Board of Directors Meeting Agenda

Meeting Date/Time: August 20, 2026 - 6:00pm – 8:30pm

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

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

Agenda Item	Info Type	Start Time	Details	Page #
1. OPENING ITEMS				
1.1 Approve Agenda	D	6:00	Mozak	
1.2 Public Comment	O			
1.3 General Announcements	O			
2. CONSENT AGENDA				
2.1 Board Meeting Minutes: July 16, 2026	D			3
2.2 Committee Meeting Summaries	D			8
3. EMERGENT ITEMS				
3.1 Draft Budget Presentation	D	6:25	Reed	16
3.1.1 Public Hearing RE: Budget	O		Mozak	
3.2 Closed Session (Pursuant to 8(c) of OMA)	O	7:15		
4. OWNERSHIP LINKAGE				
4.1 OLTF	O	7:45	Chang	Verbal
5. MONITORING / DEVELOPMENT				
6. POLICY				
6.1 Policy Manual Mock-Up	D	8:00	Carpenter	17
6.2 Policy Language Discussion (if needed)	D		Mozak	
7. BOARD EDUCATION / DISCUSSION				
8. OPERATIONAL UPDATES				
8.1 FY26 Q3 Financial Report	O	8:15	Reed	18
8.2 Legislative Updates	O		Pfeifer	Verbal
8.3 CEO Report	O		Carpenter	22
9. CLOSING ITEMS				
9.1 Action Item Recap	O	8:25	Holt	
9.2 Topics for Next Meeting Budget Approval (September) FY26 Q3 Service Report Financial Planning & Budgeting (2.4) Officer Elections Millage Recommendation (October)			September 17, 2026 6:00-8:30pm *Ann Arbor District Library*	
9.3 Public Comment	O	8:25		
9.4 Adjournment		8:30		

* 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?

2026 Work Plan

Policy Topics or Decisions	**Status**
1. Sustainability: Exec Limit or Ends?	In progress
2. OLTF	
3. (FYI: Millage decision likely in FY2027)	

Topics of Board Education

Education Topics
1. Local Funding: How it Works
2. *Millage Decision Prep* ○ *CEO Context (Timeline, LRP, recommendation)* ○ Post Pandemic Ridership Trends & *Utilization of Services* ○ *Owner Preferences: Taxes & Additional Services*
3. Fare Study Scope Presentation
4. Artificial Intelligence
5. Transit Service & Land Use Plan
6. Library of General Education Topics on Website
7. *CEO's new Ends Interpretations*

Board of Director's Meeting Minutes

Meeting Date/Time: July 16, 2026 - 6:00pm – 8:30pm

Location: Riverside Arts Center (4th Floor) - Virtual via Zoom

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

Chairwoman Mozak called the meeting to order at 6:00pm

1. OPENING ITEMS

1.1 Approve Agenda

No additions or changes noted to the agenda.

Mr. Miller motioned to approve the agenda, seconded by Mr. Chang.

No discussion on the motion.

All in favor of approving the agenda:

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

The motion to approve the agenda passed unanimously.

1.2 Public Comment

Delisa Brown – TWU President / MCO – shared that morale is low with employees and service is being impacted negatively.

Timothy Burroughs – Local resident - spoke in support of TWU, a fair contract for workers and ensuring workers feel valued at the organization.

Althea McGlory – MCO for 12 years – spoke in support of TWU employees and the work they do to ensure the organization is run efficiently and positively impacts the local ridership.

Dirk Mayhew – spoke in support of free fare on election days and has been meeting with other local entities to raise financial support for the idea.

Kristin Howard – resident of Ypsilanti Township and business owner – expressed frustration that her tax dollars go to support a transit system she cannot access due to living outside the service area zone.

David Kastner – AFSCME local president – spoke in support of TWU and the need for a fair contract and conclusion to labor negotiations.

Lakesa Thornton – Ypsilanti Township Trustee – spoke in support of TWU and a fair contract.

Richard Stahler Sholk – Washtenaw County resident – spoke in support of transit operators who are in negotiations for a fair contract.

1.3 General Announcements

No general announcements.

2. CONSENT AGENDA

2.1 Board Meeting Minutes: June 18, 2026

2.2 Committee Meeting Summaries

2.3 FY27 Committee/Board Meeting Dates & Alternative Meeting Location Dates

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

No discussion on the motion.

All in favor of accepting the Consent Agenda:

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

The motion to accept the Consent Agenda passed unanimously.

3. EMERGENT ITEMS

3.1 Closed Session (Pursuant to 8(c), 8(d) of OMA)

Chairwoman Mozak took a roll call vote to go into Closed Session pursuant to 8(c) and 8(d) of the Open Meetings Act, the closed session is for strategy connected with the negotiation of a collective bargaining agreement.

Vote to go into closed session (Yes/No response):

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

The Board unanimously voted to go into closed session at 6:30pm.

Vote to move out of closed session (Yes/No response):

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

The Board unanimously voted to move out of closed session at 7:33pm.

4. OWNERSHIP LINKAGE

4.1 OLTF

No new updates from Mr. Chang.

4.2 OLTF Committee or Task Force

The board continued the discussion on whether OLTF should be a designated committee or continue as a task force. Board members discussed various ideas for implementing a more strategic approach with a task force/committee. Chairwoman Mozak will be contacting the Governance consultant, Sue Radwan, to ask about educating the board on policy governance guidance for communicating with moral and legal owners.

5. MONITORING / DEVELOPMENT

5.1 Monitoring: Governance Process Policies (3.0-3.5)

Board members reviewed and there was no additional discussion related to the survey responses. Board members feel the Board is doing well overall.

6. POLICY

6.1 Policy Language Discussion (if needed)

N/A

6.2 Policy Language Review 3.5.1.1

Chairwoman Mozak provided an update on the Governance Committee review of the word "solely" in policy 3.5.1.1. The Governance consultant provided guidance on keeping the word as it is used as a goal for the Board to work toward. The committee recommends that the Board not make any changes to the policy wording. No further Board discussion.

7. BOARD EDUCATION / DISCUSSION

7.1 Local Funding Presentation

Ms. Reed provided an educational overview of local funding for transit services (Board packet, pg.57). Board members discussed impacts of millage revenue and renewals, inflation challenges, and the importance of local funding as there are potential risks associated with state and federal funding.

8. OPERATIONAL UPDATES

8.1 Final Business Plan

Mr. Carpenter shared that the annual Business Plan has been completed and is posted on the website.

8.2 Draft Budget Preview

Ms. Reed presented the FY27 budget preview which included information on the budget process and current projections (Board packet, pg.70). She shared that the projected balanced budget includes operating at full service levels, no fare changes and cost pressure management. The preliminary operating budget projects $77.3M Revenues and $76M Expenses. She and the finance team continue to work to finalize assumptions, and a draft version of the budget will be presented to the Board in August.

8.3 Legislative Updates

Mr. Carpenter shared that the State of Michigan passed their annual budget with a note that LBO funding was slightly lower than had originally been expected. There has been no movement at the federal level on reauthorization.

8.4 CEO Report

Mr. Carpenter shared that a draft scope of the fare study will be provided in the near future as a Board Education topic. He also discussed downtown projects on 4th Street and the Y Lot.

9. CLOSING ITEMS

9.1 Action Item Recap

- Discuss OLTF: Committee or Task Force in August
- Chairwoman Mozak – contacting Governance Consultant Sue Radwan on education on public interfacing with a policy governance framework

- Finance staff will provide Board with millage adjustment examples
- Governance Committee will review/discuss future agenda ordering

9.2 Topics for Next Meeting

Draft Budget Presentation
Public Hearing RE: Budget
FY26 Q3 Financial Report
Policy Manual Mock-Up
OLTF: Committee or Task Force

9.3 Public Comment

No public comment.

9.4 Adjournment

Mr. Chang motioned to adjourn the meeting, seconded by Mr. Barr.
There was no discussion on the motion.

All in favor of adjourning the meeting:

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

Chairwoman Mozak adjourned the meeting at 9:20pm.

Respectfully Submitted by Deborah Holt

Governance Committee Meeting Notes

Meeting Date/Time: Thursday, July 23, 2026, 3:00pm – 5:00pm

Members: 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

Chairwoman Mozak called the meeting to order at 3:02 pm

1. OPENING ITEMS

1.1 Agenda (Additions, Approval)

No additions or changes noted to the agenda.

1.2 Communications

No new communications.

2. BOARD DEVELOPMENT

2.1 Recruitment / Training / Attendance

Chairwoman Mozak noted that all Board seats are now filled and training opportunities for PG Bootcamp in October have been shared with Board members.

2.2 OLTF & Linkage Opportunities

Mr. Chang shared information he and Mr. Carpenter had put together for a more strategic approach with linkage opportunities for Board member outreach within their respective communities. The committee discussed purposeful ways for Board members to interact with municipalities. Next steps will be Mr. Chang reaching out to several Board members who've expressed interest in OLTF outreach and then update the entire Board. Chairwoman Mozak will contact Board members to confirm who will be on the OLTF.

3. POLICY MONITORING & DEVELOPMENT

No policy monitoring or development discussion.

4. EDUCATION

4.1 Ypsilanti Board Seat

Mr. Carpenter shared updates on a recent City of Ypsilanti resolution – a discussion ensued with committee members.

5. STRATEGY & OPERATIONAL UPDATES: CEO

5.1 Draft Budget Update

Ms. Reed provided a brief update on the status of the draft budget process. She shared that more details are emerging about LBO funding, and official communication is expected before the final budget is presented to the Board. No committee discussion.

5.2 POSA Briefing

Mr. Carpenter shared updates on the status of the POSA review (in progress) and an upcoming meeting is scheduled with a neighboring municipality. The committee discussed potential impacts to future agreements with municipalities.

5.3 Negotiation Updates

Mr. Carpenter and Ms. Reed shared a brief update on the status of negotiations.

5.4 Legislative Updates

Mr. Pfeifer shared a brief update on the state budget and updates on the upcoming elections in August. At the federal level, there are no updates on reauthorizations, but staff are still monitoring the status of earmarks.

6. EMERGENT ITEMS

No emergent items.

7. CLOSING ITEMS

7.1 Committee Agendas

Service Committee – No changes to the agenda.

Finance Committee – No changes to the agenda

Board Meeting – An alternative agenda format was presented with educational topics moving higher in the agenda and closed session moving to the bottom of the agenda. The committee determined that Board Education / Discussion remain at 7.0 and Closed Session move under 9.0 Closing Items - no other changes noted.

7.2 Action Item Recap

- Mr. Chang will reach out to Board members interested in OLTF linkage outreach and will provide an update to the entire Board at the August Board meeting.
- Chairwoman Mozak will contact Board members to confirm who will be participating on the OLTF.
- Mr. Carpenter will contact legal council.
- No changes to Service / Finance Committee. Board agenda will move closed session to the bottom of the agenda under Closing Items with no other changes.
-

7.3 Topics for Next Meeting

Budget Update

Future:
~~Ownership Linkage Education~~
Governance Training Options
Vice Chair Succession Planning (Summer)
POSA Update

7.4 Adjournment

Chairwoman Mozak thanked the committee and staff and adjourned the meeting at 4:33pm.

Respectfully Submitted by Deborah Holt

Service Committee Meeting Notes

Meeting Date/Time: Tuesday, August 4, 2026, 3:00pm – 5:00pm

Members Present: Simi Barr (Chair), Rich Chang, Jesse Miller, Praveena Ramaswami
Members Absent: Susan Pollay (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 3:02 pm

1. OPENING ITEMS

1.1 Agenda (Additions, Approval)

Mr. Chang requested the addition of information about the upcoming fare study and free election day fares be added to the end of agenda (or as a topic for next month if time doesn't permit).

The committee determined to adjust the agenda with Free Fare for Election Day & Environmental Sustainability: EL/Ends moved to 4.5 and 4.6.

1.2 Communications

No new communications.

2. POLICY MONITORING & DEVELOPMENT

2.2 Environmental Sustainability: EL/Ends

** Moved to 4.6

3. EMERGENT ITEMS

3.1 Ypsilanti Board Seat

Mr. Carpenter shared updates on a recent City of Ypsilanti resolution – committee members discussed the update.

4. STRATEGY & OPERATIONAL UPDATES: CEO

4.1 Draft Budget

Ms. Reed shared updates on the budget process timeline and the status of draft budget – staff are currently reviewing final totals for revenues and expenses and budget initiatives. The draft budget will be shared with the Finance Committee and then presented to the Board at their August meetings.

4.2 POSA Briefing

Mr. Carpenter provided updates and preliminary information after the review of POSA contracts to provide service for several local municipalities. The committee discussed the various aspects of POSA's.

4.3 Negotiation Update

Mr. Carpenter shared updates on the Negotiation process and upcoming meetings.

4.4 Legislative Update

Mr. Pfeifer provided information on current election races that are being watched – he will be sending the Board a post-election recap. The state budget has been signed by the Governor with LBO funding of around 30%. He is continuing to monitor DOT reauthorization funding.

4.5 Free Fare for Election Day

After recent public comments related to offering free election day fares, the committee discussed the logistics/viability with offering free fares on election days. The topic had been discussed prior to the November 2024 elections – staff had provided a feasibility report for consideration to the Governance Committee in 2024, but the conversation had stalled. The committee determined to wait until more information is provided from the upcoming Fare Study.

4.6 Environmental Sustainability: EL/Ends

The committee will defer this topic to the next Service Committee meeting.

5. EDUCATION

No educational topics to discuss.

6. CLOSING ITEMS

6.1 Action Item Recap

- Staff will put together POSA speaking points for board members
- Mr. Carpenter will recirculate a 2024 issue brief on Free election day fares with the committee
- Add Environmental Sustainability: EL/Ends to the September Service Committee agenda

6.2 Topics for the Next Meeting

FY26 Q3 Service Report
Environmental Sustainability: EL/Ends

Future:
State Street Transit Signal Feedback
Draft Fare Study Scope
SMART free student ridership program

6.3 Adjournment

Mr. Barr thanked the committee and staff and adjourned the meeting at 5:03pm.

Respectfully Submitted by Deborah Holt

Finance Committee Meeting Notes

Meeting Date/Time: Tuesday, August 11, 2026, 3:00pm – 5:00pm

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

Members Absent: Travis Gonyou (Excused)

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

Location: REMOTE – Via Zoom

Mr. Allemang called the meeting to order at 3:02 pm

1. OPENING ITEMS

1.1 Agenda (Additions, Approval)

No changes or additions noted to the agenda.

1.2 Communications

No new communications.

2. POLICY MONITORING & DEVELOPMENT

None.

3. EMERGENT ITEMS

3.1 Ypsilanti Board Seat

Mr. Carpenter provided an update on a recent City of Ypsilanti resolution – he and committee members discussed the update.

4. STRATEGY & OPERATIONAL UPDATES: CEO

4.1 FY26 Financial Report

Ms. Reed shared an overview of the FY26 Q3 Financial report with a note that the organization is trending above budget on revenues and under budget on expenses. This is attributed to slightly higher state operating assistance percentages and favorable interest rates for investments income. Expense savings were driven primarily by vacant positions, lower than anticipated fringe benefits and transportation costs that were lower than projected.

Reserve balances have not been used but remain stable.

4.2 Draft Budget

Ms. Reed provided the draft FY2027 budget book for the Finance Committee to review before it is presented to the Board. She noted that the draft budget is balanced with sufficient revenue to cover expenses. At the August Board meeting, she will be presenting a detailed version of the draft budget which will include information on revenues / expenses and capital planning. She fielded several questions from the committee related to budget planning.

4.3 POSA Briefing

Mr. Carpenter and the committee discussed updates related to preliminary information gathered after a review of POSA contracts for services to several local municipalities.

4.4 Negotiation Update

Mr. Carpenter and Ms. Reed provided updates with the ongoing negotiation process.

4.5 Legislative Update

Mr. Pfeifer shared a brief post-primary recap on local, state and federal primary results.

5. EDUCATION

None.

6. CLOSING ITEMS

6.1 Action Item Recap

No action items.

6.2 Topics for Next Meeting

Budget
Financial Planning & Budgeting (2.4)
POSA Updates
Negotiation Updates
Draft Fare Study Scope

6.3 Adjournment

Mr. Allemang thanked the committee and staff and adjourned the meeting at 5:04 pm.

Respectfully Submitted by Deborah Holt

Agenda Item: 3.1

FY2027 Draft Operating and Capital Budget

Meeting: Board of Directors

Meeting Date: August 20, 2026

INFORMATION TYPE

Other – Financial Update

RECOMMENDED ACTION(S)

Receive for information

ISSUE SUMMARY

This issue brief presents a draft of the FY2027 budget before a recommended budget will be presented to the Board in September. The draft budget is balanced, which means that revenues are sufficient to cover expenses without deficits during the fiscal year. Preliminary discussions in August and September will help ensure support for the recommended budget, which is to be presented for Board adoption in September.

BACKGROUND

AAATA staff developed this draft FY2027 operating and capital budget that 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 will be held at this August 20th Board meeting. Final approval will be sought in September.

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

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 to approve the annual budget (Policy 3.2.7)

ALTERNATIVE OPTION(S)

- Financial planning and budgeting are legally required, required by Board policy, and essential; there is no prudent alternative.

ATTACHMENTS

FY2027 Draft Budget Book

Agenda Item: 6.1

Board Policy Manual: Graphics Mock-Up

Meeting: Board of Director's

Meeting Date: August 20, 2026

INFORMATION TYPE

Provide Feedback

RECOMMENDED ACTION(S)

Consider a draft of the policy manual that includes graphics. Provide feedback and direction.

ISSUE SUMMARY

The Board's Policy Manual is the crucial document used to govern the agency and includes all formal instructions to the CEO.

To make the Manual and Policy Governance easier to use, the CEO produced a mocked-up version for discussion that incorporated graphics and flow charts for the Board' s consideration. Any element can be changed, deleted or new ones added. No policies are to be changed. This mock-up is for discussion only. Only the Board can make changes to the manual.

The Governance Committee reviewed and felt the idea held promise. They are seeking feedback from the full Board.

BACKGROUND

There is potential to make the Manual more useful and accessible for new Board members and the general public.

IMPACTS OF RECOMMENDED ACTION(S)

- Budgetary/Fiscal: N/A
- Social: N/A
- Environmental: N/A
- Governance: May help with ongoing board education.

