Operating & Capital Budget

Adopted by the Board of Directors
September 28, 2017

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2018

TheRide

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Executive Team

Matt Carpenter, Chief Executive Officer

John Metzinger, Deputy CEO/Finance & Administration

Bryan Smith, Deputy CEO/Operations

Organization Chart

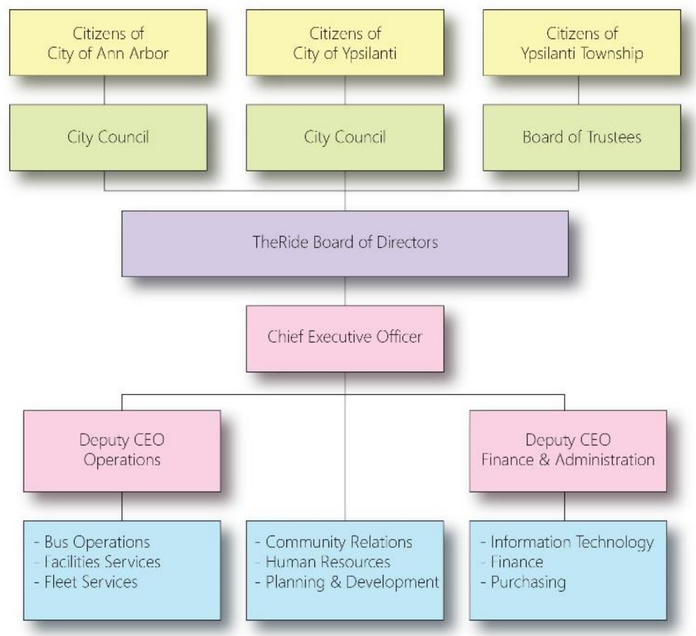

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Table of Contents

CEO Letter

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September 28, 2017

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to submit this 2018 Budget to the communities we serve.

The 2018 budget has been prepared in accordance with the Michigan Uniform Budgeting and Accounting Act of 1968, Generally Accepted Accounting Principles (GAAP), and the new Governance Policies recently approved by our Board of Directors. The Board has delegated to the Chief Executive Officer (CEO) the responsibility to prepare a balanced budget which achieves the Board's objectives ("ends") and avoids deficit spending and fiscal jeopardy. The budget achieves both requirements while positioning TheRide to continue providing excellent service to our communities and constituents.

Matt Carpenter
Chief Executive Officer

John Metzinger
Deputy CEO/
Finance & Administration

ANN ARBOR AREA TRANSPORTATION AUTHORITY

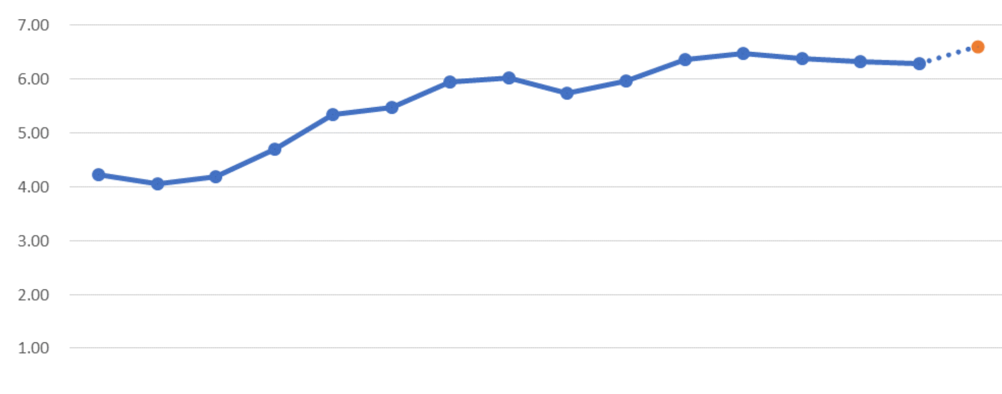
Executive Summary

These are exciting times at the Ann Arbor Area Transportation Authority (TheRide). New leadership from our Board of Directors and in our administrative team has renewed our energy and commitment to those we serve. New investments authorized by voters in 2014 have allowed the rapid growth in transit services. Since then the agency has delivered on our promises to voters by implementing:

- Later weekday service.
- New/expanded weekend service.
- Improved service frequencies.
- New service in Pittsfield, Ypsilanti, and Scio Townships.
- More direct service in Ann Arbor and Ypsilanti.
- Expanded A-Ride Service for seniors and individuals with disabilities.

We are pleased to report that TheRide's fixed route ridership is growing because of these efforts. Ridership for 2017 is on pace to surpass 2016's performance by 5%, and set a new record high over the previous 2013 record (See Figure 1).

Figure 1: *TheRide's Operated Fixed Route Ridership (Millions of Riders)*



FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
4.23	4.05	4.19	4.70	5.34	5.47	5.95	6.02	5.73	5.96	6.36	6.47	6.38	6.33	6.29	6.61

Note: 2017 ridership was estimated based on the ridership trend in the first 10 months

Now, after several years of expansion and renewal, the time has come for TheRide to pause, catch our breath, and look inward to ensure excellence in everything we do. In 2018, our focus will shift from expansion to preservation of services, financial management and efficiency. The agency is getting "back to the basics," guided by new expectations set by the Board of Directors led by the agency's new Executive Team (Chief Executive Officer and Deputy CEOs) and implemented by its dedicated staff. This new direction is embodied in this 2018 Budget.

In early 2017 TheRide re-assessed its financial situation and long-term outlook. That work confirmed many strengths and it also identified potential financial challenges in the future. The 2018 Budget addresses those challenges allowing us to continue our focus toward enhancing our contributions to the broader community.

Between 2010 and early 2015 the agency made a number of important improvements to transit service. We expanded bus services, opened new facilities, and invested in technology – all of which benefited thousands of riders and the community. With the benefit of new financial forecasting tools, it has become apparent that future costs could outpace anticipated revenues with a potential shortfall of about $13 million over the next seven years. Fortunately, we are able to propose comprehensive solutions to these challenges and, with the Board's support, can begin implementing them in 2018.

