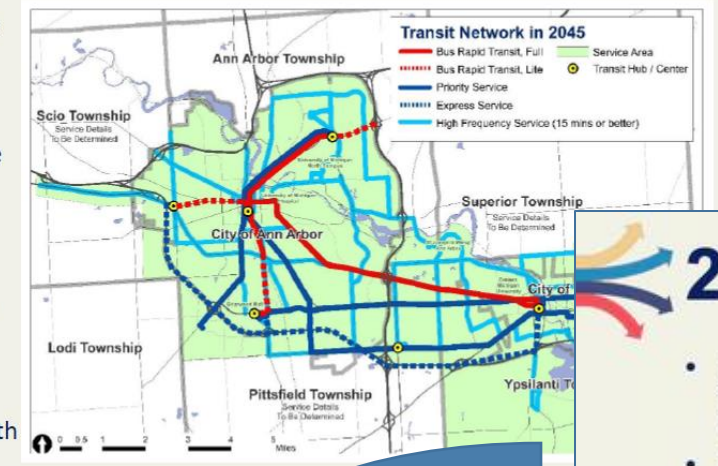
Bus Rapid Transit



Expansion Projects are from TheRide 2045

TheRide 2045

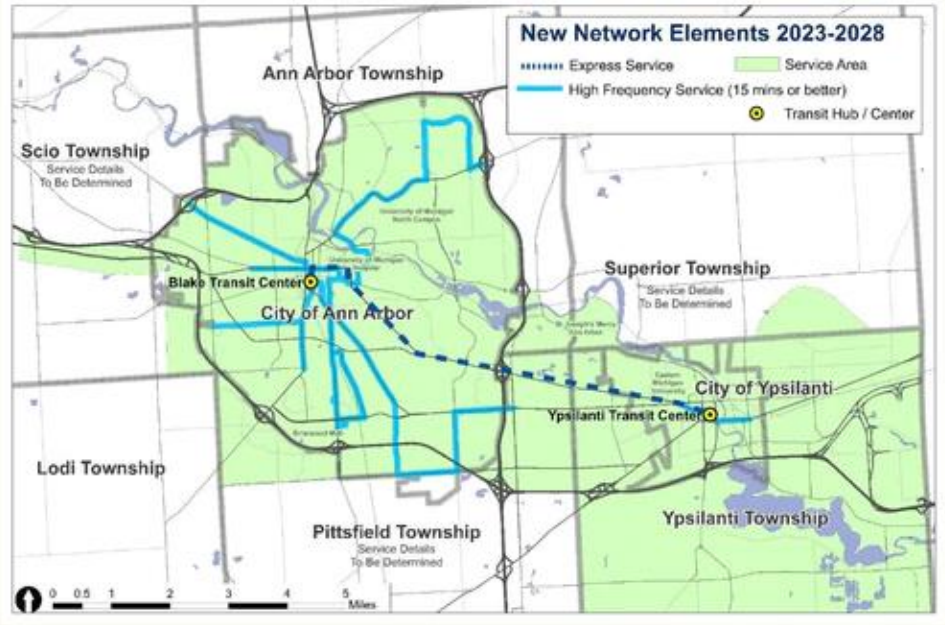
- Transformation of entire transit system
- Bus Rapid Transit forms the backbone
- Other main corridors are served by Express and Priority Service
- High-frequency routes across the service area
- New transit hubs at key locations:
  - Briarwood Mall
  - Jackson & Maple
  - Carpenter & Ellsworth
  - Nixon & Plymouth



FY2026 – Planning and Design for Bus Rapid Transit and Bus Garage – Land Acquisition, Design, and Construction for YTC – Design for BTC