ALTERNATIVE OPTION(S)

Retain current manual with no graphical additions.

ATTACHMENTS

1. Manual Mock-Up (Separate PDF)

TheRide
Ann Arbor Area Transportation Authority

Agenda Item: 8.1

FY2026 Q3 Financial Statement

Meeting: Board of Directors

Meeting Date: August 20, 2026

INFORMATION TYPE

Other – Financial Update

RECOMMENDED ACTION(S)

Receive for information

ISSUE SUMMARY

Staff presents the preliminary Third Quarter Financial Statements with currently available and reportable financial information for the period ending June 30, 2026.

BACKGROUND

Year-to-date financial highlights at the end of the third quarter (October 2025 to June 2026) include:

- TheRide is operating within budgeted operating expenses.
- TheRide has a $6.3 million favorable net variance, operating actuals to budget, at the end of Quarter 3 in FY2026.
- Revenues were $3.2 million higher than budget. State operating assistance exceeded budget because MDOT set the LBO reimbursement rate higher than anticipated during the FY26 budget process. Investment income continued to outperform conservative assumptions and property tax revenue remained ahead of budget, while passenger fares ran modestly below budget.
- Expenses were $3.1 million below budget, driven primarily by vacant positions, lower-than-anticipated fringe benefits, and purchased transportation costs that have aligned with lower than forecasted demand. Additional savings on contracted services and utilities also contribute. Fuel, materials and supplies are running above budget due to diesel prices being impacted by the Strait of Hormuz disruption, along with tariff and inflation cost pressures on repair parts.
- The projected balances for the three board-approved reserves have not been used and remain stable. Reserve balances are as follows: operating reserve at $12.9 million or 2.3 months, based on the FY26 third quarter expenses, capital reserve of $33.3 million, vehicle damage reserve at $1 million, and insurance reserve at $0.5 million.
- Cash flow was adequate to cover expenses; cash and investments at the end of Q3 2026 were $62.7 million in cash and investments.

PRIOR RELEVANT BOARD ACTIONS & POLICIES

- Budgetary/Fiscal: Demonstrates financial performance for the reporting period
- Governance: Supports Board in financial oversight/fiduciary responsibility

ALTERNATIVE OPTION(S)

- N/A

ATTACHMENTS

FY2026 Q3 Financial Statements (Income Statement and Balance Sheet)

TheRide
Ann Arbor Area Transportation Authority

Income Statement

For the Period Ended June 30, 2026

Q3 Financial Statement

Revenue and Expense (Budget to Actual)

($ in thousands)

BLACK = FAVORABLE
RED = UNFAVORABLE

REVENUES	Actual Quarter 1	Actual Quarter 2	Actual Quarter 3	Actual Quarter 4	Actual YTD	Budgeted YTD	Budget Variance $	Budget Variance %
Fares and Contracts	$1,925	$1,883	$1,892	$0	$5,699	$5,399	$300	5.6%
Local Property Taxes	10,412	10,925	10,668	-	32,005	31,236	769	2.5%
State Operating Assistance	5,224	5,223	5,282	-	15,730	14,215	1,514	10.7%
Other Federal Programs	241	206	202	-	649	992	(343)	-34.6%
Other Revenues	899	606	667	-	2,173	1,234	938	76.0%
Total Operating Revenues	**$18,701**	**$18,843**	**$18,711**	**$0**	**$56,255**	**$53,076**	**$3,179**	**6.0%**
EXPENSES								
Salaries, Wages, Benefits	$9,211	$9,017	$9,206	$0	$27,434	$29,378	1,944	6.6%
Purchased Transportation	3,061	3,329	3,361	-	9,751	10,427	676	6.5%
Fuel, Material, Supplies	1,703	1,827	2,172	-	5,703	5,302	(401)	-7.6%
Contracted Services	1,470	1,328	1,144	-	3,941	4,414	473	10.7%
Other Expenses	980	1,021	1,042	-	3,043	3,453	410	11.9%
Total Operating Expenses	**$16,424**	**$16,521**	**$16,925**	**$0**	**$49,870**	**$52,973**	**$3,102**	**5.9%**
Surplus (Deficit)	**$2,277**	**$2,321**	**$1,786**	**$0**	**$6,384**	**$103**	**$6,282**	
Capital Reserve Transfer	-	-	-	-	-	-		
Operating Reserve Transfer	-	-	-	-	-	-		
OPERATING BALANCE	**$2,277**	**$2,321**	**$1,786**	**$0**	**$6,384**	**$103**		

TheRide has a **$6.3 million favorable net variance**, operating actuals to budget, at the end of Quarter 3 in FY2026.

Revenues were **$3.2 million higher than budget**. State operating assistance exceeds budget due to the MDOT LBO reimbursement rate being set higher than anticipated during the FY26 budget process. Investment income continues to outperform conservative assumptions, property tax revenue remains ahead of budget, while passenger fares are running modestly below budget.

Expenses were **$3.1 million below budget**, driven primarily by vacant positions, lower-than-anticipated fringe benefits, and purchased transportation costs which have aligned with lower than forecasted demand. Additional savings on contracted services and utilities also contributes to this favorable variance. Fuel, materials and supplies are running above budget due to diesel prices being impacted by the Strait of Hormuz disruption, along with tarriff and inflation cost pressures on repair parts.

YTD Revenue and Expense By Mode

($ in thousands)

DIRECT REVENUE	Fixed Route *Fixed Route Bus*	Demand Response *A-Ride*	Other Demand Response *FlexRide, GoldRide, NightRide*	Non-Urban *WAVE, Peoples Express*	VanRide *VanRide, Ride Sharing*	TOTAL
Fare Revenue	$2,486	$123	$218	$108	$0	$2,934
Contract Revenues	1,270	-	80	1,416	-	2,765
Advertising, Interest, Other	2,173	-	-	-	-	2,173
Federal Operating	-	-	-	593	56	649
State Operating	11,310	1,665	1,423	1,135	197	15,730
Total Direct Revenue	**$17,238**	**$1,788**	**$1,720**	**$3,251**	**$253**	**$24,250**
TOTAL EXPENSE						
Salaries, Wages, Benefits	$25,978	$1,120	$102	$160	$75	$27,434
Purchased Transportation	-	3,767	1,973	3,401	610	9,751
Fuel, Materials, Supplies	5,033	670	-	-	-	5,703
Contracted Services	3,740	141	-	59	-	3,941
Other Expenses	2,884	70	36	44	8	3,043
Total Operating Expense	**$37,635**	**$5,767**	**$2,111**	**$3,664**	**$693**	**$49,870**
Surplus (Deficit) from OPS	**($20,397)**	**($3,979)**	**($391)**	**($413)**	**($440)**	**($25,620)**
ALLOCATED REVENUE						
Local Property Taxes	$27,194	$3,979	$391	$0	$440	$32,005
Federal Pandemic Relief Funds	-	-	-	-	-	0
SURPLUS (DEFICIT):	**$6,797**	**$0**	**$0**	**($413)**	**$0**	**$6,384**

TheRide

Ann Arbor Area Transportation Authority

Q3 Financial Statement

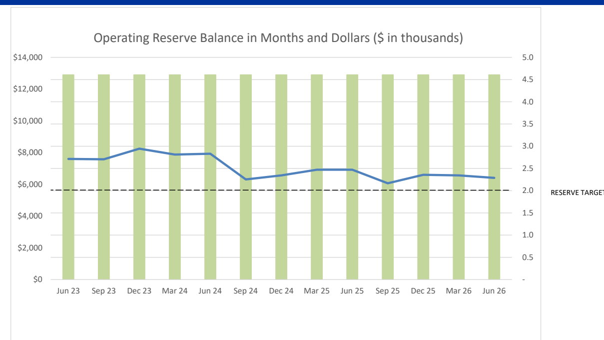
Balance Sheet

For the Period Ended June 30, 2026

Balance Sheet and Reserve

$ in thousands, with Prior Year comparison.

	Q2 2026 3/31/2026	Q3 2025 6/30/2025	Q3 2026 6/30/2026
ASSETS			
Cash	$43,408	$33,101	$42,480
Investments	20,045	19,583	20,198
Other Current Assets	34,031	34,861	35,979
Capital Assets	54,582	47,427	54,646
Total Assets	**152,065**	**134,971**	**153,304**
LIABILITIES	**7,142**	**4,666**	**6,878**
TOTAL NET POSITION	**$144,924**	**130,305**	**$146,426**
RESERVES:	Balances		
Capital	$33,260	$33,260	$33,260
Vehicle Damage	$1,000	$0	$1,000
Insurance	$500	$500	$500
Operating	$12,905	$12,905	$12,905
Months in Operating Reserve	**2.3**	**2.5**	**2.3**



Statement of Cash Flows ($ in thousands)

	FY 2023	FY 2024				FY 2025				FY 2026		
Historical Cash Flows	**Quarter 4**	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter 1**	**Quarter 2**	**Quarter 3**
Beginning Balance:	$41,537	$54,630	$51,875	$50,527	$50,527	$77,559	$72,076	$64,393	$52,683	$82,975	$79,216	$63,452
Cash Flow from Operations	12,832	(3,045)	(2,402)	(2,444)	24,474	(1,512)	(11,465)	(10,972)	27,217	(7,104)	(8,121)	1,368
Cash Flow from Capital	55	53	870	182	2,193	(4,109)	3,605	(1,002)	2,900	3,080	(7,665)	(2,296)
Cash Flow from Investments	206	237	184	171	364	138	178	264	175	265	21	153
Cash Flow:	**$13,093**	**($2,755)**	**($1,348)**	**($2,090)**	**$27,032**	**($5,483)**	**($7,682)**	**($11,710)**	**$30,292**	**($3,759)**	**($15,764)**	**($775)**
Ending Balance:	$54,630	$51,875	$50,527	$48,437	$77,559	$72,076	$64,393	$52,683	$82,975	$79,216	$63,452	$62,678

Q3 cash flow was negative at $0.8 million

The Statement of Cash Flows summarizes the amount of cash and cash equivalents entering and leaving AAATA during the reporting period. It measures how AAATA generates cash to fund its operating, capital, and investing needs. **Typically negative cash flow is normal for all quarters except the 4th quarter, when property tax receipts generate positive cash flow.** Cash outflow was much smaller than Quarter 2 of FY2026 because the federal grant drawdown for the bus replacement purchase, paid at the end of Q2, was received in April 2026.

Investments Summary

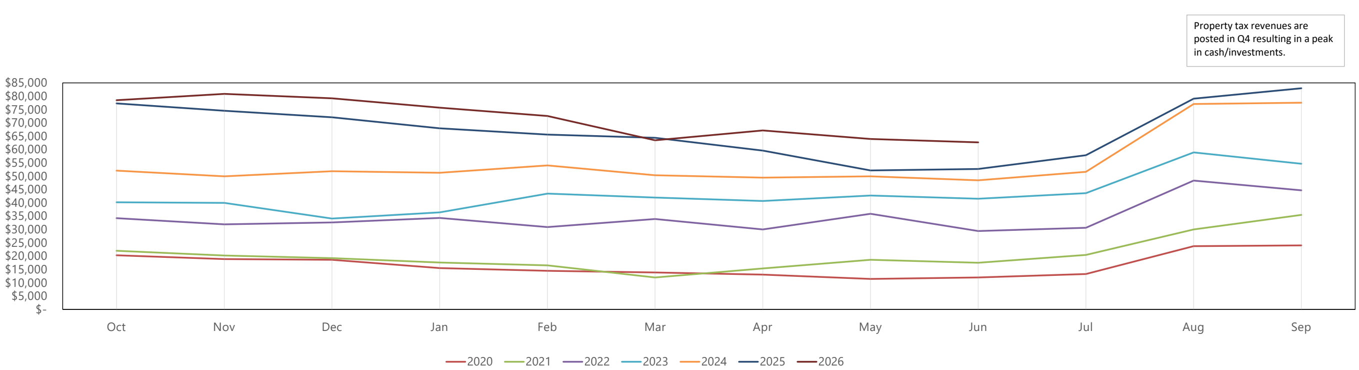
($ in thousands)

Investment Instrument	Date of Maturity	Interest Rate	Value on 3/31/2026	Transactions	Value on 6/30/2026
U.S. Agency Bond	4/24/2026	2.13%	1,000	(1,000)	0
U.S. Treasury Notes	10/31/2026	4.13%	0	1,300	1,300
U.S. Agency Bond	2/3/2027	1.63%	250	0	250
U.S. Treasury Notes	5/15/2027	4.50%	1,000	0	1,000
U.S. Treasury Notes	10/31/2027	4.13%	750	0	750
U.S. Agency Bond	11/1/2027	4.00%	2,500	0	2,500
U.S. Treasury Notes	11/15/2027	2.25%	2,200	0	2,200
U.S. Agency Bond	12/27/2027	4.25%	2,200	0	2,200
U.S. Treasury Notes	1/31/2028	3.50%	1,500	0	1,500
U.S. Agency Bond	2/24/2028	4.25%	1,400	0	1,400
U.S. Agency Bond	6/9/2028	4.00%	2,300	0	2,300
U.S. Treasury Notes	11/15/2028	3.50%	500	1,000	1,500
U.S. Treasury Notes	2/28/2029	4.25%	850	0	850
U.S. Agency Bond	4/9/2029	3.75%	0	1,000	1,000
U.S. Agency Bond	5/15/2029	6.25%	750	0	750
Money Market Funds	N/A	3.52%	2,802	(2,042)	760
Mark-to-Market Adjustment			43	(105)	(62)
Total Investments:			**$20,045**	**$153**	**$20,198**

FY2026 YTD Investment Gain *($ in thousands)*: **$440**

U.S. Treasury Bills, Notes, & Agency Bonds are short term bonds (several months to 10 years) backed by the Treasury Department of the U.S. Government. The rates shown for the current investments represent the gross yield-to-maturity rates (before the annual fee of .28%). An FDIC-insured cash sweep account or accounts that have balances above the FDIC insurance threshold are used for day-to-day working capital.

Cash and Investments History



Agenda Item: 8.3

CEO Report

Meeting: Board of Director's

Meeting Date: August 20, 2026

INFORMATION TYPE

Other

LONG-RANGE PLAN STATUS UPDATES

BLAKE TRANSIT CENTER RELOCATION & EXPANSION

The BTC is fully closed to the public and bus operations for the duration of nearby road construction, which is ideally scheduled to end in November 2026. Fourth Ave construction is progressing on schedule thus far, though the canopy installation timeline is still unfolding. Additional passenger amenities on 5th & Washington, including shelters with benches and lighting, and e-ink tablets with real-time departure information, were installed in July. AAATA's usual fall schedule will make some modifications to schedules and operations at Fifth & Washington, but boarding locations and most other infrastructure will remain the same.

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). Construction of the housing tower on the site began in early August and is expected to last at least through 2028. Modifications to TheRide's existing BTC platform will be necessary to accommodate the housing development and approved concept of the new platform. The next steps of design and site planning for the existing platform and planned expansion are underway, and an environmental review is progressing. The transit elements of the development will not be under construction until FY2028 or later.

YPSILANTI TRANSIT CENTER PLANNING

Staff continue their efforts to close on the two parking lot parcels adjacent to the existing YTC that AAATA will purchase for the new YTC. AAATA hopes to finalize the sale in the next couple of months. Staff also continue to move forward on design of the new YTC. In July, the Historic District Commission held a public hearing and further discussion on the demolition permit for the existing YTC. Ultimately, the permit was approved, which is an important first step in the permitting process to make this project a reality, though the timeline for demolition is unknown. HDC members also provided feedback on the materials and overall design of the YTC, which the project team are considering before returning to HDC in the fall. Staff are working with a construction manager (CM) to look at cost estimates for the latest design and construction phasing.

DEDICATED BUS LANES & BUS RAPID TRANSIT

As of July 2026, MDOT is pursuing the roadway design for the Washtenaw Avenue resurfacing project centered on the bus-lane alternatives. TheRide staff continue to work with MDOT staff on this possible reconfiguration of Washtenaw Avenue which would include a dedicated bus lane for outbound travel (southeast direction) from South University to Tuomy Rd. and dedicated bus lanes for both directions from Tuomy Rd. to Stadium Blvd. The project is scheduled for implementation in 2027. More information about the project, including survey responses, can be found here: https://www.michigan.gov/mdot/projects-studies/i-94-bl-repaving-ann-arbor

OPERATIONAL UPDATES

FARE STUDY

Staff work continues to develop the initial draft scope for the study of fares and fare collection technology. Once an initial draft is ready, it will be shared with the Board for feedback.

PUBLIC COMMENT FOLLOW-UP

Staff and Board member Pollay continue to meet with advocates for free fares for unhoused.

BUS OPERATOR COUNT/MCO CLASSES

AAATA's current operator count is 202, with a class of 7 to begin training on August 18th. Yearly operator refresher training is ongoing and will end on August 14th.

LOCAL ADVISORY COMMITTEE (LAC)

The LAC meetings have been cancelled for July and August. They will be reconvened on September 8th, 2026.

ANN ARBOR CITY COUNCIL

Staff were set to present to city council on August 17th, but due to a scheduling conflict, the date has been changed to September 7th

TRANSPORTATION COMMISSION (ANN ARBOR)

The Commission met on July 15, received a presentation on the City's capital planning process, the potential for a cross walk on State Street couth of Eisenhour Parkway.

WATS POLICY COMMITTEE UPDATE

The July WATS Policy Committee meeting was cancelled.