The 2018 Budget is only the beginning of a journey that will likely require cohesive efforts from the Board and staff over several years. The guiding principles for this budget are:

- Preserve existing services, before expansion.
- Maximize value provided to riders/customers and taxpayers.
- Ensure funding for ongoing operations remains stable.
- Identify new funding to continue delivering enhancements and improvements.
- Reinforce the new budgeting policies recently adopted by the Board of Directors to help ensure future financial stability.

Following these principles, staff have carefully developed a proposal for a balanced 2018 Budget that:

- Maintains all services for riders; no service reductions are called for in this budget.
- Respects taxpayers and requires only a renewal of the 2014 urban core millage approved in 2014.
- Establishes a new path that will ensure long-term stability.
- Ensures that riders continue to enjoy new, reliable buses.
- Identifies opportunities for new and improved services.
- Ensures a healthy operating reserve fund.
- Complies with the Board's rigorous new rules regarding financial planning and budgeting, including multi-year forecasting, greater transparency, asset protection, and comprehensive budgeting.
- Identifies future opportunities for the Executive Team to work with the Board, staff and the community to continue to reposition TheRide for future success.

Aligning resources with priorities is an important aspect of budgeting. The Executive Team considered many possible ideas for adjusting costs, and the most promising of these ideas are incorporated in the 2018 Budget. These proposals preserve services for riders, generate significant savings, minimize risks, and can be implemented quickly. The Executive Team remains committed to working with the Board, staff and the public to find additional opportunities to preserve and enhance our mission while becoming even more efficient. The key cost savings incorporated in the 2018 Budget are:

- **Streamlining Bus Purchase Costs -** Reducing capital costs and smoothing out volatility in future bus purchases will maximize the value of our capital spending. This can be accomplished by purchasing more cost-effective buses that still create impressive environmental benefits. This will reduce costs over the next seven years by $8.6 million. We will also need to adopt significant changes to the fleet purchasing schedule to eliminate volatility.
- **Internal Efficiencies:** Throughout the organization, budgeted expenditures have been adjusted and reduced in ways that maximize value and preserve services for riders. Contingencies and staffing are consolidated, risks are managed differently, and business practices are being updated. These steps reduce operating costs by about $4.4 million over the next seven years. The budget also calls for an additional organizational review to ensure value throughout the organization. The Executive Team will be seeking staffs' help in identifying additional ideas to maximize value, adjust costs, implement new and "best" business practices, and remain an attractive employer, while continuing to deliver excellence for our riders and all stakeholders.

With foresight, we have identified the opportunity to adjust spending now in order to preserve service in the future. The 2018 Budget preserves services, streamlines costs, and ensures continued financial stability. The Board of Directors has already implemented strong new budgeting policies that will help ensure TheRide's financial stability into the future.

We look forward to working constructively with our Board and all our stakeholders as we enter the 2018 fiscal year.

Introduction

Budget Document Orientation

The remainder of the 2018 Budget document contains four sections: Introduction, Current Situation, Budget, and Appendices.

- The **Introduction** will orient the reader to the overall direction, strategic goals, and executive limitations established by TheRide's Board of Directors, and the budgeting schedule and process.
- The **Current Situation** establishes context for the budget and discusses the strengths, challenges, and opportunities considered in drafting the budget.
- The **Budget** summarizes the operating and capital budgets for 2018.
- The **Appendices** include details on revenue and expense lines in the operating budget, a list and descriptions of the projects included in the 2018 Work Plan and Capital Plan, and an inventory of contracts anticipated in fiscal year 2018.

This document puts an increased emphasis on the future with the use of multi-year forecasting. Although many graphs and tables throughout the document refer to years beyond 2018, it is important to note that those forecasted years (2019-2024) are provided *for context only*, do not represent a commitment, and are likely to change. Each year, the Board of Directors adopts a budget for a single year. TheRide does not use "multi-year budgeting."

Strategic Direction

A budget is a plan for allocating resources to achieve certain goals. In June 2017, TheRide Board of Directors established clear overall goals for the agency by adopting a new governance model. The Board's new Policy Manual provides clarity on the strategic goals the agency is to be achieving. In addition, the Board has provided themselves and the CEO with clear operational expectations to ensure transparency, accountability, wise stewardship of resources, and prohibition of unacceptable situations *in advance*. Together these new policies provide clear guidance for preparation of the annual budget. The full manual of these policies is available on our website (www.TheRide.org).

The Board's overall strategic direction is expressed through statements of the outcomes TheRide is striving to achieve, called the "Ends" policies. These Ends are:

> *AAATA exists to provide access to destinations via transportation service options for residents, workers, and visitors of the Ann Arbor-Ypsilanti Area at a cost that demonstrates value and efficient stewardship of resources.*
>
> - *Use of AAATA services increases in the Area.*
> - *People throughout the Area have equitable access to opportunity through AAATA services.*

    - *People such as those with mobility and accessibility challenges, those who have disabilities seniors, minors, non-native speakers, people with low income and those without other means of transportation are able to use AAATA services equitably.*
  - *Customers are highly satisfied with AAATA services.*
    - *AAATA services are safe, reliable, courteous, comfortable, and convenient.*
    - *AAATA services are an attractive alternative to automobile dependence.*

This budget proposes how resources will be allocated to advance these outcomes. In addition, the Board's other policies place a heavy emphasis on ensuring the financial health of the agency. Given the current situation, the 2018 Budget prudently places most of its focus on building a strong fiscal foundation for the future. This is a necessary step before we can begin future-oriented strategy discussions in 2018.