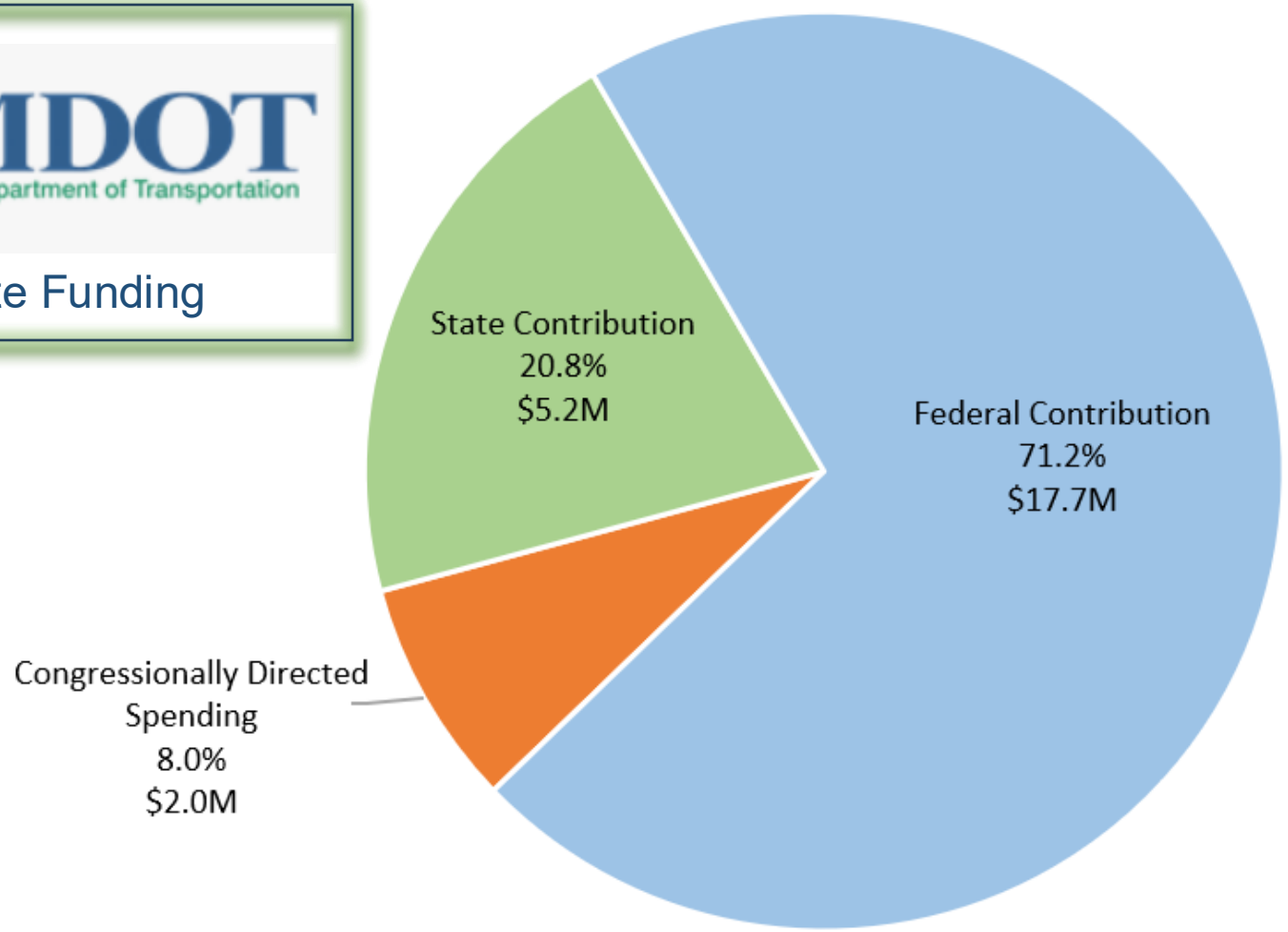
2023-2028

- Laying the groundwork for future stages while increasing Off-peak service
- BTC and YTC upgrades
- Washtenaw express pilot
- Better off-peak service
  - 30-minute minimum frequencies during the daytime
  - Longer hours of operation
  - NightRide expansion and enhancement
- Improved accessibility for fixed route with better integration with A-Ride
- Planning and design for
  - New bus garage
  - BRT and transit priority