EMPLOYEE RECOGNITION & COMMUNITY ENGAGEMENT

MCO GOES ABOVE AND BEYOND

MCO Ray went out of his way to help a visually impaired rider get to their destination: https://theride-my.sharepoint.com/:v:/g/personal/lhargrave_theride_org/IQCWYzr8CSijTLinO4b-Z8b5AXnesy8yxq5qdzrgMTlEUZg?referrer=Outlook.Desktop&referrerScenario=email-linkwithembed

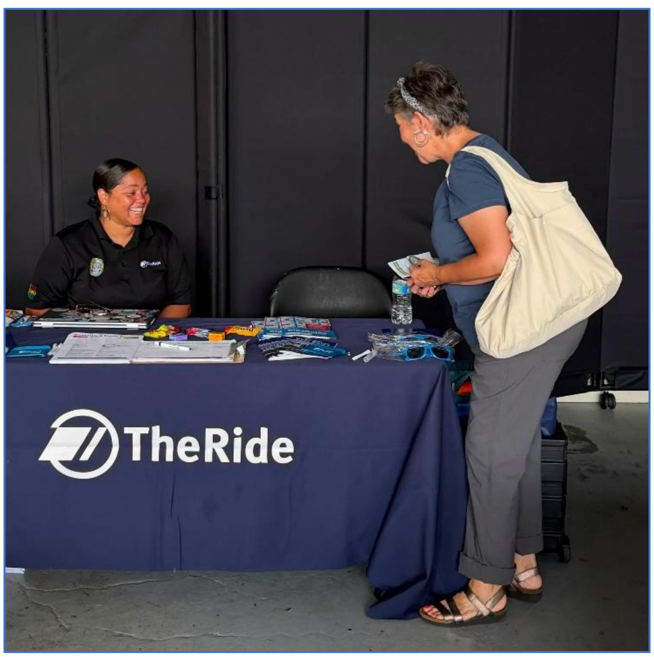
EMPLOYEE ANNIVERSARIES AND RETIREMENTS

TheRide recently celebrated Facilities Supervisor Bill Fowler's retirement after 35 years of service with TheRide.

TheRide additionally recognized Facilities Technician Joel Grimm's 20th work anniversary.

WASHTENAW SHOP WITH A COP
Once again this year, TheRide supported the Washtenaw Sheriff's department with their annual Shop with a Cop Program by providing transportation to participants.

DISABILITY NETWORK ADA CELEBRATION
TheRide attended the Disability Network's ADA Celebration on July 25th. Staff were present with a table and resources to connect with community members on accessible services.



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

There were no contracts over $250k executed in July.

TheRide

OPERATING & CAPITAL BUDGET

Draft Budget

Fiscal Year 2027

2027

Growing

for the

Future

ANN ARBOR AREA TRANSPORTATION AUTHORITY

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

This Budget presentation is an award winning document which reflects the commitment of the Board of Directors and staff to meeting the highest principles of governmental budgeting. TheRide's budget consistently satisfies nationally recognized guidelines for effective budget presentation, including how the document serves as a policy document, a financial plan, an operations guide, and a communication device. TheRide was presented the Distinguished Budget Award for its *Operating and Capital Budgets* for four consecutive years, which is a significant achievement. Although the award was not pursued for the last few fiscal year budgets, all elements and criteria that earned this award are still present in this FY2027 Budget document. New GFOA requirements are being evaluated for incorporation into future budget documents. We anticipate applying for this award again in the near future.

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 FY2027 (2027) Draft Operating and Capital Budgets:

- **About the Ride** and **Letter from the CEO and CFO** provide information about the agency and an introduction to the budget document.
- The **Executive Summary** provides a high-level summary of the budget.
- The **Introduction** will orient the reader to the overall direction, strategic goals, and executive limitations established by TheRide's Board, as well as the budgeting schedule and process.
- **The State of TheRide** establishes financial context, discusses the challenges, opportunities, and priorities for developing the budget, and presents ridership performance.
- The 2027 Budget summarizes the operating and capital budgets for FY2027 and presents financial forecasts for subsequent years.
- **Impacts of the 2027 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 2027, 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 total budgeted expenses are approved by the Board. 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.

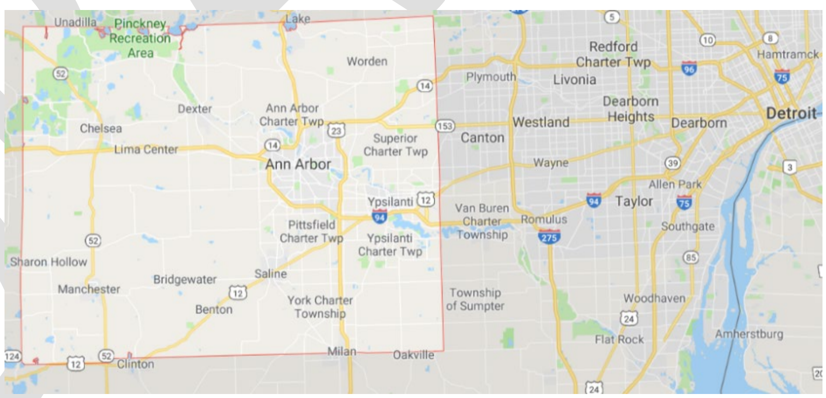
Table of Contents

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.



Washtenaw County, Michigan

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

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

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

Board of Directors

Kathleen Mozak, Chair

Michael Allemang, Treasurer

Jesse Miller, Secretary

Travis Gonyou, 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

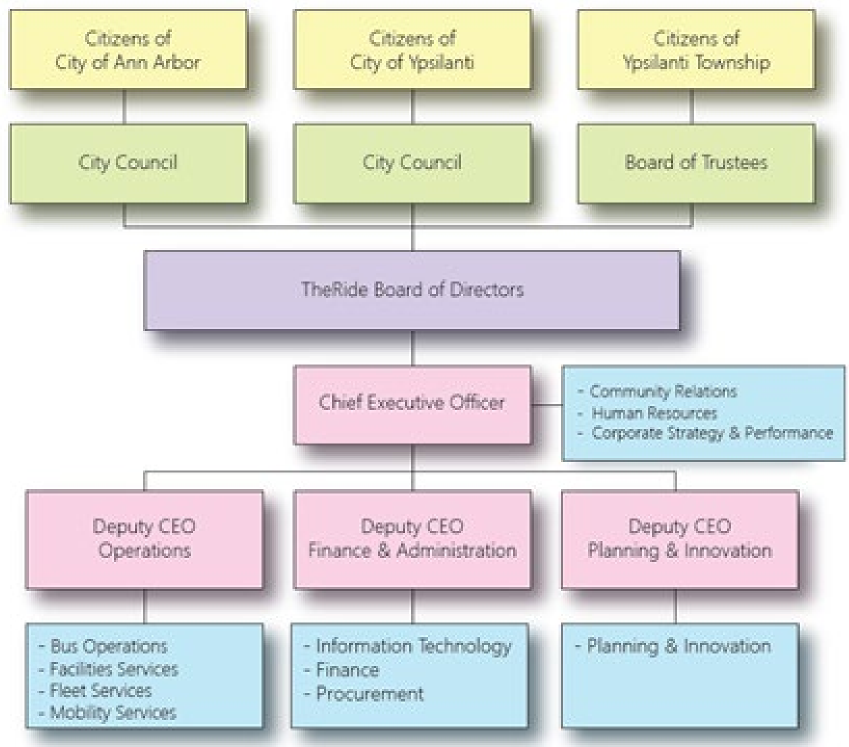
Executive Team

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

2. Letter from the CEO and CFO

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

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

August 20, 2026

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to submit for review the Draft FY2027 Operating and Capital Budgets (the budget) to be reviewed by the Board of Directors on August 20, 2026.

In FY2027, TheRide will continue delivering the full range of services our community relies on while advancing the strategic priorities in our Corporate Business Plan: excellence in service delivery and customer retention, attracting new riders, and continuous improvement. The budget maintains current service levels, holds fares unchanged, and carries forward the major capital investments outlined in our Long-Range Plan. It reflects reasonably conservative financial assumptions and positions the agency to remain financially stable while we prepare for the strategic work ahead.

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 FY2027 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 changed. Before the pandemic, our focus was on internal improvements within a stable external environment. Today our internal operations are stronger, and the external environment is less predictable. Political conflict at the state and federal levels creates risk for our largest funding partners, along with the potential for funding cuts or macroeconomic disruption. Ridership growth and security remain high priorities.

To 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 preparation for a less certain future. The FY2027 Corporate Business Plan outlines initiatives for the next twenty years, with some projects carried forward from FY2026. The updated business plan assumes more economic uncertainty over the next few years and places greater emphasis on risk management. The plan also gives the Board, staff, and the public an opportunity to discuss priorities before the budget process adds further detail. We expect to maintain all current services in FY2027, with no fare increases, 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

The Draft Budget shows the revenue and expense assumptions needed to maintain current services and fund initiatives that advance the Board's Ends. The assumptions are reasonably conservative and are presented alongside future projections, consistent with the budget materials already reviewed by the Finance Committee and Board during the FY2027 cycle. The outlook for the budget is stable, supported by the existing millage, in place through FY2028.

The Operating Budget

Operating Budget Initiatives

Prioritization is necessary when organizations balance ambitious goals with limited resources. Leadership can set priorities in advance or allow them to emerge through daily decisions. Prudence suggests that the Board and CEO set clear areas of focus to guide effective and transparent decisions.

This year's Business Plan states the CEO's categories explicitly. The Ends are grouped into Core Services, Ridership Growth, and Value Added. The draft budget maintains existing services while preserving capacity to fund Board priorities as they are finalized through adoption.

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 mission starts with the daily rider experience, where over 90 percent of our resources support reliable service. Sustaining high-quality experience for current riders is the most effective way to expand our reach and our impact on the community. Retaining riders is the foundation for attracting new ones.

   i. Serving Low-Income Residents (1.3.1) - People who are not able to drive, occasionally or at all, due to income limitations
   ii. Serving All People Irrespective of Limitations (1.3.2) - People with disabilities, impairments, seniors, minors, youth, non-English speakers, and visitors
   iii. Economic: Workers, Students, Residents (1.2) - Every worker, student, or resident we serve achieves social and economic mobility for personal betterment
   iv. Customer Satisfaction and Feelings of Safety (1.3.3, 1.2.1) - Descriptive qualities of an attractive transit service, not outcomes themselves

The budget also provides funding for Ridership Growth Priorities. These priorities address growth and system advancement to increase our reach and ridership (1.2): expanding services and infrastructure, building on policy-driven demand, and integrating our service area with a broader range of mobility options. The specific execution of most ridership growth efforts is outlined in the Long-Range Plan.

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

Operating Budget Summary

This balanced budget funds TheRide's highest priorities. Direct funding for transportation services makes up over 75 percent of total expenses.

Key assumptions include:

- Full current service levels maintained, consistent with the FY2027 Business Plan transition year
- Property tax revenues at the voted 2.38 mills applied to updated taxable values, with the millage in place through FY2028
- Higher state operating assistance based on MDOT's preliminary FY2027 distribution rate
- Inflationary impacts
- No fare changes
- Ridership consistent with FY2026 levels
- No reliance on capital funding for operations

The budget is balanced when revenues are equal to or greater than expenses. The FY2027 budget is balanced.

The Capital Budget

Capital Budget Initiatives

The largest costs in the FY2027 capital budget are construction of the Ypsilanti Transit Center, redesign of the Blake Transit Center, planning for a new bus garage and bus rapid transit, and continued investment to keep the fleet and facilities in a state of good repair.

a. Ypsilanti Transit Center Construction (Business Plan initiative 12) - Construction of the new transit center begins in FY2027, the largest single capital investment in the budget at $14.7 million, supported by dedicated federal awards including Congressionally Directed Spending and Section 5339 discretionary funds.
b. Blake Transit Center Construction (Business Plan initiative 13) - The Blake Transit Center platform must be redesigned to efficiently accommodate the loss of bus bay capacity on Fourth and Fifth Avenues and future service expansion. FY2027 funding continues design and early site work.
c. Bus Garage Planning Studies (Business Plan initiative 14) - With the operational expansions planned through the Long-Range Plan, TheRide continues assessing the need for expanded storage and maintenance capacity to accommodate expanded service and fleet requirements.
d. Bus Rapid Transit Planning Studies (Business Plan initiative 15) - The Washtenaw Avenue corridor carries the highest and most continuous ridership between downtown Ann Arbor and downtown Ypsilanti. FY2027 funds continue analysis and early design toward a bus rapid transit service.

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 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 collaboration with stakeholders, TheRide intends to create and improve bus lanes to make transit more attractive and efficient relative to other modes. Fully dedicated bus lanes will require collaboration with municipal, County, and State partners on changes to the streetscape.

Capital Budget Summary

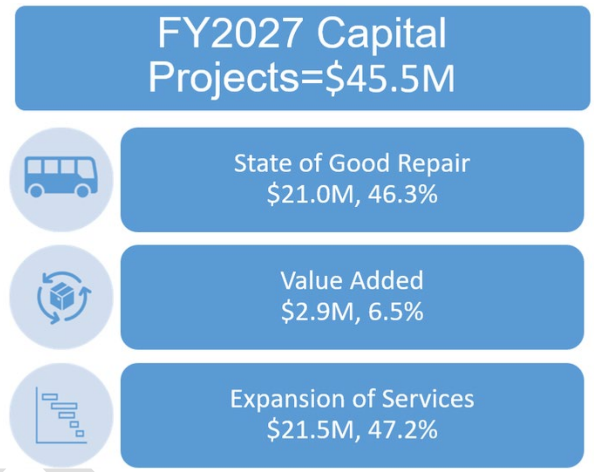
This balanced budget provides funding to execute on TheRide's highest priorities. A majority of the capital budget is focused on improvements and redevelopment of TheRide's two passenger terminals and transit facilities, along with state of good repair for buses and facilities. Highlights of the capital budget are:

- Architecture and design services for both the Ypsilanti Transit Center and the Blake Transit Center, and the first year of construction for the Ypsilanti Transit Center

- Replacement buses and support vehicles needed to provide services and comply with the Transit Asset Management (TAM) Plan

- Administration office improvements and ongoing facility maintenance at Dawn Gabay Operations Center

- Facility planning, design, and site recommendations for a future bus maintenance and storage facility

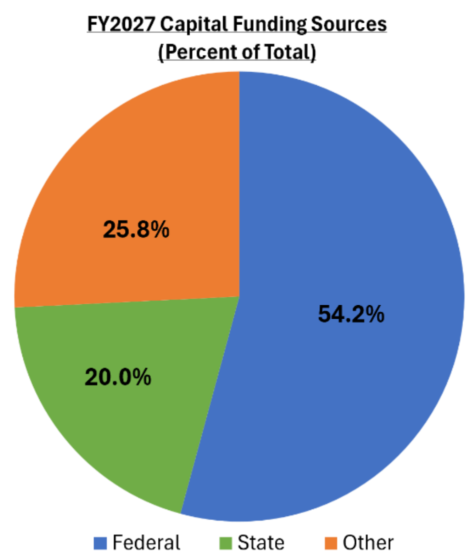


- Planning and design for future Bus Rapid Transit (BRT) services on Washtenaw Corridor

Additional descriptions of expansion and value-added projects are described in the Capital Budget Initiatives section.

The capital budget is fully funded for FY2027 with no use of capital reserves. Federal formula grants, primarily Section 5307 urbanized area and Section 5339 bus and bus facilities grants fund 53.8 percent of budgeted expenses. The required state match, provided through the Comprehensive Transportation Fund, funds 20% of budgeted expenses.

Other funding of 26.2 percent of the capital budget includes Congressionally Directed Spending (formerly known as earmarks) and Section 5339 discretionary grants dedicated to design and construction of the new Ypsilanti Transit Center.



The Budget Recap

The FY2027 Budget is currently in draft form, and further adjustments are likely to occur until presentation of the Proposed Budget to the Board in September. The budget is developed throughout spring and summer 2026, and budget objectives are consistent with the budget introduction in June, the preliminary budget preview in July, and quarterly financial reports reviewed presented to the Board. Operating revenues exceed operating expenses, with a small balance reserved for initiatives currently under review for next fiscal year, and contingency for unknown changes that will occur throughout the budget projection period. These amounts are not available for new spending because they are generated by short-term fluctuations, not predicted to be a structural, sustainable revenue source. Key budget risks outlined below will be monitored throughout the fiscal year and managed within the approved budget.

- State Operating Assistance is budgeted to increase over FY2026. The urban Local Bus Operating (LBO) reimbursement rate is budgeted at 29.9393%, the revise-up illustration MDOT published alongside its preliminary FY2027 rates. Funding for public transportation in the FY2027 State of Michigan budget is not yet finalized. MDOT guidance informs the rate used here, and the final reimbursement percentage could differ from the assumption in this budget.
- Union contract negotiations for a new Collective Bargaining Agreement (CBA) are ongoing and outcomes are uncertain.
- Changes in interest rates or inflation from current assumptions could affect interest income, as well as costs for fuel, materials, and supplies.

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2027 will bolster the organization against the risks of uncertainty ahead. The audited FY2025 financial statements confirm this position. The following are key strengths that may mitigate risks:

- No known risks of service reductions or lay-offs in 2027
- Capacity 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 FY2027 Budget provides a comprehensive plan for delivering the full range of services our community relies on while advancing the following strategic priorities in our Corporate Business Plan: excellence in service delivery and customer retention, attracting new riders, and continuous improvement.

4. Introduction

Budget Introduction

The FY2027 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 7-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 the second full 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 an increase 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 FY2027 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 and six-year operating and ten-year capital projections.

In summary, the budget provides reasonably conservative assumptions to maintain current services and fund initiatives important to advance the Boards Ends. The FY2027 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 transportation services. Highlights of the FY2027 Draft Operating and Capital Budget are:

- Overall operating expenses are $78,083,404 and $45,472,586 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 FY2027:
    - Design work for both the Ypsilanti and Blake Transit Centers
    - Final Design, Planning and the first year of Construction for the Ypsilanti Transit Center
    - Replacement and rehabilitation of fixed-route buses
    - Capital maintenance for Dawn Gabay Operations Center
    - Development and deployment of Intelligent Transportation System (ITS) replacement

Corporate Strategic Plans

The FY2027 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-2026, key focus areas are ridership growth, funding stability, and macroeconomic disruptions. Transit agencies like TheRide are now focusing on service adjustments to meet evolving needs, while also addressing challenges in recruiting and retaining essential staff. Despite the external environment challenges of federal policy and predictability of macroeconomic fluctuations, internally TheRide has never been stronger or more resilient as Michigan continues to be extremely supportive of public transit both at state and local levels. The budget includes funding for the full schedule of transportation services, and initiatives referenced in the FY2027 Corporate Business Plan.