Expectations and Executive Limitations

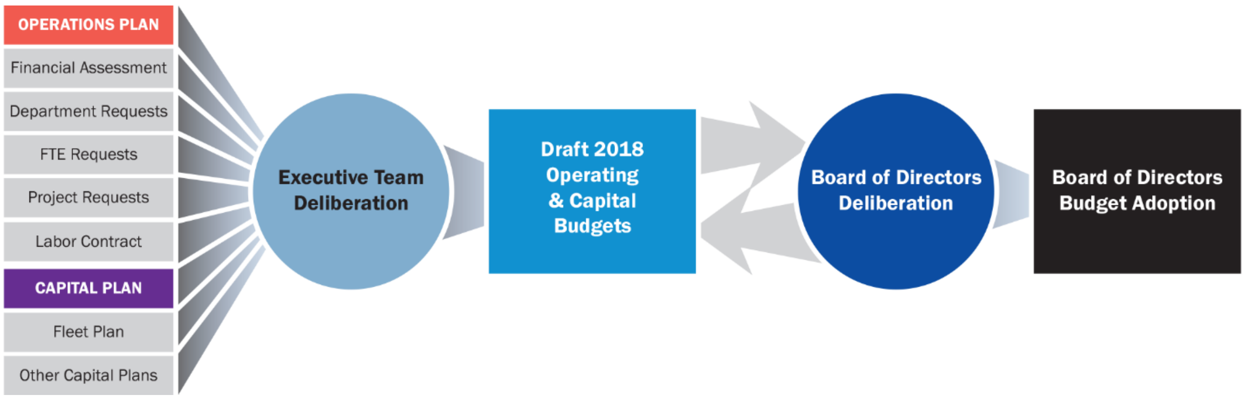
The Board shapes the operational decisions of the organization by establishing clear, written expectations for the CEO (including financial expectations) about what situations and decisions would be unacceptable to the Board (e.g. Executive Limitations policies). After establishing the overall direction, the Board has delegated authority to the CEO for implementation, and then monitors the agency for compliance while also considering future strategic matters.

Many of the Executive Limitations policies developed by the Board have a direct effect on shaping the annual budget. For example, the Board has set clear expectations for Financial Planning and Budgeting (policy 2.4), Financial Conditions and Activities (policy 2.5), Treatment of Staff (policy 2.2) and Asset Protection (policy 2.8), to name a few. These policies will occasionally be referenced in this document. While there is more work to be done to flesh out the implications of these new expectations, all the new policies were taken into consideration in the development of this budget. The Executive Team believes this budget is in compliance with all the policy expectations set out by the Board.

Budget Process and Timeline

The timeline for the annual budget is outlined below:

- **May/June:** The budget process began with the Executive Team gathering many inputs, including Board Policy, the financial assessment results, project requests from department managers, requests for full-time equivalent employees (FTEs), the new labor contract, fleet replacement plan, and other capital plans. Board Policy requires the CEO to present the annual budget within a multi-year context. The operating budget was developed within a 7-year plan and the capital budget within a 10-year plan. These inputs were the first step in the process shown in the following graphic:



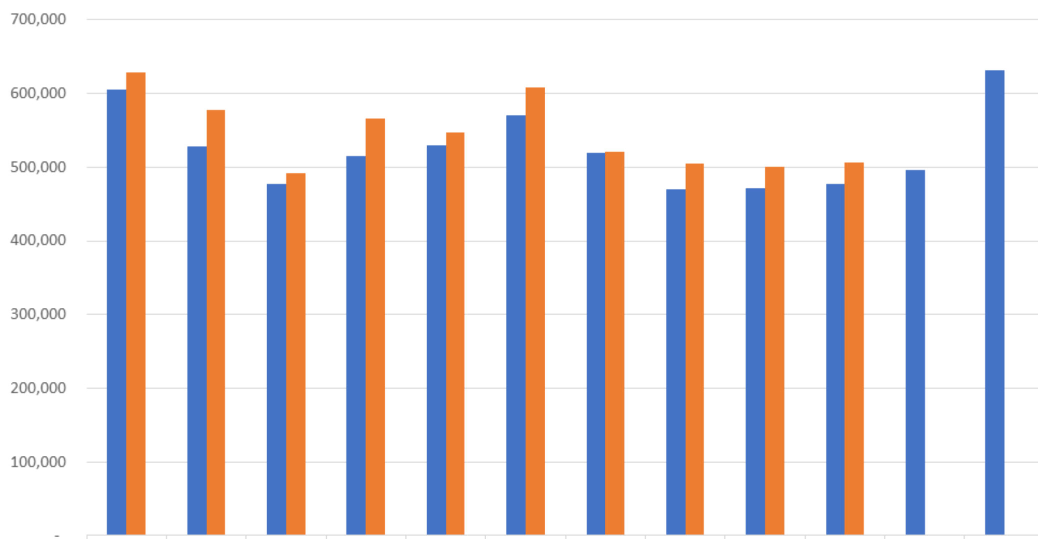
- **July:** The Executive Team deliberated over the inputs before drafting a recommended budget that would maximize compliance with Board Policy. The Deputy CEO/Finance & Administration coordinated budget development with the Executive Team and all department managers, especially staff in Finance and Service Development, and drafted the proposed operating and capital budgets.
- **August:** The proposed budget was formally introduced to the Board of Directors at the August meeting.
  - August 10 – Proposed 2018 Budget included in Board Packet.
  - August 17 – Formal presentation of proposed 2018 Budget at the evening Board meeting (6:30 pm, Ann Arbor downtown library). Board's consideration began. Public comment was welcome.
- **September:** The Board considered the budget for adoption at the September 28 board meeting. The Michigan Uniform Budgeting and Accounting Act of 1968 requires that the appropriate legislative body (the Board of Directors) adopt an annual budget prior to any expenditures being made in the fiscal year.
  - September 28 – Second consideration of the proposed 2018 Budget at the evening board meeting (6:30pm, Ann Arbor downtown library). Board's adoption of the 2018 Budget. Public comment was welcome.
- **October:** Fiscal Year 2018 began October 1, 2017. (The Uniform Budgeting and Accounting Act of 1968 prohibits the agency from expending funds without an approved budget.)

Current Situation

Introduction

Ridership is expected to exceed our historical high in 2017. As seen in Figure 2, monthly ridership for every month of the year has been higher than the prior year, a trend we anticipate will continue. 2017 ridership is projected to total 6.61 million trips, surpassing the 2013 record ridership of 6.47 million trips.

Figure 2: *TheRide's Operated Fixed Route Ridership (2017 vs. 2016, by Month)*



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
FY 2016	606,092	528,001	477,138	515,091	529,844	570,715	520,125	469,564	470,907	477,167	495,932	631,119
Fy 2017	628,768	577,132	491,791	566,456	547,256	607,576	520,586	504,421	500,802	505,821	-	-

In addition to ridership, TheRide's internal management tools also continue to develop. Recently, development of more sophisticated financial forecasting techniques has allowed staff a better view of the longer-term future. This section summarizes the current and future financial status of the agency as context for the 2018 Budget.