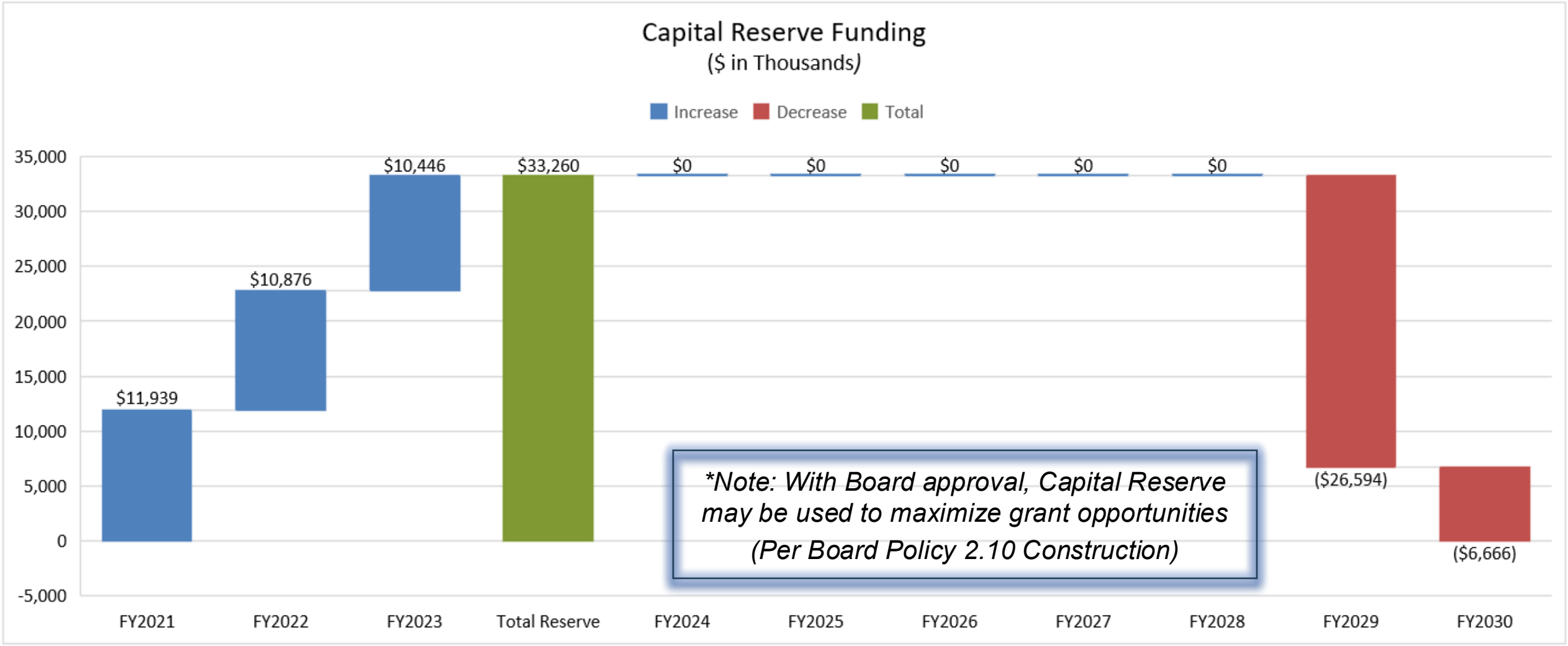
Where Does Capital Money Come From?