Financial Executive Limitations Policies

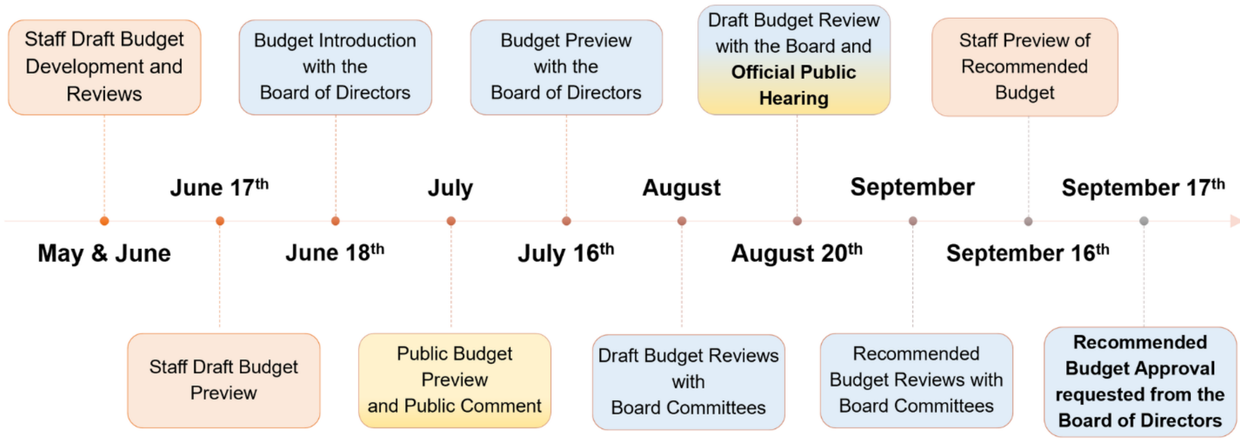
TheRide's Board of Directors controls and directs the organization with approved policies. The Board Policy Manual is available on TheRide's website. Many of the policies have direct impacts on shaping the annual budget. For example, the Board has set clear limitations upon Financial Planning and Budgeting (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 20 meeting. The public input period began in August, and the official public hearing, as required by state law, will be held during the August 20 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 2027 will begin October 1, 2026, with the newly adopted budget.

5. The State of TheRide

Financial Condition

TheRide is financially stable and is expected to remain so through FY2027 and for the duration of the approved millage. The current fiscal year is tracking favorably against budget, consistent with the quarterly financial reports presented to the Finance Committee. 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 FY2027
- 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 record of strong audit results, including another successful financial statement audit for 2025. The FY2027 budget preserves that position and continues the practices that produced it.

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, the cash and investment accounts used day to day are supported by debt, unearned revenue, and other obligations yet to be paid. This balance sheet condition can lead to financial instability, reduced flexibility, and a limited ability to use available funding sources.

TheRide currently maintains a positive fund balance coupled with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2027. 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 FY2027 Operating Budget on the fund balance is discussed in the Impacts of the 2027 Budget, Section 7, on page 47.

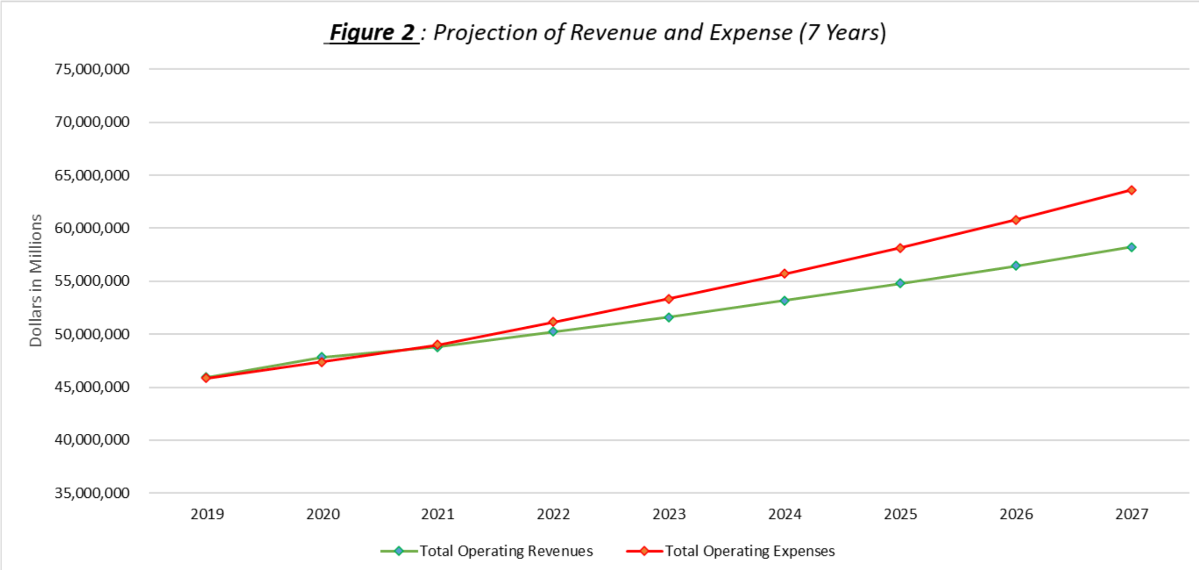
Current Millage Provides Longer-Term Financial Stability

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

Previous budgets were balanced by using federal formula funding, which is intended primarily for capital investments, to support operations. Federal formula funding is the agency's primary source of available capital funding to maintain assets in a state of good repair, meet federal requirements, and invest in other capital projects. Using this funding for operations reduces the funding available to purchase new buses, maintain and improve facilities, and invest in other capital and expansion projects. Even with federal formula funds used for operations, projections in 2019 showed operating deficits growing from $190,000 in FY2021, or 0.4% of budgeted expenses, to more than $5.4 million in FY2027, or 8.5% of total costs. The projections showed that TheRide needed another solution to address the structural deficit, and that federal formula funding could not sustain ongoing 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)



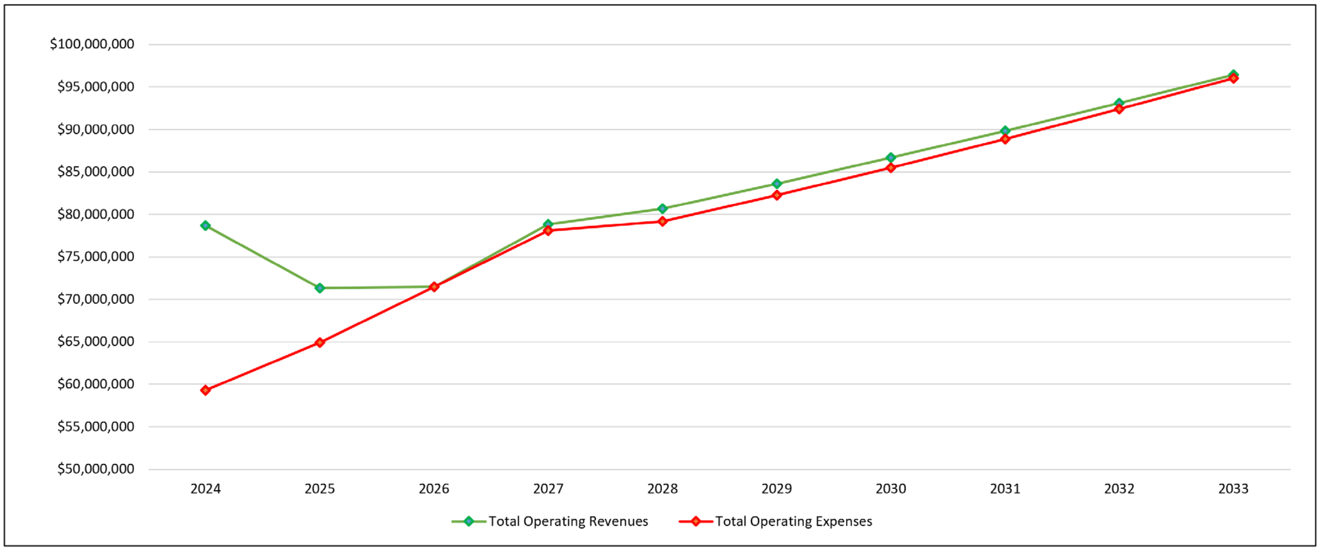
In early FY2020, cost control measures were under way. When the pandemic emerged, TheRide's financial situation became more precarious, and immediate cost saving measures were needed, including service suspensions and layoffs affecting 42 employees. Those pandemic-related changes, together with federal relief funding, provided immediate relief for FY2021, and in FY2022 TheRide returned to full service. The remaining federal relief funding renewed financial stability and provided funding for a balanced budget through FY2024. These actions delayed the pre-existing structural deficit from 2021 to 2024, and they did not resolve it. One-time federal funding provided short-term relief. It could not sustain ongoing operating costs.

The need to refocus on the structural deficit became more urgent as the 2018 property tax millage approached its scheduled expiration in 2023. As the emergency phase of the pandemic stabilized, TheRide prioritized recovery and future service needs. Work on the long-range plan accelerated, and staff developed new projections for key operating drivers and budget impacts.

With a vision for future service and continued transparency about operating budget projections, staff developed a millage proposal to address both needs. The Board and voters in our communities supported the proposal, which was approved on August 2, 2022. The millage proposal funded the structural deficit, re-established federal capital funding that had been supplementing the operating budget and provided funding for the first phase of the long-range plan, which improves service to our communities.

This achievement changed TheRide's financial position. The projection of revenues and expenses, for the first time in years, showed that TheRide had secured funding to improve transportation services and support commitments to our communities. The new millage began in 2024 and funds fiscal years 2025 through 2029. Expanded services began in August 2024 and continue today. As shown in Figure 3, TheRide is expected to provide services as promised and maintain financial stability throughout the seven-year projection period to fiscal year 2033.

Figure 3: Current Projection of Revenues and Expenses (7 years, as of FY2027)



Total operating revenues are projected to exceed expenses through the current levy horizon, with a nominal surplus in FY2027 held below the line. That amount is not available for new spending. State Operating Assistance is budgeted at an urban Local Bus Operating reimbursement rate of 29.9393%. Growth in local property tax revenue, supported by the millage and rising assessed values, provides the durable base for this stability at the current 2.38 mill rate. The millage is levied through 2028, which funds operations through FY2029. Continued funding for the services it supports, beyond that horizon, will depend on voter approval of a renewal.

Throughout the forecast period, expenses are expected to grow with inflation in wages, healthcare, fuel, and parts, and with the full-year cost of millage-funded service. Revenues are anticipated to stay ahead of expenses through the 2028 tax levy horizon, consistent with Board policy. Funding for any additional services not currently provided or stipulated in the current millage proposal, and funding for current service levels beyond 2028, will need to be addressed through future millage renewals or other funding sources.

We have delivered results in recent years, and that success carries a responsibility to provide the services promised and manage public resources prudently. Financial stability will be maintained through effective financial controls, disciplined stewardship of organizational resources, and decisions consistent with Board policies.

Financial Opportunities

TheRide's budget for fiscal year 2027 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
- Fund continuous improvements that improve the quality of services and efficiencies

Ensuring adequate operating reserves 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. They buffer the agency from unexpected costs and disruptions to revenues. Without adequate reserves, the agency risks insolvency from changes beyond our control or from emergencies such as extreme economic conditions, sudden ridership losses, or 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:

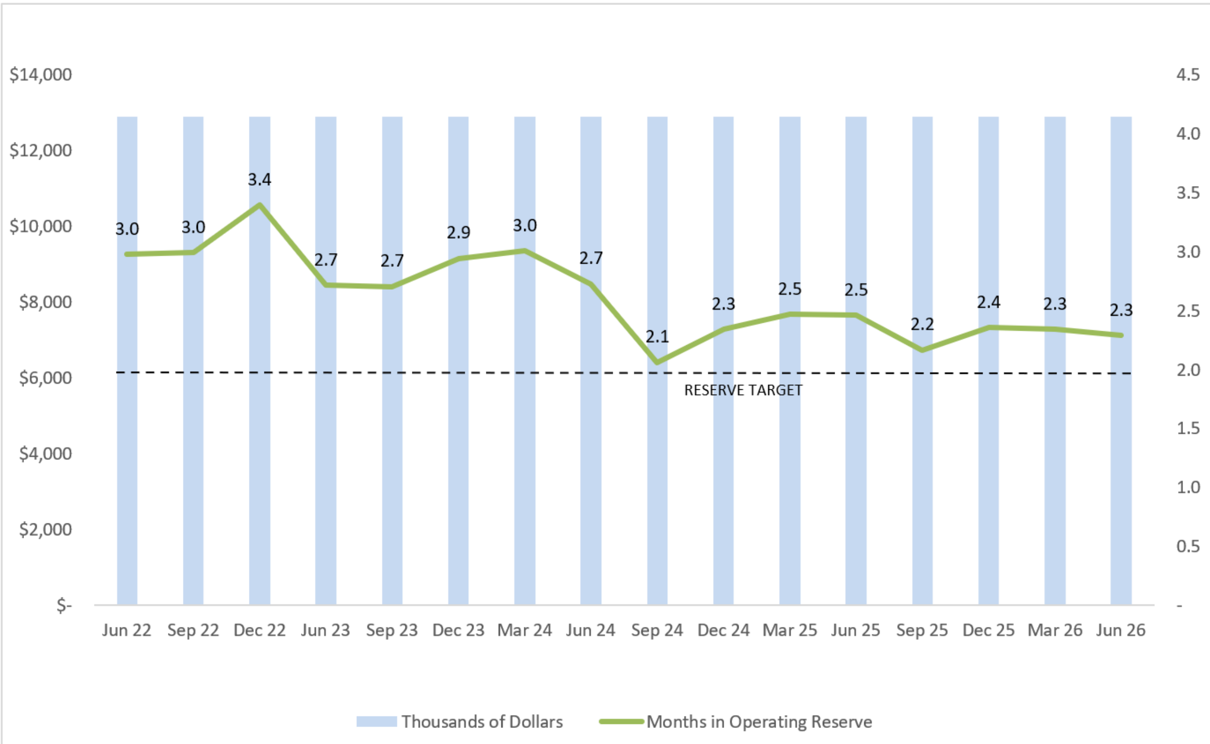
- Operating reserve, with a target of 2.0 months of operating cash, aligned with GFOA guidance
- Capital reserve, which requires Board approval before funds are used (Board Policies 2.5.7, 3.2.12)
- Worker's compensation insurance reserve of $500,000
- Vehicle damage reserve of $1,000,000

Operating Reserve

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 determined 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. 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.

Due to the pandemic and associated federal relief funds, the operating reserve cash position improved in FY2021 and remains strong, as shown in Figure 4 on the following page. Operating reserve projections are included in Impacts of 2027 Budget, Section 7, on page 46.

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



Worker's Compensation Insurance Reserve

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

Vehicle Damage Reserve

The vehicle damage reserve was established at the start of FY2026 in lieu of physical damage insurance that was expensed annually but never used in practice. The reserve is funded at $1,000,000, sized to replace one large bus in the event of a total loss. The vehicle damage reserve is fully funded.

Capital Investment Focus

Our capital plans balance maintaining current assets with investments in future expansions. The FY2027 budget includes funding for facility improvements and state of good repair needs for vehicles, equipment, and other assets. 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, facility renovations are a focus of the 2027 capital budget. These improvements include the redevelopment and construction of enhanced facilities at the Ypsilanti and Blake Transit Centers. Capital budgeting also includes resources for a bus maintenance and storage facility, 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 cost efficiency and service quality for A-Ride, GoldRide demand response, and FlexRide demand response (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 gauge how frequently our services are used and to understand the value of those services to stakeholders. Ridership projections are developed by analyzing historical trends, evaluating impacts of service changes, considering local and national trends, and aligning with long-term projections. Ridership is a key driver used to estimate passenger fare revenues and other revenues and expenses, as described in the key budget assumptions for operating revenues and operating expenses in Section 6, 2027 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 common comparison metric for mid-sized and large public transportation agencies. Because fixed-route service makes up most ridership, it is also 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 6 on page 26, monthly fixed-route ridership trends turned mixed during FY2026 after a strong first year of expansion-driven growth. Ridership has run below the pace assumed in the FY2026 budget. The FY2027 operating budget reflects conservative assumptions, planning for ridership to hold near current levels rather than assuming continued growth.