TheRide's Financial Strengths

TheRide has many strengths as an organization. For years, it has been one of the top-performing transit agencies in Michigan and has a strong national reputation for excellence. In many ways, these strengths are reflections of the dedication and passion for the community displayed by staff and Board members. Key financial strengths include:

- No indebtedness or significant liabilities;
- No significant legacy costs such as unfunded pension liabilities; and

- No evidence of fraud or mismanagement.

In addition, the agency has a track record of strong audit results. Preserving and building on all these strengths will be important going forward.

TheRide's Financial Opportunity

Thanks to new forecasting techniques, TheRide can now see that there are potential financial challenges in the future, and we have an opportunity in 2018 to take the steps necessary to adjust spending and avoid affecting service delivery. The agency is projecting a funding gap totaling approximately $13 million over the next seven years. Shortfalls exist in the forecasted operating and capital budgets, and the reserve is being depleted. Over the next seven years, the agency is projecting:

- A $1.4 million cumulative operating shortfall;
- An $8.6 million cumulative capital shortfall;
- A $3 million shortfall in the reserve at 2017 year-end; and
- Depletion of the reserve by 2019.

To balance these shortfalls TheRide must reduce costs or increase revenue. Otherwise, the future impacts could include service reductions within two years.

The good news is that we identified these challenges early enough to be able to develop an adjustment plan to preserve services for riders, and put us on a new path to financial stability. *This is our opportunity in 2018*. The budget includes recommendations that collectively can eliminate the shortfalls and begin to rebuild the reserve. There is good reason to remain optimistic about TheRide's future.

Contributing Factors

Between 2010 and early 2015 TheRide made a number of important and popular improvements throughout the community. We expanded services, opened new facilities and invested in technology. In retrospect, however, it has become apparent that many of these initiatives increased expenses without generating enough new revenue to offset the higher costs. Examples of the key expenses contributing to today's challenges include:

1. **Advance Services:** In 2012 and 2013, service was increased on our most utilized routes; Route 4 (Washtenaw) and Route 5 (Packard) due to overcrowding. These improvements were precursors to a county-wide expansion being planned at the time. These increased operating costs were covered by diverting existing funds from capital uses to operations. This has led to a shortfall in the capital budget and an increased reliance upon federal funding for ongoing operations.
2. **5-Year TIP:** In 2014 the 5-Year Transportation Improvement Plan (5YTIP) was approved by voters and TheRide has successfully delivered the promised services. While the requested mill rate (0.7) covered direct operating costs, it now appears that this rate was not high enough to cover all the costs the agency incurred. The requested millage rate did not cover costs for support facilities, bus replacement, reserve replenishment, incidental overhead costs, or the Advance Services mentioned above. These uncovered costs are now pressuring the rest of the capital and operating budgets.

3. **Fleet Purchases:** In early 2015, the agency found itself without the outside grants it had previously used to purchase hybrid diesel-electric buses. The agency decided to withdraw $600,000 from the reserve and deferred other bus purchases in order to purchase three more hybrid buses. This decision put additional pressure on the reserves.

TheRide's outflowing costs increased beyond what incoming revenue could support. To continue to fund new expenditures, the agency became increasingly reliant on funds that had previously been used to pay for capital (flexible federal grants) and funds from the operating reserve. This has left us with several intertwined budgetary challenges that will create complications in the future, the most significant of which are:

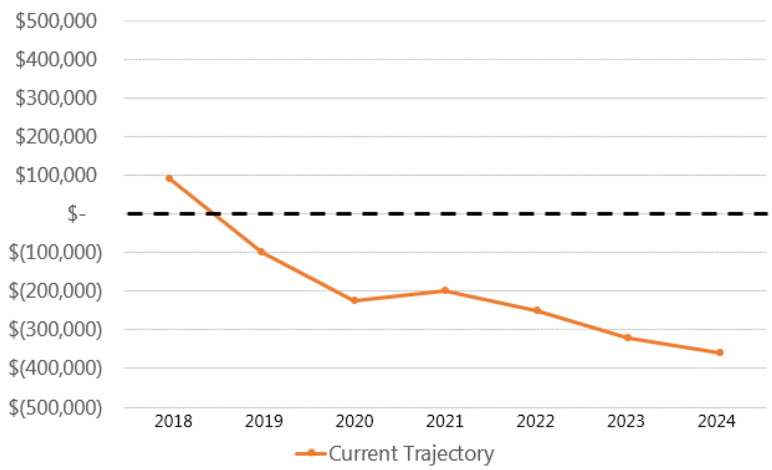
- **Rising Capital Costs:** Capital costs to purchase buses are about to rise in the next few years. In the past, the agency used flexible federal grants to absorb the jolt of such costs, but those funds have now been dedicated to new services and cannot be reallocated without cutting those services.
- **Shrinking Reserve:** The size of the reserve fund has declined over the last 10 years, and appears to be the only source of funds to protect the organization from the risk of unexpected disruptions to revenue or unexpected costs. An adequate reserve is necessary to ensure financial strength.

A transit agency budget is made more complicated by a complex web of inter-related federal and state grants that provide revenue to fund operations. Many of these grants can legally be used only in specific ways. This limits the flexibility to re-order expenses. It also means that many of the agency's current operating and capital decisions are interconnected. The most important implications are outlined on the following pages.

Challenge 1: Operating Costs and Reliance on Grant Funding

Legally, every annual budget must be balanced, with no deficit. This is also required by new Board policies. Presently, projections foresee a $1.4 million shortfall in the operating budget over 7 years beginning in 2019. The amount of the operating shortfall continues to grow over time (see Figure 3).