State Funding



Federal Funding

Protecting Capital Reserve for Capital Projects



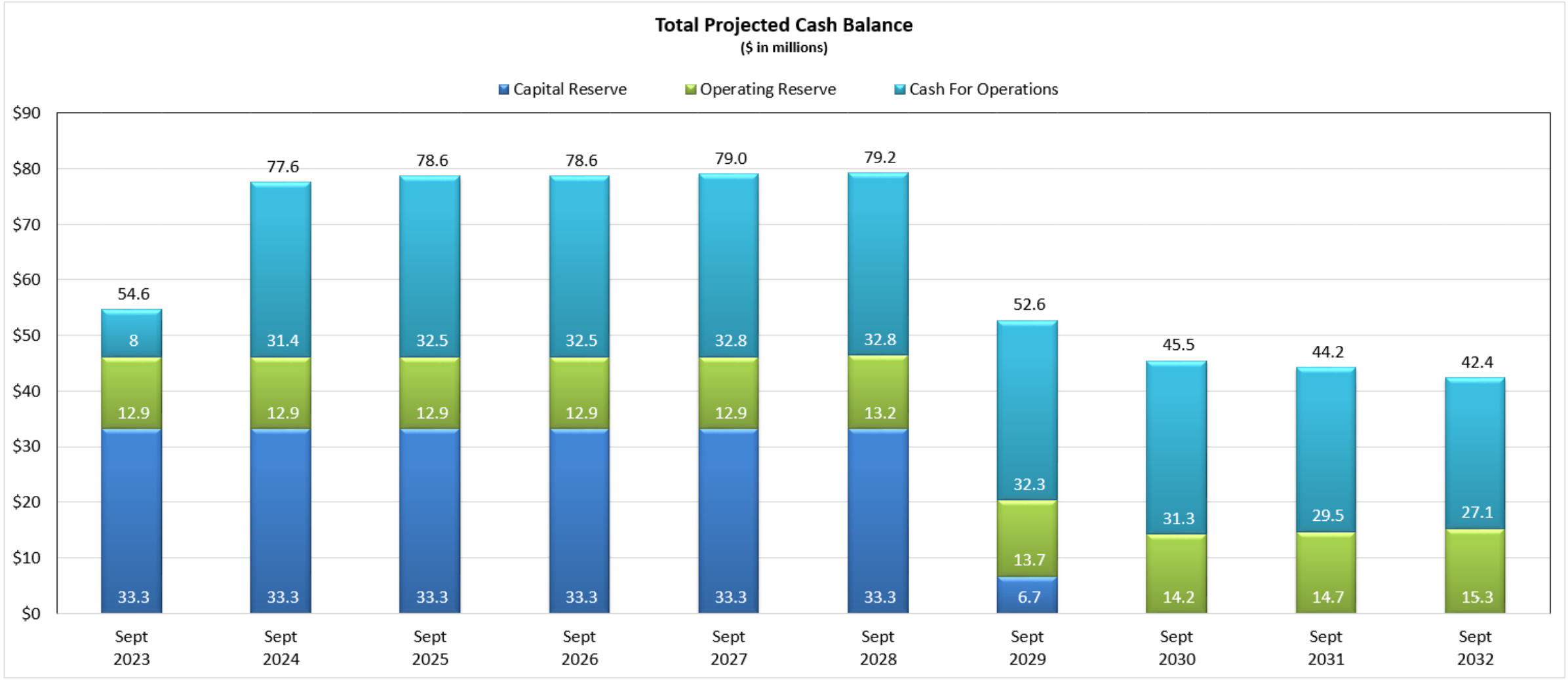
Conclusion

Summary of Recommended Budget

FY2026 Budgeted Expenses (with FY2025 Comparison)

	FY2025	FY2026	Change $	Change %
Operating Expenses				
Salaries, Wages, and Benefits	$ 37,984,127	$ 39,656,741	$ 1,672,614	4.4%
Purchased Transportation	13,554,686	13,902,463	347,777	2.6%
Fuel, Materials, and Supplies	7,676,770	7,069,011	(607,759)	-7.9%
Contractual Services	4,956,685	5,885,173	928,488	18.7%
Other Expenses	4,544,303	4,963,679	419,376	9.2%
Total Operating Expenses	**$ 68,716,571**	**$ 71,477,067**	**$ 2,760,496**	**4.0%**
Capital Expenses				
State of Good Repair	$ 24,317,000	$ 13,682,000	$ (10,635,000)	-43.7%
Value Added	5,454,000	2,786,000	(2,668,000)	-48.9%
Expansion	5,095,000	8,444,000	3,349,000	65.7%
Total Capital Expenses	**$ 34,866,000**	**$ 24,912,000**	**$ (9,954,000)**	**-28.5%**
Total Expenses	**$ 103,582,571**	**$ 96,389,067**	**$ (7,193,504)**	**-6.9%**

Strong Cash Position for the Projection Period



Budget Opportunities and Risks



Highlights: FY2026 Key Budget Accomplishments



- Operating Full-Service Levels
- No Fare Changes
- Lower State Operating Assistance
- Budget is Balanced
- Capital Projects are Funded

Questions?



Request for FY2026 Budget Approval

- **Page 47** of the Board packet
  - **$71.5 million** for operations
  - **$24.9 million** in capital investment

Resolution 05/2025

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) in order 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:

- **$71,477,067** for operations, and
- **$24,911,416** 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

Date:

_____
Jesse Miller, Secretary

Date:

Thank You!

https://www.theride.org/about/performance/business-plan-budget