Figure 5: Annual Fixed Route Ridership

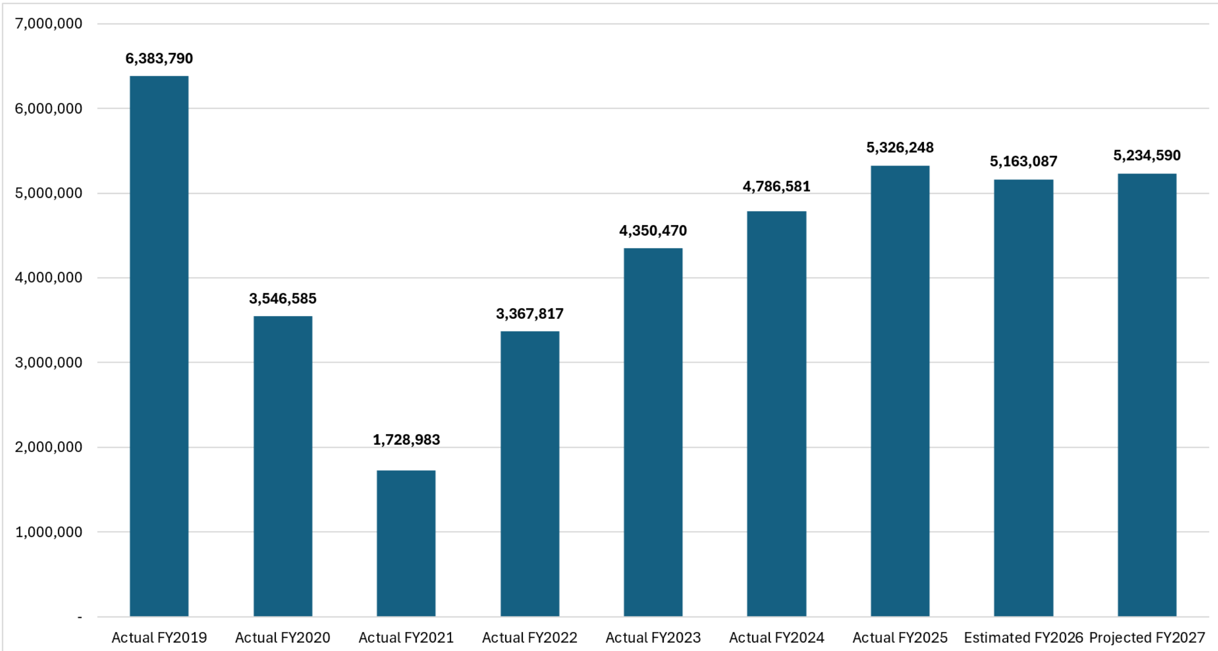
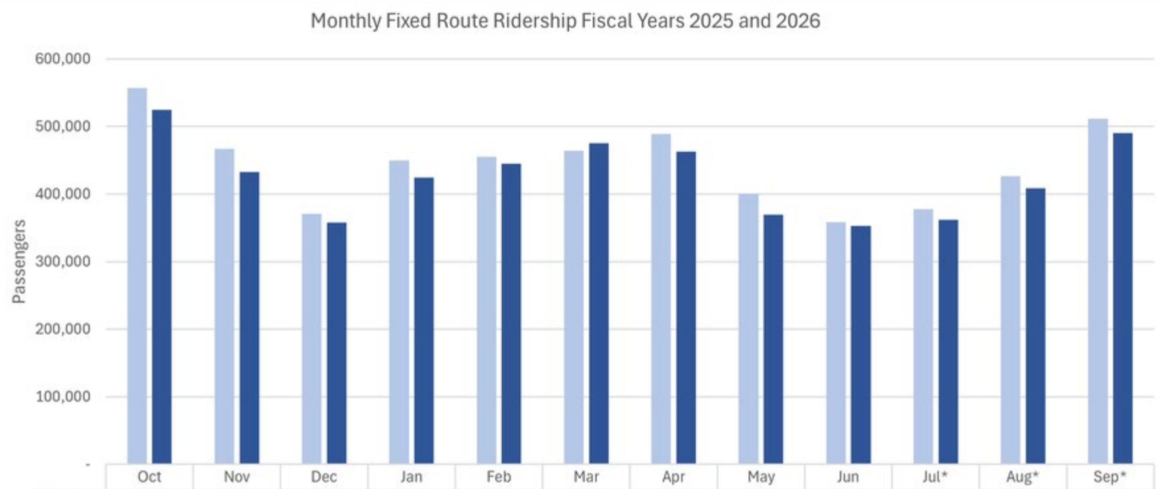


Figure 6: Monthly Fixed Route Ridership



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul*	Aug*	Sep*
FY2025	556,838	467,172	370,615	449,790	454,952	463,889	488,656	400,318	358,405	377,551	426,247	511,551
FY2026	524,348	432,899	358,043	424,441	445,282	475,313	462,982	369,438	353,237	362,051	408,748	490,550

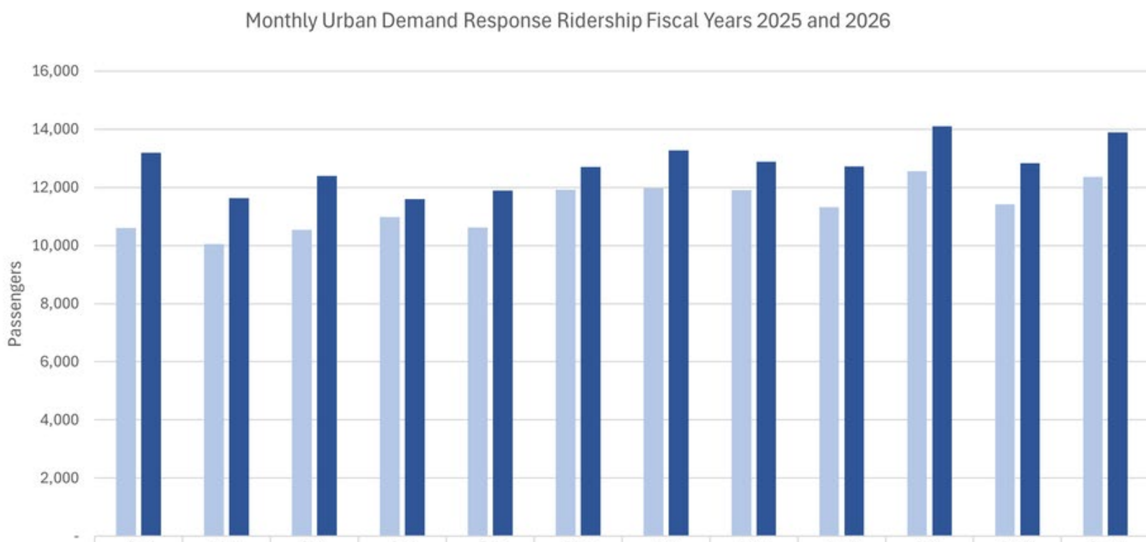
*Projected for FY2026

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 running 10% to 15% higher year-over-year in FY2026, continuing the growth trend that began with the FY2025 service expansion, when ridership rose 13% over FY2024 (131,656 passengers, up from 116,372). The growth is concentrated in NightRide and HolidayRide, where ridership has gone up considerably year-over-year. A-Ride ridership, by comparison, is roughly flat. A comparison of total ridership for all demand response services combined is 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*
FY2025	10,606	10,052	10,540	10,985	10,617	11,914	11,972	11,896	11,313	12,549	11,422	12,365
FY2026	13,184	11,627	12,400	11,603	11,882	12,694	13,275	12,877	12,713	14,102	12,835	13,895

**Projected for FY2026*

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. A-Ride ridership has remained roughly flat through FY2026, in contrast to the strong growth in TheRide's microtransit services.

Figure 8: A-Ride Ridership

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul*	Aug*	Sep*
FY2025	8,191	7,258	7,149	7,433	7,404	8,104	8,130	7,920	7,528	7,551	7,303	7,714
FY2026	8,478	6,924	7,160	7,046	7,483	8,081	7,818	7,314	6,941	7,346	7,105	7,505

**Projected for FY2026*

6. 2027 Budget

Budget Overview

The following sections outline the FY2027 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 FY2027 Budget include:

- Full services for fixed-route and paratransit services
- Third full year of millage supported expanded services
- Property taxes and State Operating Assistance (LBO) represent 86% of operating revenues
- Higher state operating assistance based on MDOT's preliminary FY2027 distribution rate
- Anticipates no fare changes
- Balanced operating and capital budgets

In addition, the FY2027 budget continues to advance capital initiatives already underway in recent years. The FY2027 capital program totals $45,472,586 and includes:

- Replacement and rehabilitation of fixed-route buses and support fleet
- Architecture and design work for the Ypsilanti and Blake Transit Centers
- Commencement of construction for the Ypsilanti Transit Center
- Implementation of the Intelligent Transportation System (ITS) replacement
- Additional value-added facilities projects at Dawn Gabay Operations Center

Operations Overview

In FY2027, TheRide will maintain full, millage-supported service levels for the entire year. The organization remains focused on serving existing riders while continuing to build ridership on the network expanded in FY2025. The FY2027 budget takes a conservative approach to ridership growth, reflecting the mixed ridership trends experienced during FY2026, and prioritizes stable, reliable service.

The following tables present vehicle revenue hours (hours in service) and ridership, with comparisons between FY2025 actual performance and projections for 2026 and 2027, which are the basis for assumptions in the budget.

Figure 9: Projected Vehicle Revenue Service Hours

Service Hours	Actual FY2025	Projected FY2026	Budget FY2027	% Change (2027 vs. 2026)
Local Fixed Route	320,255	319,213	318,392	-0.3%
Urban Demand Response	79,633	81,834	82,073	0.3%
Total Service Hours	**399,888**	**401,047**	**400,465**	**-0.1%**

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

Figure 10: Projected Ridership

Ridership	Actual FY2025	Projected FY2026	Budget FY2027	% Change (2027 vs. 2026)
Local Fixed Route	5,326,248	5,163,087	5,234,590	1.4%
Urban Demand Response	135,587	152,512	156,522	2.6%
Total Passenger Trips	**5,461,835**	**5,315,599**	**5,391,112**	**1.4%**

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

Operating Budget

The following tables and charts show the elements of the FY2027 Operating Budget. FY2026 is tracking favorably against budget. In FY2027, operating revenues total $78,838,459, up 10.3% from the FY2026 budget. Operating expenses total $78,083,404, up 9.2% from the FY2026 adopted budget of $71,477,067. Expense growth reflects full-year millage-supported service levels and cost increases across wages and benefits, repair parts and contracted maintenance services, and fuel.

Operating revenues are 10.3% higher than the FY2026 budget, driven by growth in both major funding sources. Property tax revenue is budgeted at $44,369,124, up 6.5%, anchored to the 2026 county tax rolls at the 2.38 mill levy authorized through the summer of 2028. State Operating Assistance is budgeted at $23,672,320, of which $21,713,178 is the urban Local Bus Operating allocation at MDOT's 29.9393% distribution rate for FY2027. Fares are budgeted at $3,995,030 with no fare increase.

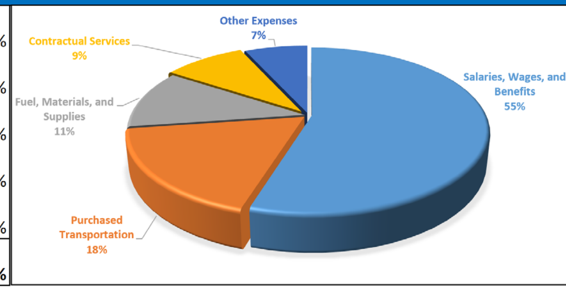
The FY2027 budget produces an operating surplus of $755,055, held below the line as contingency. No surplus is transferred to TheRide’s reserves or fund balance during the fiscal year. Further details of operating budget expenses and revenues, as well as multi-year comparisons, are highlighted in this section of the budget document.

Operating Expenses

As illustrated in Figure 11, FY2027 Operating Expenses are budgeted at $78.1 million, 9.2% higher than FY2026.

Figure 11: FY2027 Operating Expenses (with FY2026 Comparison)

Operating Expenses	FY2026	FY2027	Change $	Change %
Salaries, Wages, and Benefits	$ 39,656,741	$ 42,828,982	$ 3,172,241	8.0%
Purchased Transportation	13,902,463	13,979,866	77,403	0.6%
Fuel, Materials, and Supplies	7,069,011	8,936,564	1,867,554	26.4%
Contractual Services	5,885,173	6,993,102	1,107,929	18.8%
Other Expenses	4,963,679	5,344,889	381,210	7.7%
Total Operating Expenses	**$ 71,477,067**	**$ 78,083,404**	**$ 6,606,337**	**9.2%**



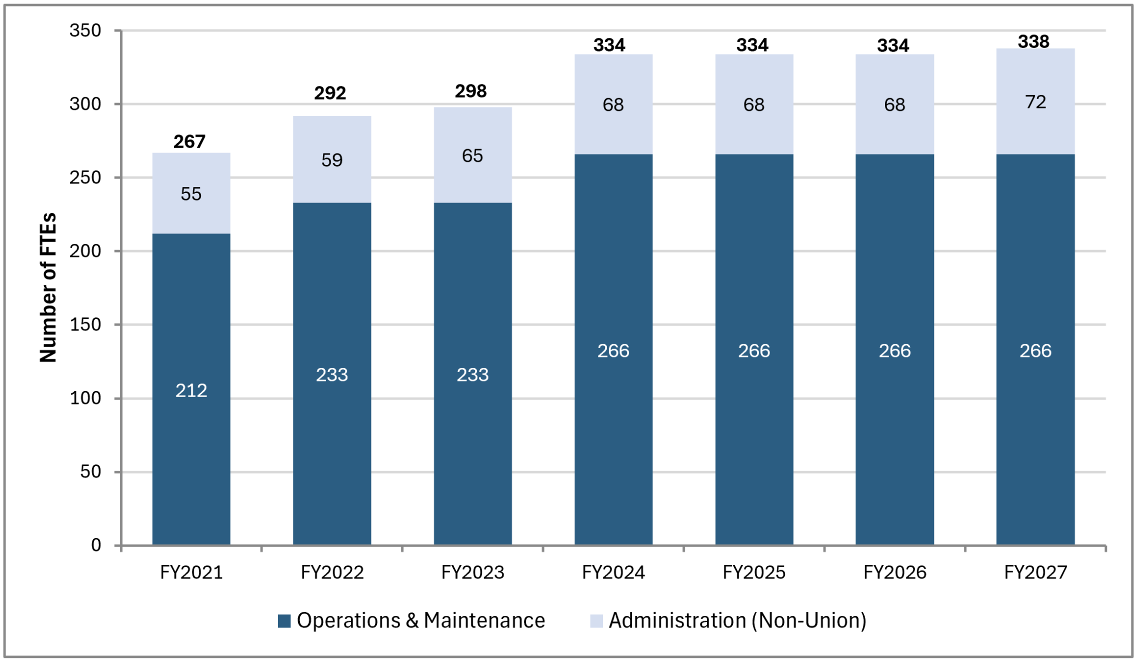
Descriptions of expenses and key budget assumptions are as follows:

Expense growth in FY2027 reflects full-year millage-supported service levels and cost increases in wages, healthcare, and purchased transportation, offset in part by higher state operating assistance distribution and property taxes.

- *Salaries and wages* reflect planned staffing levels for the next fiscal year. Union contract negotiations are ongoing and outcomes are uncertain. Pension costs increase in line with the actuarially determined contribution for AAATA's defined benefit plan. Healthcare costs are budgeted with the assumption of the same premium increase incurred in calendar year 2026 repeating itself in 2027. The January 2027 renewal was pending at the time this budget was drafted and will be trued up once rates are confirmed.

  Figure 12 on the following page illustrates full-time employee staffing levels from FY2021 through FY2027. FY2027 budgeted staffing remains at full-year funded levels for all millage-supported positions. Staffing levels can change from time to time as the agency reviews and adjusts how resources should be prioritized to gain efficiencies and improve resource alignment to effectively achieve organizational objectives. Positions are reviewed annually by the Executive Team, including new position requests which are evaluated through the budget initiative process and reviewed in context of multi-year projections to maintain fiscal accountability. Approved changes are incorporated into the budget as budgeted funds allow. For FY2027, four additional positions are being added to the budget to support both operational sustainability (2 positions, one for fleet services and one for operations training) and technology improvements and growth (2 positions in preparation for additional technology investments on the horizon). The Draft Budget includes funding for positions as illustrated in this figure and associated benefits.

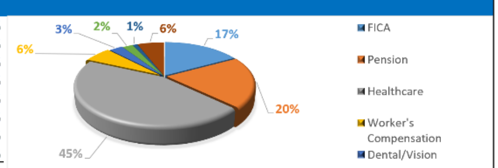
Figure 12: Full-Time Employee (FTE) Staffing Levels FY2021 to FY2027



- *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 13.0% over the FY2026 budget, driven by healthcare and by the pension and payroll tax costs that move with wages. Workers compensation is budgeted below its FY2026 level and dental/vision growth is held to 3.7 percent, based on favorable premium and claims experience. Assumptions and explanations for the key drivers are provided below.

Figure 13: Employee Benefits Summary

Type of Employee Benefit	FY2026	FY2027	Change $	Change %
FICA	$ 2,036,973	$ 2,244,452	$ 207,478	10.2%
Pension	2,413,234	2,658,972	245,739	10.2%
Healthcare	4,891,043	5,889,911	998,869	20.4%
Worker's Compensation	832,441	797,630	(34,810)	-4.2%
Dental/Vision	371,385	385,187	13,802	3.7%
Disability (Short/Long Term)	288,131	303,825	15,694	5.4%
Life Insurance	133,217	140,513	7,296	5.5%
Other*	705,722	774,719	68,997	9.8%
Total Employee Benefits	**$ 11,672,146**	**$ 13,195,210**	**$ 1,523,064**	13.0%



*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 at 6.20% and 1.45% respectively. The budget is consistent with projected changes in the Social Security wage base ($184,500 in calendar year 2026 with an inflation adjustment assumption) and applied to approved headcount.

- Pension expenses are based on contractual (union) or established rates (non-union) for eligible employees. Consistent with that, 9% of eligible wages are assumed in the budget.
- Healthcare expenses are budgeted 20.4% above the FY2026 budget. The January 2027 renewal was still open when this budget was prepared, so the increase reflects the same

increase experienced in calendar year 2026. The budget is subject to adjustment once the renewal is confirmed.

  - TheRide self-insures for workers compensation. The budget is 4.2% less than FY2026 budget to adjust for updated trends in claim reductions in the current fiscal year. The Workers Compensation Reserve remains fully intact, has not been needed to supplement costs, and the budget is sufficient to cover expenses for FY2027.

- *Purchased transportation* expenses are budgeted at $13.9 million for FY2027, up 0.6% from the FY2026 budget. While demand for contract costs in aggregate are trending below FY2026 levels, the budget conservatively reflects similar costs to allow for fluctuations in demand for the upcoming fiscal year. Changes in service providers (GoldRide service shifting from Via to MV in January 2027) may affect improve efficiency and change demand trends compared to this fiscal year.

  Additionally, sub-recipient purchased transportation for WAVE and People's Express is budgeted at current contracted levels. Revenues for these services are passed-through and the overall impact of these expenses to TheRide nets to zero,

- *Fuel, materials, and supplies* expenses, shown in Figure 11, are increasing 26.4% over the FY2026 budget. Diesel fuel and gasoline are budgeted at $3.9 million, up 35.7%, priced at $4.05 per gallon (the average delivered price since the February spike). The August Short-Term Energy Outlook revised wholesale diesel prices upward, supporting the assumption.

  Another major cost in this line item is for vehicle repair parts, which are budgeted at $2.4 million. Increases in vehicle repair parts (including remanufactured and rebuilt engines) are causing expenses to rise, and for next fiscal year the agency will need more replacement engines than average to properly maintain the fleet for fixed-route buses. The average age of the fleet has increased; a delayed effect of buses being parked due to temporary service reductions during the pandemic. Revenues are available to increase investment in replacement engines ensuring buses remain operational and can be efficiently maintained through their full useful life (12-14 years).