Figure 3: *Projected operating shortfall over 7 years, current trajectory, $1.4 million shortfall.*

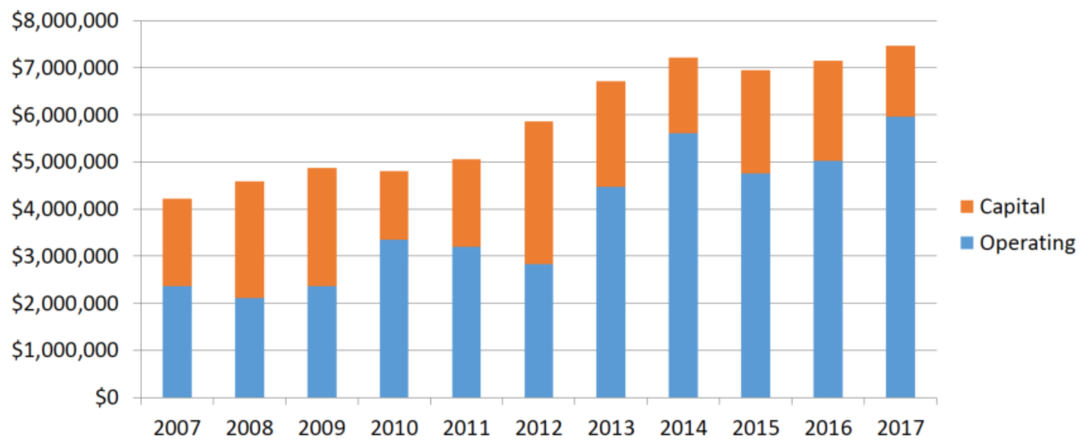


Projected Annual Operating Surplus (Deficit) Amounts:

2018	$90,000
2019	($100,000)
2020	($225,000)
2021	($200,000)
2022	($250,000)
2023	($320,000)
2024	($360,000)
Total:	($1,365,000)

Another factor that raises concern is the increased reliance upon federal formula funds for operations. Traditionally, TheRide used these flexible funds primarily for capital and for bus purchases. This helped to absorb the periodic costs of large bus purchases. Starting around 2013, the agency began using a larger proportion of these funds to cover ongoing operations, leaving fewer federal funds available for capital. Figure 4 demonstrates the increasing dependence upon federal formula funds for operations.

Figure 4: *Use of federal formula funding since 2007.*



This situation means that these funds are no longer truly flexible as they are effectively dedicated to ongoing operations. The result is that there is less funding available for capital, just as planned bus purchase expenditures are about to spike.

Challenge 2: Capital Shortfall

Buses are currently replaced every 12 years when they exceed their minimum useful life as determined by Federal Transit Administration (FTA) standards. Replacing buses on schedule is important for two reasons:

- Newer buses are more reliable and breakdown less often than older buses. Having a newer fleet reduces maintenance costs and ensures excellent service for riders.
- Newer buses are more attractive, more comfortable, and include many of the latest customer amenities. A newer fleet tends to make the service more attractive.

Currently, buses are budgeted to be replaced exactly 12 years after they were purchased. This creates spending peaks in some years and valleys in other years and drives a volatile demand for funding (see Figure 5). Traditionally, these periodic large purchases were handled with steady capital-only grants, carryover funds from a prior year, and with flexible federal grants (now dedicated to ongoing operations). In addition, the agency’s original hybrid diesel-electric bus fleet (purchased 11 years ago,) is reaching the end of its useful life. These buses are more expensive than other types. Today, there does not appear to be enough funding to cover these costs in the traditional manner.

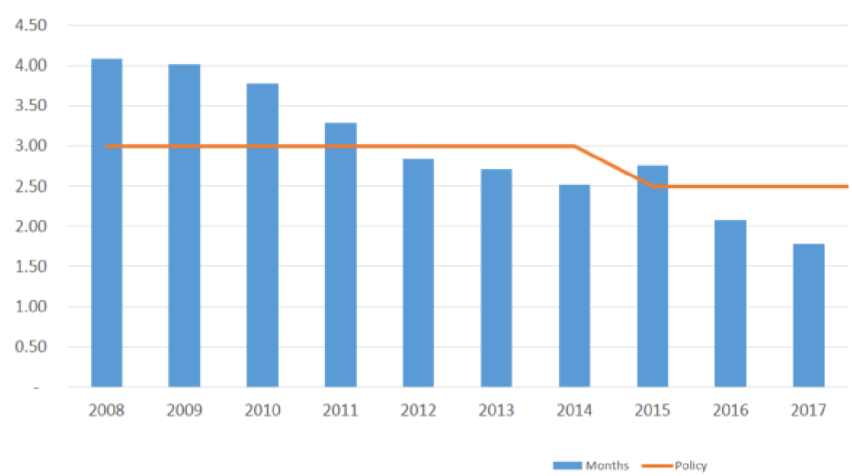
The absence of traditional funding, volatility of the purchasing cycle, and the higher incremental cost of hybrid diesel-electric buses will lead to $8.6 million in capital shortfalls over the next 7 years. For the 15 buses scheduled to be replaced in 2019, there is a $3 million shortfall of federal funds available which would require use of the reserve. Due to the lead time needed for federal grant applications, 2019 bus decisions must be made in the 2018 budget.

Figure 5: *Volatility in bus procurements leads to periodic high capital demand for federal funds; procurement of hybrid diesel-electric vs. low-emission diesel buses has caused less carryover of federal funds, and further reliance upon reserves for capital.*

Challenge 3: Shortfall in the Reserve

A reserve is an important part of a healthy agency budget. Its purpose is to buffer the agency during financial emergencies – for example, unexpected disruptions to revenue or unexpected costs. Without an adequate reserve, the agency might have to cut services in a financial emergency. TheRide's operating reserve balance compared to the previous policy thresholds are shown in Figure 6.

Figure 6: *Reserve balance compared to policy (in months' operating expense on hand)*



The reserve balance is shown per the number of months' worth of operating expenditure on hand. For example, for an annual budget of $43 million, the reserve balance for 2.5 months of operating expense is $9 million.

Prior to 2014, the Board's established policy threshold required TheRide to retain the equivalent of three months of operating expenses in reserve. As expenditures outplaced revenues, the reserve was drawn down to pay for operating expense and capital investments, and the number of months held in reserve dropped below the policy level starting in 2012. To correct this, the board adjusted the policy level to 2.5 months in early 2015. However, the reserve continued to be depleted.

In the recent past, the agency has looked to the reserve to help fund non-emergency expenditures for both operating and capital. The projected balance of the reserve at the outset of 2018 is $6.2 million, about $3 million below the amount needed for 2.5 months of operating expense.

Future Direction

TheRide has the opportunity to make decisions with the budget for fiscal year 2018 that can ensure the continued delivery of high-quality services, demonstrate wise stewardship, and ensure future financial stability.

The 2018 Budget is guided by the following principles:

- Preserve existing services, before expansion.
- Maximize value provided to riders/customers and taxpayers.
- Ensure funding for ongoing operations remains stable.
- Identify new funding to continue delivering enhancements and improvements.
- Reinforce the new budgeting policies recently adopted by the Board of Directors to help ensure future financial stability.

The best opportunity to begin a realignment of TheRide's budget is to reduce costs as much as possible in fiscal year 2018. We have been fortunate to have enough time to reduce costs in a way that will not impact riders and taxpayers. TheRide's Executive Team considered many possible ideas for reducing costs. The most promising of these ideas are incorporated in the 2018 Budget. These changes generate significant savings, preserve services for riders, minimize risks, and can be implemented quickly. Key cost reductions in the 2018 Budget are:

- **Streamlining Bus Purchase Costs -** Reducing capital costs and smoothing out the timing of future bus purchases will maximize the value of our capital spending. This can be accomplished by purchasing more cost-effective buses that still create impressive environmental benefits. This will reduce costs over the next seven years by $8.6 million. We will also need to adopt significant changes to the fleet purchasing schedule to eliminate volatility.
- **Internal Efficiencies:** Throughout the organization, budgeted expenditures have been adjusted and reduced in ways that maximize value and preserve services for riders. Contingencies and staffing are consolidated, risks are managed differently, and business practices are being updated. These steps reduce operating costs by about $4.4 million over the next seven years. The budget also calls for an additional organizational review to ensure value throughout the organization. The Executive Team will be seeking staffs' help in identifying additional ideas to maximize value, adjust costs, implement new and "best" business practices, and remain an attractive employer, while continuing to deliver excellence for our riders and all stakeholders.

Reducing Capital Bus Purchase Costs

TheRide requires a fleet of 103 buses in order to provide daily fixed-route transit service. Since 2007, the agency has often purchased hybrid diesel-electric buses. Today there are 58 hybrid diesel-electric buses in the agency's fleet. It is no secret that the community places a high value on environmental protection, and these buses have been seen as a symbol of that value. However, hybrid diesel-electric buses are expensive and their quantifiable environmental benefits appear to be marginal compared with modern diesel buses with high-efficiency engines.

Given TheRide's financial reality, we recommend pausing the purchase of hybrid diesel-electric buses for the next several years. Instead, the agency can purchase high-efficiency, low-emission diesel buses which generate only fractionally higher emissions at much lower cost than hybrid diesel electric buses. This is the largest single budget decision that can be made now and will result in savings of $8.6 million over the next seven years.

A hybrid diesel-electric bus costs $200,000 more than a low-emission diesel bus ($688,000 vs. $488,000), which is a premium of more than 40%. Over the next seven years, 41 hybrid buses need to be replaced at a cost $8.6 million *more* than purchasing low-emission diesel buses (see Figure 6). The following year, 16 additional hybrids will need to be replaced, adding $3.7 million to the incremental cost of hybrids and bringing the 8-year total to $12.3 million.

Figure 7: *Incremental Cost of Hybrid Diesel-Electric Replacement (7 Years)*

Purchase Year	**Number of Buses**	**Replacement Year**	**Hybrid Increment (Per Unit)**	**Total Hybrid Increment**
2007	15	2019	$200,000	$3,000,000
2008	5	2020	206,000	1,030,000
2009	7	2021	212,180	1,485,260
2010	4	2022	218,545	874,182
2011	10	2023	225,102	2,251,018
Total Hybrid Increment Expense (7 Years)				**$8,640,459**

In addition, hybrid diesel-electric buses have higher average lifetime maintenance costs ($43,000 on average) compared to low-emission diesel buses due to the higher cost of battery refresh kits, engines, and drive units. As our hybrid fleet ages, it is possible that it could cost an additional $400,000 to $500,000 in the next few years to keep the existing buses running. While the purchase and maintenance costs for hybrid buses are high, unfortunately the anticipated financial returns have not materialized, and less-expensive alternatives now produce almost the same environmental benefits.

When TheRide first began purchasing hybrid diesel-electric buses there were several reasons to hope the buses would be cost-effective. Since that time, lower fuel prices, higher maintenance costs, improving diesel technology, and the loss of grants have lessened the financial case for hybrids.

Before we took delivery of our first hybrid diesel-electric bus in October 2007, no hybrid bus in the U.S. had completed its full 12-year life, and long-term costs were unknown. Early indications from other transit agencies were that fuel savings could be 25% to 33% compared to conventional diesel, and that hybrid buses would lower costs on engine overhauls, transmissions and brakes, even though batteries would need to be replaced.

In 2013, we calculated fuel savings over the life of the bus at $112,000 at the price of $3.40 per gallon of biodiesel fuel, based on 4.88 hybrid miles per gallon (mpg) vs. 3.66 conventional mpg. Since then, relative fuel consumption has declined and fuel prices have dropped. Low-emission diesel technology has evolved and improved. Low-emission diesel buses have increased their fuel mileage from 3.57 mpg to 4.64 mpg; the fuel mileage is now within 5% of hybrid buses. At the same time, fuel prices dropped considerably. The current price of biodiesel fuel ($1.58/gallon) reduces the unit cost by more than half. From a strictly monetary perspective, $56,000-$112,000 in lifetime fuel savings does not appear to justify a $200,000 increase in the purchase price.

Original maintenance costs also proved optimistic. It was believed that the lighter load on the engine due to the hybrid drive system would extend the useful life of the engine to the full 12-year life of the bus. However, our experience and the experience of other transit agencies has shown that many of these less powerful engines provided in hybrid buses must be replaced at about mid-life, at an additional cost of $25,000. This is in addition to the costs for battery and hybrid drive replacements.