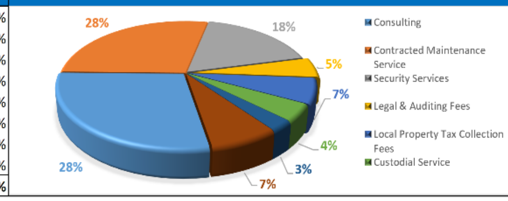
  The balance of the category covers materials, supplies, tires, and lubricants at levels consistent with FY2026.

- *Contractual services* expenses are budgeted at $6.9 million for FY2027, 18.8% above the FY2026 budget. The increase predominantly reflects higher contracted maintenance to support necessary repairs to TheRide’s fleet. While much of the work on TheRide’s fleet is completed in-house, it is supplemented by contracted vehicle maintenance, primarily for heavy maintenance. The ongoing base sits ten percent above the FY2026 budget to keep maintenance timely on an aging fleet, and a one-time provision covers vendor engine and transmission installations if failures require them.

  Other notable contractual services include security services, legal services, and consulting for studies associated with the Corporate Business Plan. Security services are budgeted in accordance with the security services contract, which are primarily consistent year-over-year. All legal services for TheRide are paid through consulting contracts as there are no in-house counsel; the primary contracts are labor consulting and general counsel. Consulting contracts for initiatives in the budget include the fare study, and an update to the long-range plan to assess progress and maintain alignment with the Board's Ends. Figure 14 illustrates the different categories within this line item, and more detail is provided below.

Figure 14: Contractual Services Summary

Type of Contractual Service	FY2026	FY2027	Change $	Change %
Consulting	$ 1,506,500	$ 1,964,320	$ 457,820	30.4%
Contracted Maintenance Service	1,214,826	1,960,899	746,073	61.4%
Security Services	1,208,427	1,238,847	30,420	2.5%
Legal & Auditing Fees	346,650	354,516	7,866	2.3%
Local Property Tax Collection Fees	438,323	455,855	17,533	4.0%
Custodial Service	299,375	305,000	5,625	1.9%
Agency Fees	182,414	188,391	5,977	3.3%
Other	688,658	525,274	(163,384)	-23.7%
Total Contracted Services	**$ 5,885,173**	**$ 6,993,102**	**$ 1,107,929**	**18.8%**



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

- Security Services are rising 2.5% in accordance with the security services contract. The FY2026 security review continues to guide operational improvements that keep riders and staff safe.

- "Other" contractual services are decreasing 23.7% from the FY2026 budget. The main budgetary reduction in this line item is due to planned reductions in temporary staffing support, which is being reduced by approximately $240,000 year over year. AAATA staff with operational assistance as needed to maintain service levels, address workload surges, and ensure continuity in essential functions. These costs fluctuate due to benefits from operational efficiencies and short-term needs for additional staff during periods of staff turnover. Improvements in both are reducing the need for planned temporary staff next year.

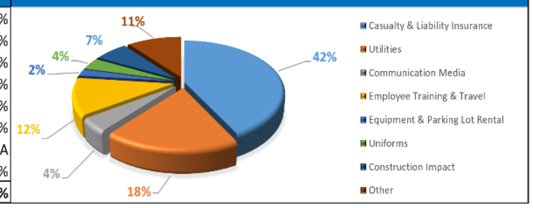
  Additionally, the primary expense included in this line is collection fees related to property tax collections, which are roughly $460,000. Costs of collection fees typically rise as property tax revenues increase, partially offsetting the savings from temporary staff reductions.

- *Other expenses* are budgeted at $5.4 million for FY2027, 7.7% above the FY2026 budget. The primary increase is due to a change in the way we record operating expenses incurred due to major construction projects that cannot be capitalized. This change was made during FY2026 as we identified a need to track additional spending related to the BTC relocation, which was unbudgeted. The Construction Impact line, new for FY2027, consolidates the temporary operating costs of relocating the BTC to accommodate construction in downtown Ann Arbor and additional expenses related to YTC construction in Summer 2027. Costs include security coverage, rentals, contracted maintenance, etc., and are expected to be approximately $349,000 in FY2027.

  Also included in this line are Employee training and travel are budgeted consistently with spending trends from the last two fiscal years, and the remaining lines hold near FY2026 levels. Figure 15 highlights the variances in other expenses, with additional details provided below.

Figure 15: Other Expenses Summary

Type of Other Expense	FY2026	FY2027	Change $	Change %
Casualty & Liability Insurance	$ 2,184,370	$ 2,269,744	$ 85,375	3.9%
Utilities	1,018,500	983,972	(34,528)	-3.4%
Communication Media	230,570	231,293	723	0.3%
Employee Training & Travel	658,045	625,105	(32,940)	-5.0%
Equipment & Parking Lot Rental	173,560	115,622	(57,938)	-33.4%
Uniforms	200,000	204,500	4,500	2.3%
Construction Impact	-	348,997	348,997	N/A
Other	498,634	565,655	67,021	13.4%
Total Other Expenses	**$ 4,963,679**	**$ 5,344,889**	**$ 381,210**	**7.7%**



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

- Casualty and liability insurance costs increase 3.9% in the FY2027 budget. The insurance program bound on August 1, 2026, carries an annual premium of $2,195,000. The budget carries the casualty line at the FY2026 base escalated 4.0%, which covers the casualty program in full and holds a margin above it for market movement at the August 2027 renewal. AAATA continues to self-insure for automobile physical damage.

- Utilities are budgeted at $984,000 for FY2027, 3.4% below the FY2026 budget due to efficiencies gained from the installation of a new roof at Dawn Gabay Operating Center. Usage is assumed to hold at current levels across the facilities, and the change is rate driven. Utilities remain an inelastic expense and are monitored through the year.

- 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 FY2027.

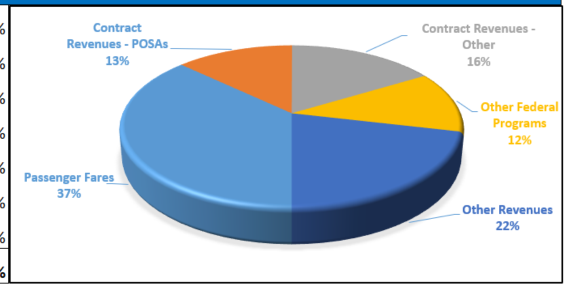
  Also note that per Board Policy 3.8, the costs of governance to support the Board's education and ability to govern effectively are required to be included in the annual budget. Costs of governance are budgeted within the Other Expenses category, at $35,000 for FY2027, held level with FY2026.

Operating Revenues

As illustrated in Figure 16, FY2027 Operating Revenues are budgeted at $78.9 million, a 10.3% increase from the FY2026 budget year.

Figure 16: Operating Revenues (with FY2026 Comparison)

Operating Revenues	FY2026	FY2027	Change $	Change %
Local Property Taxes	$ 41,647,533	$ 44,369,124	2,721,591	6.5%
State Operating Assistance	19,015,038	23,672,320	4,657,282	24.5%
Passenger Fares	4,138,392	3,995,030	$ (143,362)	-3.5%
Contract Revenues - POSAs	1,587,403	1,407,270	(180,133)	-11.3%
Contract Revenues - Other	1,472,733	1,765,815	293,082	19.9%
Other Federal Programs	1,970,057	1,322,057	(648,000)	-32.9%
Other Revenues	1,645,911	2,306,843	660,931	40.2%
Total Operating Revenues	**$ 71,477,067**	**$ 78,838,459**	**$ 7,361,392**	**10.3%**



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

- *Passenger fares*: TheRide has held fares unchanged since August 2022, and the FY2027 budget continues that policy. Passenger fare revenue is budgeted at $4.0 million, a decrease of 3.5% from the FY2026 budget. The budget aligns revenue with recent ridership and collection trends across TheRide's services, in line with staff projections. The decrease reflects ridership leveling off as the millage-funded service expansion matures, along with short-term impacts from local construction.

  Fare prices are unchanged. AAATA will continue to monitor ridership trends through the fiscal year and refine future projections as data develops.

- *Contract revenues*: TheRide has several types of service contracts in the budget which are described here.

  - **Purchase of Service Agreements (POSAs) contracts** are contracts where TheRide provides transportation services in adjacent municipalities, including fixed-route, paratransit (A-Ride) and FlexRide.

    TheRide has long-standing POSAs with Pittsfield, Scio, and Superior Townships. In recent years, public interest in transit has grown, creating new opportunities to coordinate with outlying municipalities and rural service providers.

    All POSAs increasing by 4% between contract years 2026 to 2027 due to inflationary impacts in direct operating costs, such as fuel, vehicle maintenance, bus operator wages and benefits, etc. Meanwhile, TheRide's overall operating expenses as shown in Figure 17 (pp. 38-39) reflect an increase of 9.2%.

Year-to-year comparisons for POSAs are not straightforward. The timing of budgets for TheRide, the State, local municipalities, and POSA contract dates do not necessarily align in a convenient way. In addition, the cessation of TheRide's FlexRide service in Pittsfield Twp (replaced by People's Express) creates a scope change and reduces revenue in this section by about $200,000. For clarity, year-over-year contractual changes for each POSA municipality included in the FY2027 Budget are as follows:

PURCHASE OF SERVICE AGREEMENTS: CONTRACT CHANGES					
POSA	Contract Year	2026 Contract	2027 Contract	% Change	FY2027 Budget
Pittsfield Township	Calendar year (Jan 1 to Dec 31)	$ 683,525	$ 710,866	4.0%	$ 704,030
Scio Township	Oct 1 to Sep 30 (aligns with TheRide fiscal year)	544,019	565,780	4.0%	565,780
Superior Township	Oct 1 to Sep 30 (aligns with TheRide fiscal year)	132,173	137,460	4.0%	137,460
	Total	**$1,359,717**	**$ 1,414,105**	**4.0%**	**$ 1,407,270**

**Scio amounts reflect services provided by TheRide directly. WAVE services purchased by the township via TheRide are excluded.*

The year-to-year change in the budget for Pittsfield Township was not known until after TheRide's FY2026 Budget was approved.

- **Other Contract Revenues** are mostly sub-recipient pass-through revenues. TheRide receives federal and/or state funding that is passed through to nonurban service providers (i.e. sub-recipients) where funding is available for nonurban public transportation but relies on urban agencies to provide the funding and oversight of nonurban services. TheRide's sub-recipients are People's Express and WAVE. A portion of TheRide's contract with Scio Township includes pass-through revenues to WAVE; the service is provided by WAVE and not TheRide, and those revenues are reflected in pass-through revenues and listed as a separate item in the contract with Scio Township. All pass-through revenues are offset by operating expenses and have a zero net impact on TheRide's budget.

  Additionally, a small portion of Other Contract Revenues is revenue generated through a contract with the Ann Arbor Downtown Development Authority and supports getDowntown program operations.

- *Local property taxes*: Local property tax revenues are derived from property taxes collected from Ann Arbor, Ypsilanti, and Ypsilanti Township. The FY2027 budget projects $44.4 million in property tax revenue, an increase of 6.5% over the FY2026 budget, at the voter-approved millage rate of 2.38 mills. The projection is anchored to the 2026 county tax rolls on the April basis. The millage is authorized through 2028 and remains AAATA's largest single revenue source.

  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 FY2027 increase reflects updated assessed value data from Washtenaw County, Ann Arbor, Ypsilanti, and Ypsilanti Township, applied against the same 2.38 mill rate voters approved in 2022.

Property tax revenue has grown steadily since the millage took full effect in summer 2024, and the FY2027 projection includes that trend. AAATA expects property tax revenue to continue supporting service levels through the remainder of the millage's authorized term.

- 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). The FY2027 budget assumes an urban Local Bus Operating (LBO) reimbursement rate of 29.9393% and budgets $23.7 million in state operating assistance revenue, of which $21.7 million is the urban LBO funding. The state and federal preventive maintenance and capital cost of contracting draws are not budgeted for FY2027. Every eligible expense dollar earns the LBO reimbursement instead, and the federal funding capacity stays available for capital projects.

  AAATA calculates its eligible operating expense base each year using MDOT's reporting methodology, applied against current budgeted operating expenses. Refinements to this calculation, combined with the higher LBO rate, contribute to the increase in state operating assistance revenue budgeted for FY2027. Additionally, during the FY2026 budget cycle the state of Michigan had yet to pass their annual budget, which meant TheRide had to defer to MDOT's conservative estimate of the LBO percentage at budget passage. The percentage assumed in TheRide's FY2026 budget was 26.04%, but the actual rate was eventually set at 29.43%. This delta accounts for a large portion of the 24.5% change in this line year on year.

  In summary, State Operating Assistance revenues are budgeted to increase for FY2027, reflecting both the higher LBO reimbursement rate and continued refinement of AAATA's eligible expense calculation. State funding remains a large share of AAATA's operating revenue, and the agency continues to track MDOT's guidance closely given the size of this revenue source.

  AAATA will continue monitoring the state budget process and any updates from MDOT, adjusting as needed to reduce financial risk. Dedicated local property tax support continues to put AAATA in a comparatively strong position among Michigan transit agencies to absorb changes in state funding.

- *Other federal programs:* Federal funding revenues support seniors and people with disabilities programs, planning, and the Section 5311 nonurban program administered for MDOT. This category also includes passthrough funding to subrecipient organizations that receive federal dollars for their transportation services via TheRide, which nets against the expenses those agencies submit to AAATA. Budgeted revenue in this category is $1.3 million for FY2027, a decrease of 32.9% from the FY2026 budget. The decrease reflects the preventive maintenance and capital cost of contracting draws, which are not budgeted for FY2027. The Section 5310 passthrough is budgeted at its grant level with an equivalent passthrough expense, so it is also net zero to the budget.

- *Other revenues*: Advertising, interest, and other income are budgeted at $2.3 million for FY2027. Interest and investment income continue to make up the majority of this category. AAATA considers information from account managers at the Bank of Ann Arbor (BOAA), who provide expertise on interest rate trends when making budget assumptions.

  FY2026 is tracking favorably against budget, and interest income has been the main contributor. The FY2027 budget holds interest income to a conservative assumption, intentionally set higher than in prior years to reflect the current interest rate environment. This increase partially offsets higher budgeted fuel costs, providing a natural hedge against economic inflation. Staff will continue tracking interest rate developments and will adjust future projections if conditions shift materially.

Other miscellaneous revenues remain a relatively small share of the overall budget and are budgeted in accordance with actual spending trends.

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 rate assumed in this budget.
- Fuel prices remain volatile, and actual costs may vary with market conditions. The fuel assumption may change throughout the budget process.
- Union contract negotiations for a new Collective Bargaining Agreement (CBA) are ongoing and outcomes are uncertain.
- AAATA's healthcare renewal is pending. Results may affect budgeted benefit costs for FY2027.
- Additional expenses may be added to accommodate Corporate Business Plan initiatives or targeted adjustments from new information. The Executive Team completed its initiative review in August, and the funded items are reflected in this draft.

The assumptions in the FY2027 Draft Budget represent staff's best estimates using the economic inputs available from industry, local, state, and federal leaders. State law allows adopted budgets to be amended, offering flexibility to accommodate changing budgetary needs as the year progresses.

Figure 17 shown on the following page illustrates the details of the FY2027 Draft Budget along with comparisons to previous years.

Figure 17: FY2027 Draft Operating Budget Detail (with Prior Year Comparisons)

TheRide FY2027 Operating Budget					
	FY2025 Year End Actual	FY2026 Approved Budget	FY2027 Draft Budget	2027 Draft vs. 2026 Approved	
				$	%
OPERATING REVENUES					
Passenger Revenue	**$ 3,965,333**	**$ 4,138,392**	**$ 3,995,030**	$ (143,362)	-3.5%
Local Property Tax Revenue	**40,443,845**	**41,647,533**	**44,369,124**	2,721,591	6.5%
Contract Revenues - POSAs & Other	**3,178,584**	**3,060,136**	**3,173,085**	112,949	3.7%
State Operating Assistance	**18,551,252**	**19,015,038**	**23,672,320**	4,657,282	24.5%
Other Federal Programs	**1,650,792**	**1,970,057**	**1,322,057**	(648,000)	-32.9%
Advertising, Interest, and Other	**3,562,290**	**1,645,911**	**2,306,843**	660,931	40.2%
TOTAL REVENUES	**$ 71,352,096**	**$ 71,477,067**	**$ 78,838,459**	**$ 7,361,392**	**10.3%**
OPERATING EXPENSES					
Salaries, Wages and Benefits	**$ 35,741,684**	**$ 39,656,741**	**$ 42,828,982**	$ 3,172,241	8.0%
Purchased Transportation	**13,413,667**	**13,902,463**	**13,979,866**	77,403	0.6%
Diesel Fuel and Gasoline	**2,386,473**	**2,878,389**	**3,906,900**	1,028,511	35.7%
Materials and Supplies	**3,909,752**	**4,190,622**	**5,029,664**	839,043	20.0%
Contracted Services	**4,711,902**	**5,885,173**	**6,993,102**	1,107,929	18.8%
Utilities	**955,288**	**1,018,500**	**983,972**	(34,528)	-3.4%
Casualty & Liability Insurance	**2,244,725**	**2,184,370**	**2,269,744**	85,375	3.9%
Other Expenses	**1,540,067**	**1,760,809**	**2,091,173**	330,363	18.8%
TOTAL EXPENSES	**$ 64,903,558**	**$ 71,477,067**	**$ 78,083,404**	**$ 6,606,337**	**9.2%**
SURPLUS (DEFICIT)	**$ 6,448,538**	**$ -**	**$ 755,055**	**$ 755,055**	

Basis of Budgeting

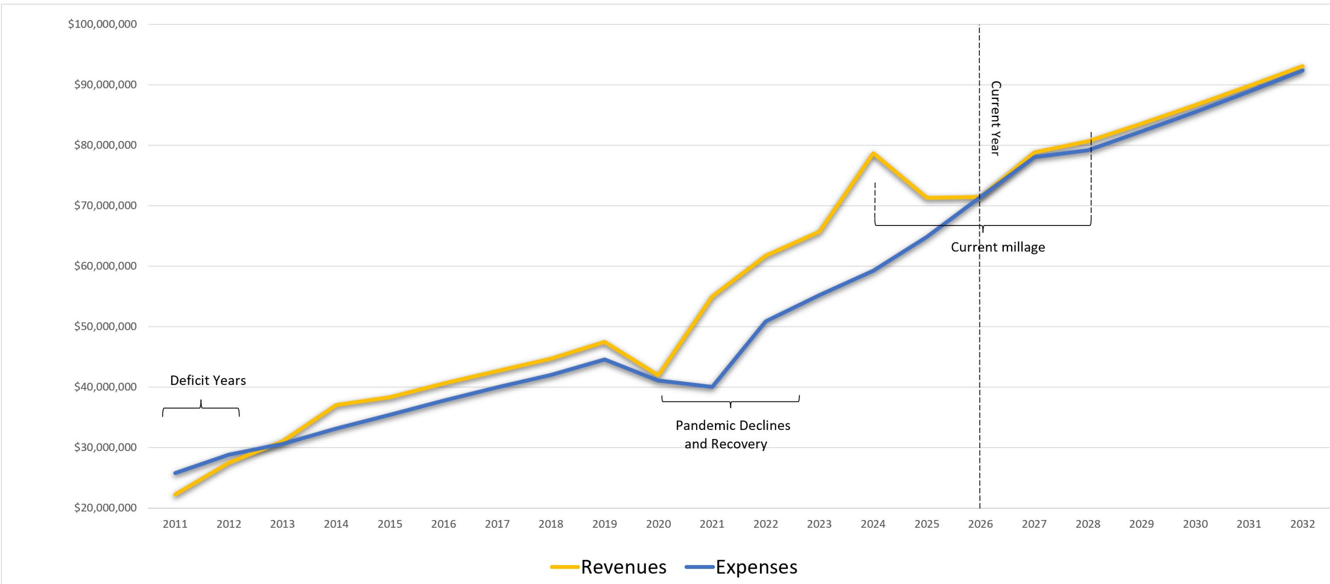
The 2027 operating and capital budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and to produce the financial statements. The only difference between the financial statements and the budget is that depreciation expense 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, has oversight of the financial statements and an independent audit at the end of each fiscal year. The fully audited Annual Comprehensive Financial Report (ACFR) 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 FY2027 budget and six-year forecast for subsequent years are detailed in *Figure 19*, on page 41.

Figure 18, below, compares historic 13-year actuals, the approved FY2026 budget, and forecasted financials to provide context for the FY2027 budget. Historical operating deficits consumed much of TheRide's financial capacity before 2013 as the organization expanded. New funding helped restore fiscal strength until just before the pandemic outbreak. TheRide's reserves reached the policy target in late FY2019 after several years of low balances.

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

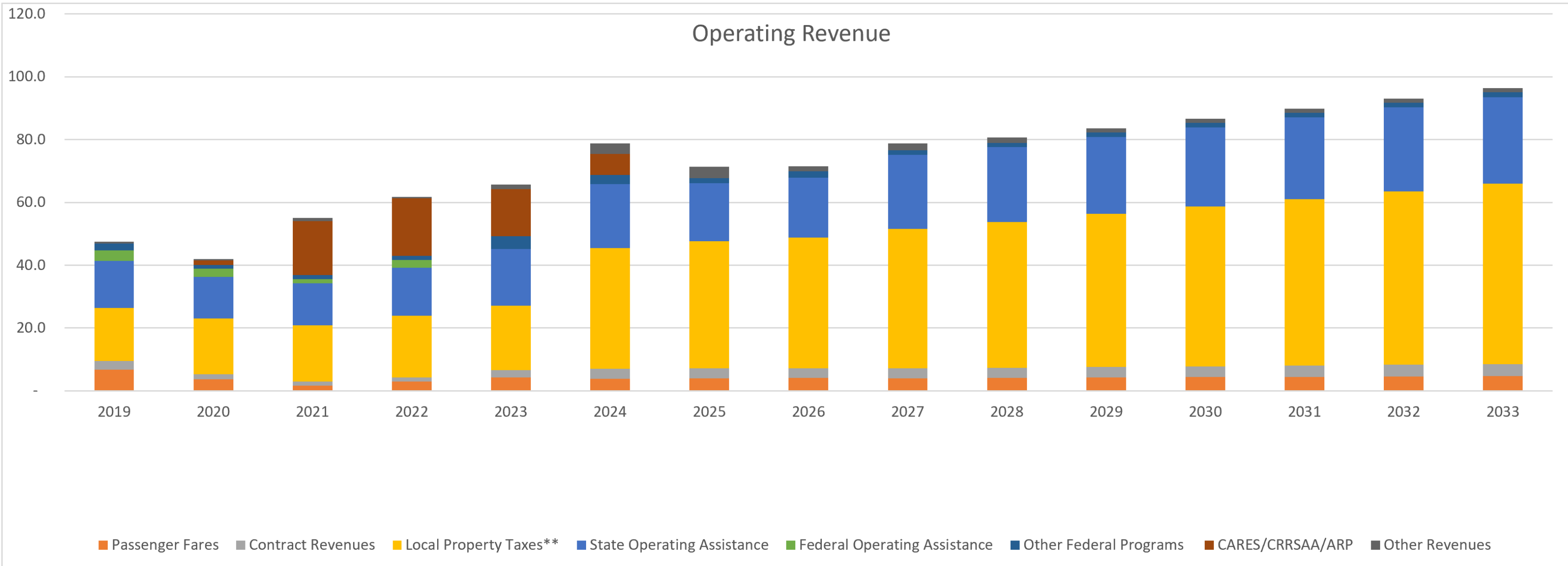


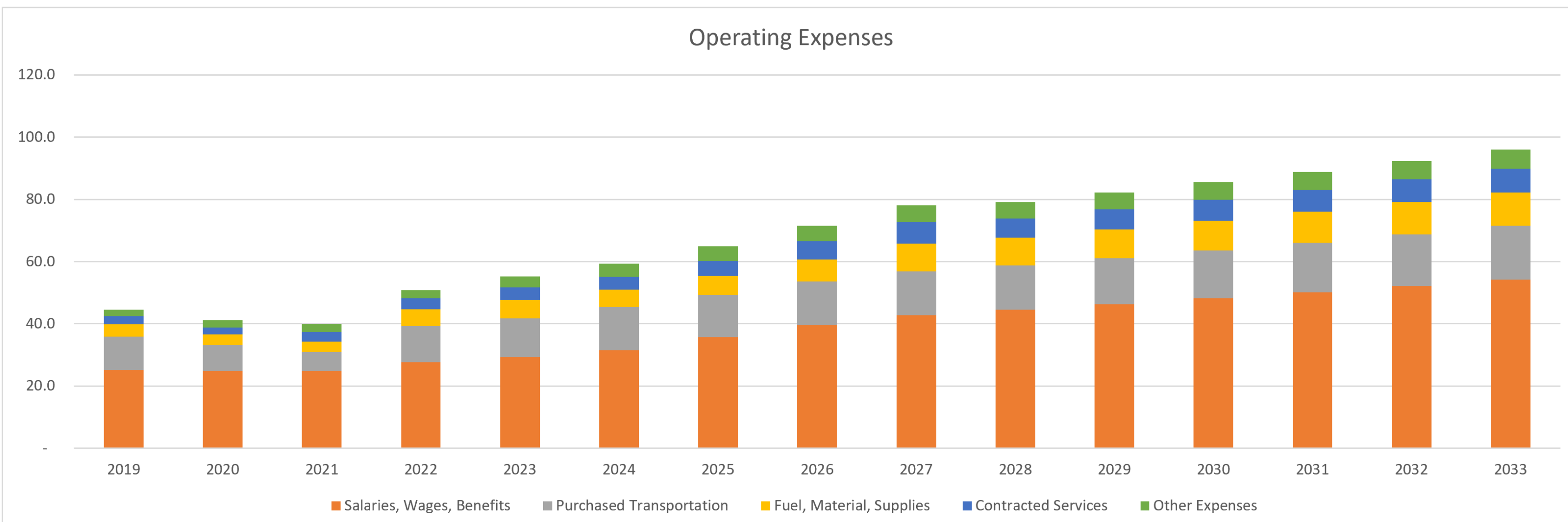
At the onset of the pandemic in 2020, revenues declined, and cost-cutting measures including staff reductions and suspended transit service were enacted in response. Federal pandemic relief funds helped to gradually restore service in late FY2020 continuing through FY2021 and helped assure mid-term financial 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, approved by voters in August 2022, began providing additional funding in summer 2024. This revenue expanded services and replaced the federal capital funds that had been temporarily bridging the structural deficit in prior years. For FY2027, State Operating Assistance rises to an urban reimbursement rate of 29.9393%, well above the rate budgeted for in FY2026, and roughly half a percent higher than the final reimbursement rate eventually decided on in the state budget for this fiscal year. This also contributes to the operating surplus. Growth in local property tax revenue from the millage and rising assessed values continues to strengthen the underlying base. Operating revenues are projected to stay ahead of expenses through the current levy horizon of 2028. Continued funding for these service levels beyond 2028 will depend on voter approval of a millage renewal.

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

Figure 19: Detailed Operating Budget (with 6 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 is 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 more funding than is available to the agency through traditional funding sources. In addition to project funding, expansion projects most often require future operating and capital resources that need to be planned before the agency commits 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 FY2027. The remaining nine years are planning estimates and are subject to change. During the coming year, the 10-year capital plan may need to be adjusted to better reflect the final priorities of the ongoing Long-Range Plan.

The table on the following page summarizes the draft capital program for FY2027 and beyond until FY2036. The FY2027 capital program totals $45,472,586. State of Good Repair projects account for 46.3% of the program, Expansion projects account for 47.2%, and Value Added projects account for 6.5%. 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	FY2027 Budget	FY2028-FY2036
State of Good Repair	$21,042,670	$186,747,915
Value Added	2,945,930	20,312,535
Expansion	21,483,986	267,312,873
TOTAL EXPENSES	**$45,472,586**	**$474,373,323**
FUNDING SOURCES	**FY2027 Budget**	**FY2028-FY2036**
State & Federal Grants	35,410,086	$229,155,269
Congressionally Directed Spending	10,062,500	-
Local Capital Reserve	-	33,260,071
Unidentified Funding	-	211,957,984
TOTAL REVENUE	**45,472,586**	**$474,373,324**
UNIDENTIFIED FUNDING PORTION	**FY2027 Budget**	**FY2028-FY2036**
Unidentified Funding %	**0%**	**45%**

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	Ongoing Project Costs Thru FY26	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036	Project/CIP Total
STATE OF GOOD REPAIR		Vehicles	N/A	8,187,652	13,586,793	11,682,265	12,199,716	15,478,920	13,304,502	13,893,923	17,634,921	15,152,385	15,823,802	136,944,880
		Equipment	N/A	1,735,094	1,804,498	1,876,678	1,951,745	2,029,815	2,111,008	2,195,448	2,283,266	2,374,596	2,469,580	20,831,729
		Existing Facilities	N/A	2,467,880	1,925,955	2,002,993	2,083,113	2,166,438	2,253,095	2,343,219	2,436,948	2,534,426	2,635,803	22,849,870
		IT	N/A	8,652,044	5,190,625	3,938,644	1,182,326	1,231,442	1,282,614	1,335,929	1,391,477	1,449,352	1,509,653	27,164,107
		Category Total	**-**	**21,042,670**	**22,507,872**	**19,500,580**	**17,416,900**	**20,906,615**	**18,951,219**	**19,768,519**	**23,746,612**	**21,510,760**	**22,438,838**	**207,790,585**
VALUE ADDED		Bus Stop Improvements	289,627	430,744	443,666	456,976	470,686	484,806	337,780	347,913	358,351	369,101	260,955	4,250,606
		Existing Facilities and IT	N/A	1,190,186	260,193	270,601	281,425	292,682	304,389	316,564	329,227	342,396	356,092	3,943,754
		Transit Priorities	N/A	1,000,000	1,030,000	2,121,800	2,185,454	2,251,018	1,159,274	1,194,052	983,899	1,013,416	1,043,819	13,982,732
		Transit Signal Priority (TSP)	564,578	-	486,000	335,000	-	-	-	-	-	-	-	1,385,578
		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	**854,205**	**2,945,930**	**2,244,859**	**3,209,377**	**2,962,564**	**3,053,505**	**1,826,443**	**1,883,530**	**1,696,477**	**1,749,914**	**1,685,865**	**24,112,669**
EXPANSION	***Ypsilanti Transit Center***	YTC Planning, NEPA, Design, & Acquisition	2,844,960	902,260	-	-	-	-	-	-	-	-	-	3,747,220
		YTC Construction	N/A	13,750,000	5,893,000	-	-	-	-	-	-	-	-	19,643,000
		YTC Subtotal	***2,844,960***	***14,652,260***	***5,893,000***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***23,390,220***
	Blake Transit Center	BTC Planning, NEPA, & Design	317,640	315,000	-	-	-	-	-	-	-	-	-	632,640
		BTC Construction	N/A	-	5,300,000	570,000	-	-	-	-	-	-	-	5,870,000
		BTC Subtotal	***317,640***	***315,000***	***5,300,000***	***570,000***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***6,502,640***
	Bus Rapid Transit	BRT Planning, NEPA, & Design	N/A	3,300,053	3,320,659	5,700,465	1,304,773	-	207,635	1,211,897	2,202,801	3,781,474	3,583,325	24,613,082
		BRT Construction & Vehicles	N/A	-	-	7,426,300	13,047,732	43,694,018	41,180,958	2,388,105	-	-	6,523,866	114,260,978
		BRT Subtotal		***3,300,053***	***3,320,659***	***13,126,765***	***14,352,505***	***43,694,018***	***41,388,593***	***3,600,002***	***2,202,801***	***3,781,474***	***10,107,191***	***138,874,061***
	Bus Maintenance & Storage Garage	Garage Planning, NEPA, Design, & Acquisition	805,708	2,139,052	6,271,561	2,913,571	-	-	-	-	-	-	-	12,129,893
		Garage Construction	N/A	-	-	19,001,551	32,619,330	33,597,909	-	-	-	-	-	85,218,790
		Garage Subtotal	***805,708***	***2,139,052***	***6,271,561***	***21,915,122***	***32,619,330***	***33,597,909***	**-**	**-**	**-**	**-**	**-**	***97,348,683***
	Information Technology	New Fare Technology, First and Last Mile Solutions, and Operational Innovations	N/A	600,000	824,000	424,360	601,000	619,030	637,601	656,729	676,431	696,724	717,625	6,453,499
		Information Technology Subtotal		***600,000***	***824,000***	***424,360***	***601,000***	***619,030***	***637,601***	***656,729***	***676,431***	***696,724***	***717,625***	***6,453,499***
		Transit Hubs	N/A	477,621	737,924	380,031	1,304,773	-	415,270	712,880	2,937,067	3,176,438	-	10,142,006
		Additional Vehicles for Service Expansion	N/A	-	-	2,459,166	1,634,720	182,332	2,543,447	119,405	-	2,984,510	130,477	10,054,058
		Category Total	**3,968,308**	**21,483,986**	**22,347,145**	**38,875,445**	**50,512,327**	**78,093,290**	**44,984,911**	**5,089,016**	**5,816,299**	**10,639,147**	**10,955,294**	**292,765,167**
EXPENSE TOTAL			**4,822,513**	**45,472,586**	**47,099,876**	**61,585,402**	**70,891,791**	**102,053,410**	**65,762,573**	**26,741,066**	**31,259,387**	**33,899,820**	**35,079,997**	**524,668,422**

Funding Sources	Ongoing Project Costs Thru FY26	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036	Project/CIP Total
FORECASTED:												
5307 Federal + State Match	4,257,935	26,313,734	25,089,748	14,460,018	11,833,517	28,122,047	17,625,506	14,091,803	14,389,840	14,693,837	15,003,913	185,881,898
5339 Federal + State Match	-	2,410,376	1,245,103	3,179,968	1,300,490	1,329,101	1,480,971	1,388,225	1,418,766	1,449,979	1,658,345	16,861,325
CMAQ Federal + State Match	-	1,665,472	-	-	1,265,440	8,068,503	1,349,869	1,375,516	1,401,651	1,428,283	1,455,420	18,010,154
Low and No Emissions Federal + State Match	-	-	12,000,000	10,032,000	9,218,000	-	-	-	-	-	-	31,250,000
Congressionally Directed Spending + State Match	-	10,062,500	-	-	-	-	-		-	-	-	10,062,500
5339 Discretionary (YTC) + State Match	-	4,589,760	4,435,359	-	-	-	-	-	-	-	-	9,025,119
STBG Flex Federal + State Match	-	430,744	443,666	456,976	407,794	517,627	258,182	260,764	263,371	266,005	268,665	3,573,795
State Initiatives	564,578	-	3,886,000	335,000	-	-	-	-	-	-	-	4,785,578
Local Capital Reserve	-	-	-	13,113,042	17,596,047	2,550,981	-	-	-	-	-	33,260,071
UNIDENTIFIED:												-
Other	-	-	-	20,008,398	29,270,503	61,465,151	45,048,046	9,624,757	13,785,759	16,061,717	16,693,654	211,957,984
REVENUE TOTAL	**4,822,513**	**45,472,586**	**47,099,876**	**61,585,403**	**70,891,792**	**102,053,410**	**65,762,574**	**26,741,065**	**31,259,387**	**33,899,820**	**35,079,997**	**524,668,422**

TheRide

FY2027 Draft Capital Budget

The table below lists the approved capital investments for FY2027 only, totaling $45,472,586. Details for each project can be found in Appendix 8.1.

Figure 22: FY2027 Capital Plan

Category	Project Description	FY2027
State of Good Repair	Vehicles	$8,187,652
	Equipment	$1,735,094
	Existing Facilities	$2,467,880
	Information Technology	$8,652,044
	Sub-total	***$21,042,670***
Value Added	Bus Stop Improvements	$430,744
	Existing Facilities and IT	$1,190,186
	Transit Priorities	$1,000,000
	IT Value Add (Fare Validators)	$300,000
	Emergent Research & Development	$25,000
	Sub-total	***$2,945,930***
Expansion	Ypsilanti Transit Center	$14,652,260
	Blake Transit Center	$315,000
	Bus Rapid Transit	$3,300,053
	Bus Maintenance and Storage Facility	$2,139,052
	Information Technology	$600,000
	Transit Hubs	$477,621
	Sub-total	***$21,483,986***
Total Capital Costs		**$45,472,586**

Approved capital projects and funding sources for FY2027 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 federal, state, and other dedicated funding sources for FY2027. Federal formula funding accounts for 54.2% of the program, state funding accounts for 20.0%, and other dedicated awards account for 25.8%. The YTC project's dedicated awards total $11,721,808 in federal funds: $8,050,000 of Congressionally Directed Spending and $3,671,808 of Section 5339 Discretionary funding. With the required 20 percent state match, carried in the State Capital Match line, the awards support $14,652,260 of project cost. Additional information is available in the State and Federal Grants Primer in the Appendix on page 57.