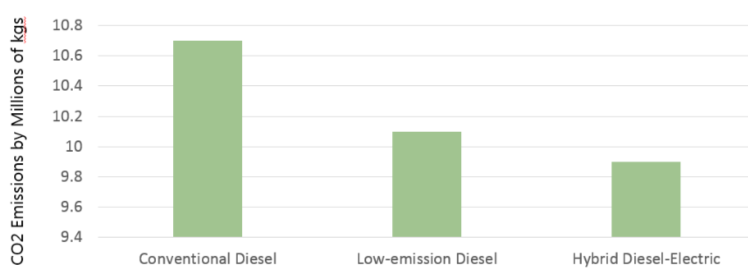
Finally, original funding for the $200,000 incremental cost of the hybrids were covered by discretionary federal grants which are no longer available. Without these grants, there is no funding source available to pay for the higher incremental cost of hybrids, nor would it be advisable to continue to use the reserve.

Diesel technology has greatly reduced its environmental impact. In recent years, improvements have been made to diesel emissions filtration systems, and the low Sulphur diesel fuel mandated in new EPA requirements have reduced emissions from diesel overall. These changes have reduced TheRide's forecasted 2024 emissions by 5.9% (see Figure 8). Hybrid diesel-electric buses achieve a 2% further reduction in CO_2 emissions from the savings already attributed to low-emission diesel technology.

TheRide and our communities can feel confident that a decision to pause procurement of hybrids for low-emission diesel buses will have a minimal effect on emissions. TheRide's forecasted CO_2 emissions output for year 2024 would grow by just 2% to 10.1 million kg if low-emissions diesel buses were to be purchased, still far below the 10.7 million kg projected for old diesel technology. It is difficult to justify a 40% cost premium for a return of only 2%.

Figure 8. *Projected 2024 Annual Fleet CO2 Emissions By Propulsion Technology*

Propulsion Technology	**Total Emissions 2024**	
Conventional Diesel	10.7	
Low-emission Diesel	10.1	-5.9%
Hybrid Diesel-Electric	9.9	-2.0%



In today's financial situation, it must be acknowledged that there are opportunity costs for every financial decision. Without a funding source, the $8.6 million required to continue to purchase hybrid diesel-electric buses would need to come from other cuts within TheRide. The only other way to generate a similar degree of savings would be to significantly cut fixed-route service. Reducing the cost of the buses is preferable to reducing services.

Renewing the Commitment to Alternative Propulsion

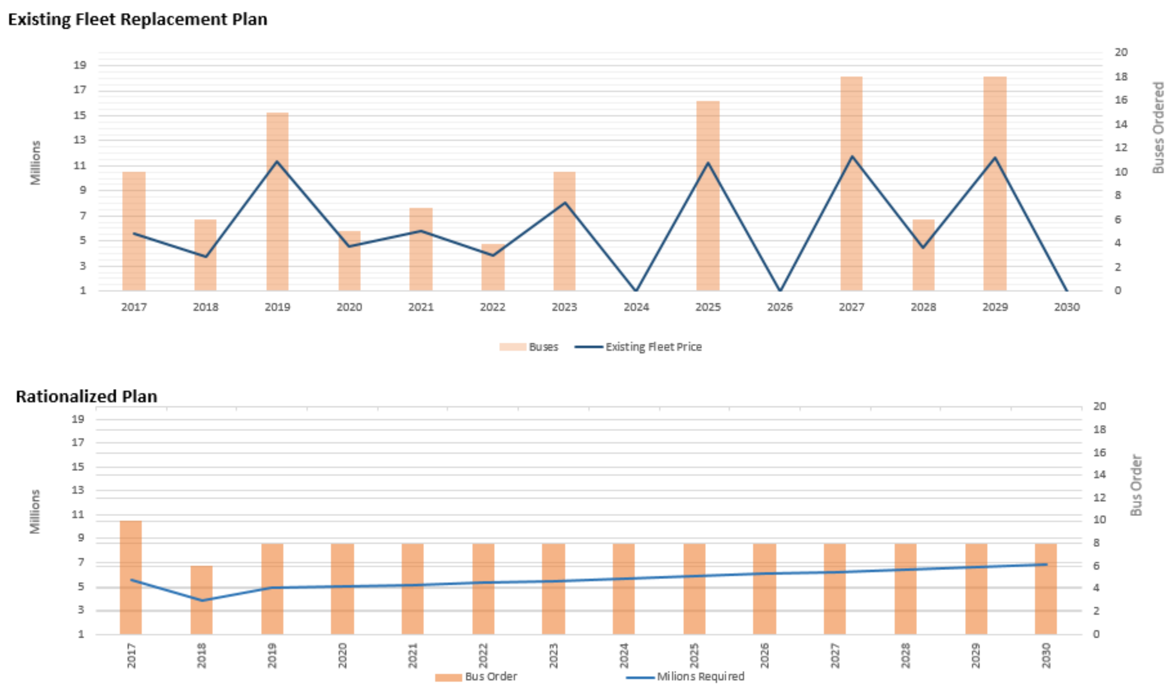
TheRide continues to be interested in alternative propulsion technologies and the environmental benefits that can accrue for the entire community. Pausing the purchases of hybrid diesel-electric buses now will allow us to rebuild our financial capacity to reinvest in new technologies in the near future. Now is a good time to pause as electric buses are rapidly evolving and may prove viable within a few years. The agency proposes a comprehensive study of alternative propulsion systems in FY2022.

Reducing Cash-Flow Volatility

In addition to lowering the capital costs for bus purchases, the 2018 Budget calls for new approaches to fleet purchasing and management in order to reduce cash-flow volatility. First, the useful life of transit buses has been extended from 12 to 14 years. This is consistent with the latest Federal Transit Administration Guidelines and State of Good Repair benchmarks established in TheRide's asset management planning. By deferring some replacements, we can begin replacing a consistent number of buses (8 buses) each year, which levels the annual cash-flow needed to pay for replacement buses.

Together, these steps allow for lower and more manageable capital costs, and ensure riders continue to enjoy reliable, quality buses. Figure 7 outlines the current scenario and the replacement plan:

Figure 8: *Rationalization of the Fleet Plan*



Operating Cost Reductions

The operating budget has been reduced by eliminating contingencies in specific line items (budgeting to costs), and implementing tighter internal controls over spending, reducing administrative staff positions, self-funding worker's compensation insurance, and making surgical cuts to specific budget line items. Details are provided in the Appendices. Here is a summary of the most significant cost reductions:

- Two administrative staff positions were eliminated ($234,700).
- Contingencies in staffing were lowered to adjust for potential vacancies ($255,500).
- Budgeted fuel costs were reduced to $1.80 per gallon ($173,200). (2017 average price was $1.58; hedging should hold price near $1.70 after gains/losses on hedging.)
- Contingencies for printing and other communications costs were reduced ($151,000).
- The Paratransit Study is now covered by a planning grant rather local funds ($150,000).
- Reduced recruitment expenses ($88,000).
- Reduced legal expenses ($60,000).
- Reduced outside information technology services ($55,000).
- Reduced duplicative security services ($48,000).