Figure 23: FY2027 Capital Funding Sources

Sources of Capital Funds	FY2027
Local Capital Reserve/Share TheRide's own cash and investments. A capital reserve was established in FY2021 with local funds. No capital reserve funds are budgeted for FY2027.	$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.	$344,595
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).	$9,094,517
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.	$21,050,987
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.	$1,928,301
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.	$1,332,378
Congressionally Directed Spending	$8,050,000
Federal 5339 Discretionary Federal Bus and Bus Facilities Competitive (5339b) funding requested for the Ypsilanti Transit Center. The standalone application is in FTA review.	$3,671,808
Total	**$45,472,586**

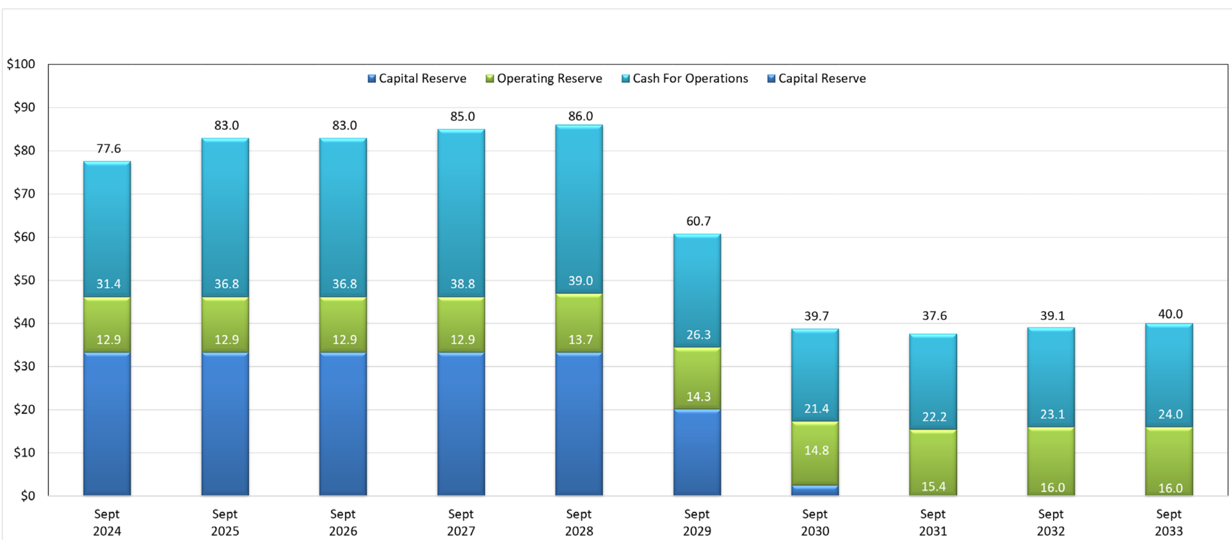
7. Impacts of 2027 Budget

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 each September from FY2024 through FY2033, with actual balances through September 2025. 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, vehicle damage reserve of $1,000,000, cash needed for daily operations, and any restricted cash. September balances are seasonally high because most property tax revenue arrives during the summer months.

<u>Figure 24: Total Projected Cash Balances</u>



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 holds $12.9 million in its operating reserve. The FY2027 budget holds the reserve at a two month floor throughout the forecast: the balance grows from $12.9 million to over $16.0 million by September 2033 as expenses grow, and any cash pressure is absorbed by fund balance rather than the reserve.

<u>Figure 25: Projected Operating Reserve Balance in Months and Dollars (*Millions*)</u>

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 FY2031. 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	FY2031	FY2032	FY2033	Total
Capital Reserve Funding *(from Operating Surplus)*	$ 11,939	$ 10,876	$ 10,446	-	-	-	-	-	-	-	-	-	-	$ 33,260
Use of Current Capital Reserve	-	-	-	-	-	-	-	-	13,113	17,596	2,551	-	-	$ 33,260
Remaining Capital Reserve	**$ 11,939**	**$ 22,814**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 33,260**	**$ 20,147**	**$ 2,551**	**$ -**	**$ -**	**$ -**	**$ -**

8. Appendices

8.1 FY2027 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, and Expansion.

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. Construction at the Ypsilanti Transit Center begins in FY2027. The Blake Transit Center continues through design, with construction anticipated in FY2028. Construction phases are subject to formal Board approval. (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10, 2.11).

    - **Ypsilanti Transit Center (YTC):** TheRide is requesting $14,652,000 for the Ypsilanti Transit Center: $902,000 to complete planning, NEPA, and design, and $13,750,000 to begin 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. The request is supported by congressionally directed spending and Section 5339 discretionary funding, with state matching funds.

    - **Blake Transit Center (BTC):** TheRide requests $315,000 as the Blake Transit Center continues through design, with construction anticipated in FY2028. TheRide is coordinating with the Ann Arbor Housing Commission and the City of Ann Arbor on the Y Lot next to BTC. The Housing Commission and the Downtown Development Authority (DDA) are leading the vision for the Y Lot site and 4th Avenue design.

2. **Bus Rapid Transit – Washtenaw Avenue:** TheRide requests $3,300,000 to advance alternatives analysis, planning, NEPA, and design for Bus Rapid Transit on Washtenaw Avenue and E Huron Street. TheRide 2045 recommends two BRT lines as major fixed-route improvements, including this east-west corridor. BRT planning and environmental review take multiple years, so future budgets will need continued support.

3. **Bus Maintenance and Storage Facility:** TheRide requests $2,139,000 to advance planning, NEPA, and design for a new bus maintenance and storage facility. The work builds on the needs assessment, facility programming, and site selection completed in FY2026. The facility adds the storage and maintenance capacity needed to support TheRide 2045, including expanded service, bus rapid transit, and new vehicle types over the next 20 years.

4. **Transit Hubs:** TheRide requests $478,000 in FY2027 to advance transit hub planning. TheRide 2045 recommends four hubs outside the downtown cores to support the future high-frequency transit network and improve connections between outlying areas. Each hub would include

multiple stops serving multiple connecting routes, with better transfer conditions and rider amenities in higher-demand locations.

5. **Information Technology:** TheRide requests $600,000 for technology that supports service growth, including 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. FY2027 projects:

1. **Vehicle Replacement:**
   - **Large Bus Replacement**: TheRide will replace eight large transit buses that have reached the end of their useful life. The eight clean-diesel buses will maintain service levels and avoid additional maintenance costs. TheRide will purchase the buses from Gillig at a total of $6,661,889, supported by federal formula funds. Budget: $6,662,000 (Policies 2.1, 2.4, 2.7).
   - **Small/Medium Bus Replacement:** TheRide will purchase small cutaway buses for A-Ride paratransit service in FY2027, in accordance with fleet replacement plans. Budget: $813,000 (Policies 2.1, 2.4, 2.7).
   - **Van Replacement:** TheRide will purchase replacement vans for A-Ride paratransit service in FY2027, in accordance with fleet replacement plans. Budget: $343,000 (Policies 2.1, 2.4, 2.7).
2. **Support Vehicles:** TheRide will purchase replacement support vehicles for facilities maintenance and non-revenue transportation services in FY2027, in accordance with fleet replacement plans. Budget: $369,000 (Policies 2.1, 2.4, 2.7).
3. **Equipment:**
   - **Bus Components:** TheRide will replace bus components on established vehicle refresh schedules. This work includes engines, transmissions, hybrid drives and batteries, seats, and other major parts needed to maintain the fleet in a state of good repair. Budget: $1,537,000 (Policies 2.1, 2.4, 2.7).
   - **Maintenance Tools and Equipment:** TheRide will replace shop tools and maintenance equipment supporting fleet and facility upkeep. Budget: $198,000 (Policies 2.1, 2.4, 2.7).
4. **Existing Facilities:**
   - **Facility Rehabilitation:** TheRide budgets $2,468,000 for priority maintenance at existing facilities, including the Dawn Gabay Operations Center (DGOC) and TheRide's park-and-ride lots. The funding covers general facility maintenance, administrative interior renovations, architecture and engineering capacity, and office equipment and furnishings. (Policies 2.1, 2.2, 2.4, 2.7)

5. **Information Technology:** The FY2027 budget includes $8,652,000 for information technology in a state of good repair. The largest component is $5,453,000 to replace TheRide's CAD/AVL Intelligent Transportation System hardware and software. The budget also begins work on the Next Generation Fare System and covers onboard communication upgrades, disaster recovery improvements, storage area network and wireless access point replacements, network operations center upgrades, and routine replacement of laptops, monitors, and essential software. (Policies 2.1, 2.4, 2.7).

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

1. **Bus Stop Improvements:** TheRide will improve bus stops across the service area. Work includes landing pads, safe pedestrian paths, shelters, and other amenities that support access for riders with disabilities. Staff are coordinating with WATS and Washtenaw County to prioritize improvements along Washtenaw Avenue and in other locations. Budget: $431,000 (Policies 2.1, 2.4, 2.7, 2.10).

2. **Existing Facilities and Information Technology:** TheRide budgets for building and information technology improvements to existing assets as needs arise during the year, including purchase and installation of a replacement emergency backup generator at the Dawn Gabay Operations Center. Budget: $1,190,000 (Policies 2.1, 2.4, 2.7, 2.10).

3. **Transit Priorities:** TheRide will advance bus lanes and other transit priority improvements. These projects are intended to make bus service faster, more reliable, and more useful to riders. Budget: $1,000,000 (Policies 2.1, 2.4, 2.7, 2.10).

4. **Fare Validators:** TheRide will purchase fare validator equipment to modernize fare collection on the fixed-route fleet. Budget: $300,000 (Policies 2.1, 2.4, 2.7, 2.10).

5. **Emergent Research & Development:** A placeholder for exploratory capital projects that could advance the organization's Ends through 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

This section identifies contracts that AAATA anticipates awarding in FY2027 with award values above the $250,000 threshold. The table that follows presents the contracts for Board acceptance as part of the FY2027 budget.

The Board's Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to $250,000. The policy also prohibits splitting purchases or contracts into smaller amounts to avoid this limit. Approval of this section constitutes Board approval of the listed contracts and authorizes the CEO to make the contract awards without additional Board approval. When adopting the budget, the Board may accept all listed contracts through the budget adoption or may call out specific contracts for deliberation before acceptance.

Table 8.2: Budgeted Contracts Summary

#	CONTRACT DESCRIPTION	CURRENT PROVIDER	RENEWAL DATE (ESTIMATED)	VALUE OF AWARD (ESTIMATED)	FY2027 BUDGETED EXPENSE
1	Fleetwide Seating Transition	New	10/1/2026	$ 350,000	$ 50,000
2	Gasoline and Diesel Fuel	Multiple Providers	10/1/2026	$ 3,049,212	$ 3,049,212
3	Non-Revenue Vehicles	New	10/1/2026	TBD	$ 369,200
4	Paratransit Vehicles - Vans	New	10/1/2026	TBD	$ 343,200
5	Public Transit Buses	Gillig	10/1/2026	TBD	$ 6,661,889
6	Small/Medium Bus Replacements	New	10/1/2026	TBD	$ 813,363
7	Snow Removal Services	Margolis and RNA	10/1/2026	$ 300,000	$ 60,000
8	Transit Hub Development	New	10/1/2026	$ 478,000	$ 478,000
9	Washtenaw BRT Planning	New	1/1/2027	$ 6,000,000	$ 3,000,000
10	ITS (CAD/AVL) Project Management - Part II	New	1/1/2026	$ 500,000	$ 300,000
11	Finance Consulting Services	Rehmann	2/1/2026	$ 360,000	$ 300,000
12	Natural Gas	Constellation	7/1/2026	$ 1,252,500	$ 417,500
13	YTC Construction Management and GMP Agreement	Christman	12/1/2026	$ 18,820,000	$ 13,230,000
14	YTC Phase V Construction Administration Services	DLZ	2/1/2027	$ 823,000	$ 520,000
15	Bus Lane Project	New	10/1/2026	$ 1,000,000	$ 1,000,000
16	Digital Signs for BTC and YTC	New	12/1/2026	$ 1,850,000	$ 600,000
17	Long Range Plan (LRP) Updates	New	10/1/2026	$ 200,000	$ 200,000
18	Washtenaw BRT Program Management	New	10/1/2026	$ 600,000	$ 300,000
19	Security Camera Upgrades	New	10/1/2026	$ 250,000	$ 50,000
20	Security Camera for YTC- live view	New	10/1/2026	$ 250,000	$ 35,000
21	Fare Study Consultant	New	10/1/2026	$ 250,000	$ 250,000
22	Asphalt Replacement	New	10/1/2026	$ 375,000	$ 375,000
23	Bus Stop Concrete Work (Rebid)	Saladino	10/1/2026	$ 375,000	$ 375,000
24	Finance/Admin Work stations remodel	New	10/1/2026	$ 250,000	$ 250,000
25	Fluid	New	10/1/2026	$ 1,250,000	$ 250,000
26	Bus Video systems	New	1/1/2027	$ 250,000	$ 50,000
27	Bus and Vehicle Towing Services	New	1/1/2027	$ 375,000	$ 75,000
28	Transit Employee Uniforms	Rebid	7/31/2027	$ 1,000,000	$ 200,000
29	Employee Benefits Consulting and Insurance Brokerage Services	Rebid	9/30/2027	$ 400,000	$ 80,000
30	Network Operations Center/Security Operations Center	New	10/1/2026	$ 774,800	$ 130,000
31	YTC Fiber hook up	New	10/1/2026	8,000/year	$ 73,761
32	CAD/AVL System	New	11/1/2026	$ 5,000,000	$ 5,000,000
33	Virtual Storage Area Network (vSAN)	New	10/1/2026	$ 351,000	$ 351,000

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 FY2026 or in the draft FY2027 budget. The FY2027 fares are the basis for budget assumptions.

Table 8.3 – FARES			
FIXED ROUTE FARES	**FY2025**	**FY2026**	**FY2027**
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	**FY2025**	**FY2026**	**FY2027**
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			

DEMAND RESPONSE FARES (Continued)	FY2025	FY2026	FY2027
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	**FY2025**	**FY2026**	**FY2027**
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. The FY2027 budget does not draw these categories for operating; that capacity remains available for capital.

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 Multi-Year Forecast

in million dollars

Operating Revenues	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Passenger Fares	6.8	3.6	1.6	3.0	4.3	3.8	4.0	4.1	4.0	4.1	4.2	4.4	4.5	4.6	4.8
Contract Revenues	2.7	1.6	1.3	1.3	2.3	3.2	3.2	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8
Local Property Taxes**	16.9	17.8	18.0	19.6	20.6	38.5	40.4	41.6	44.4	46.4	48.8	50.8	53.0	55.2	57.4
State Operating Assistance	15.0	13.2	13.3	15.3	18.0	20.3	18.6	19.0	23.7	23.8	24.5	25.2	26.0	26.8	27.6
Federal Operating Assistance	3.3	2.6	1.4	2.5	-	-	-	-	-	-	-	-	-	-	-
Other Federal Programs	2.2	1.2	1.3	1.3	4.1	2.9	1.7	2.0	1.3	1.4	1.4	1.4	1.5	1.5	1.6
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	3.6	1.6	2.3	1.7	1.3	1.3	1.3	1.3	1.3
Total Operating Revenues	**47.5**	**42.0**	**55.0**	**61.8**	**65.7**	**78.7**	**71.4**	**71.5**	**78.8**	**80.7**	**83.6**	**86.7**	**89.8**	**93.1**	**96.4**

Operating Expenses	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Salaries, Wages, Benefits	25.2	24.9	24.9	27.7	29.3	31.5	35.7	39.7	42.8	44.5	46.3	48.2	50.1	52.1	54.2
Purchased Transportation	10.7	8.4	5.9	11.6	12.5	13.9	13.4	13.9	14.0	14.2	14.8	15.4	16.0	16.6	17.3
Fuel, Material, Supplies	4.0	3.3	3.3	5.4	5.8	5.6	6.3	7.1	8.9	8.9	9.2	9.6	10.0	10.4	10.8
Contracted Services	2.6	2.3	3.1	3.5	4.1	4.1	4.7	5.9	7.0	6.3	6.5	6.8	7.0	7.3	7.6
Other Expenses	2.2	2.3	2.8	2.6	3.6	4.2	4.7	5.0	5.3	5.3	5.4	5.6	5.8	5.9	6.1
Total Operating Expenses	**44.6**	**41.1**	**40.0**	**50.9**	**55.3**	**59.3**	**64.9**	**71.5**	**78.1**	**79.2**	**82.3**	**85.5**	**88.9**	**92.4**	**96.0**
Surplus (Deficit)	3.0	1.0	15.0	11.0	10.0	19.0	6.0	-	1.0	2.0	1.0	1.0	1.0	1.0	-
Reserve Transfers (Capital/Operating)	(3.0)	(1.0)	(15.0)	(11.0)	(10.0)	(19.0)	(6.0)	-	(1.0)	(2.0)	(1.0)	(1.0)	(1.0)	(1.0)	-
Operating Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

8.6 Adopting Resolution

Resolution xx/2026

APPROVAL OF FY2027 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 FY2027 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 FY2027 to the Federal Transit Administration (FTA) as part of the annual application for FY2027 federal funding, and

WHEREAS, the AAATA is required to submit the capital program and operating budget for FY2027 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY2027 state funding, which is amended by this resolution.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby approves the FY2027 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **$78,083,404 for operations, and**
- **$45,472,586 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 FY2026-FY2029 Transportation Improvement Program, of which FY2027 and beyond are subject to amendment in future years.

______________________________	______________________________
Kathleen M. Mozak, Chair	Jesse Miller, Secretary
______________________________	______________________________
Date	Date

TheRide

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.