These overall reductions have been partially offset by increased costs in other categories, for example increased premiums for more comprehensive insurance. The operating expenditure for 2018 is $495,000 less than the approved 2017 budget.

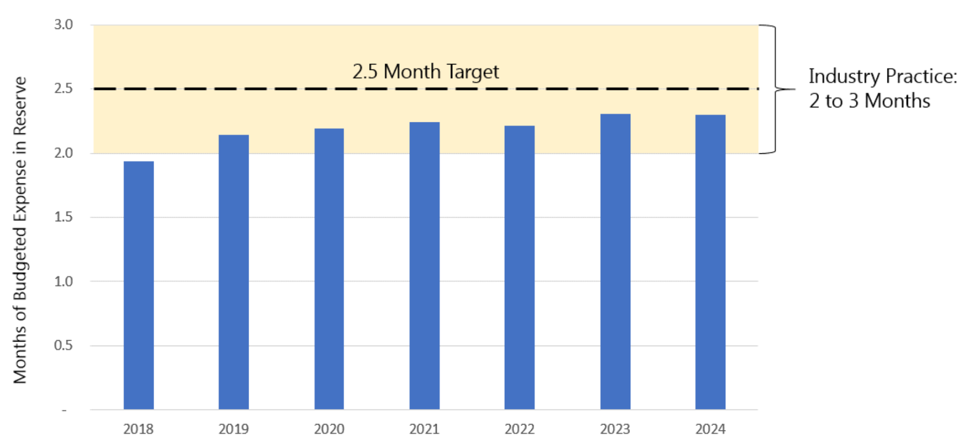
Replenishing the Reserve

The 2018 Budget stops the outflow of funds from the reserve. In addition, each year going forward TheRide budget will need to generate a surplus in order to replenish the reserve. Replenishing reserve funds in this manner will require spending discipline and will take several years. Rebuilding a healthy reserve should usually take precedence over new spending. To help establish this practice, the annual budget will no longer account for a surplus, only a retainage of funds for the reserve. This will continue until the reserve is replenished.

Beyond adoption of the 2018 Budget, TheRide will continue to search for efficiencies, explore raising fares (though no fare increase will occur in 2018), and consider other means to increase revenues and lower expense with an eye toward a sustainable future.

Figure 9: *Projected Reserve Balances*

	2018	2019	2020	2021	2022	2023	2024
Beginning Reserve Balance	$ 6,200,000	$ 6,978,763	$ 7,684,367	$ 8,112,935	$ 8,454,921	$ 8,583,283	$ 9,023,776
Reserve Retainage	778,763	705,604	428,568	341,986	128,362	440,493	213,203
Ending Reserve Balance	6,978,763	7,684,367	8,112,935	8,454,921	8,583,283	9,023,776	9,236,980
Months of Reserves	**1.9**	**2.1**	**2.2**	**2.2**	**2.2**	**2.3**	**2.3**



The results of this new direction (see Figure 9) are striking; shortfalls are eliminated, services are preserved, and the reserve stabilizes. This is a promising start. However, the Executive Team would like to see faster progress towards replenishing the reserve. We also remain concerned about the agency's new dependency on federal grants for operations, and will consider how we can wean ourselves off this practice to allow more funds to be available for capital.

Other Options Considered

Many additional ideas for reducing costs were considered in developing the 2018 Budget, including increasing revenue and further internal efficiencies. However, many of these ideas carry sharply increasing risk, and require more information before they can be evaluated. While none of the following considerations were included in the 2018 Budget, they could be considered later if needed.

Revenue Increases

There are two options available to increase revenue: raise fares or increase property tax revenue. Both options involve a lengthy public process (it would be about two years before new revenue could be received). The second challenge comes from TheRide's desire to maintain credibility with our riders and area taxpayers. To ask for a further tax or fare increase seems premature at this time. Both groups are likely to ask what the agency has already done to reduce costs before seeking additional revenue. Tightening our belts is necessary before TheRide can consider requesting additional revenue.

- TheRide's 0.7 percent millage is up for renewal in late 2018. It is the Executive Team's opinion that renewal at the current rate should be pursued rather than an increase of the millage rate. This assumption is made in our multi-year forecasting.
- TheRide's fares have not increased since 2010. The agency had already planned to conduct a fare study in 2018 with the potential of a fare increase in subsequent years. This work will continue; however, no fare increase will be implemented in 2018.

Some revenue sources will continue growing naturally. Revenue from Purchase of Service Agreements (POSAs) plans 2% inflationary growth. Property tax and millage funding is projected to grow due to growth in assessed property valuation (not a rate increase). State and federal grant funding is projected to increase indexed to inflation. TheRide will also pursue discretionary grants if they become available. However, the Executive Team does not recommend attempting to recover more funds from POSA communities, as terms are written in existing contracts and those services do not appear to be contributing to the current fiscal challenges.

As mentioned earlier, TheRide is initiating a study regarding fares. There has not been a fare increase in many years. However, due to elasticity of demand, it is not clear how much revenue would be generated by a fare increase and what the impact on ridership would be. More study is required before this option can be seriously considered.

Further Internal Cost Reductions

There are a number of other internal business process changes that may be possible. However, those evaluated thus far come with steeply increasing financial or organizational risks. For example, a freeze on staff wages or somehow rolling-back labor costs would not generate enough savings on their own, and could create a divisive work atmosphere, labor action, or spillover impacts to riders. It certainly would not have met the Board expectations for TheRide being an attractive employer (policies 2.2.1 and 2.3.1).

Any further internal cost reductions or business process changes require careful consideration so that the implications are understood before decisions are made and the team has time to adjust. These potential options, and more, will be revisited by the Executive Team in 2018 as part of the Organizational Review and Modernization project outlined in the Work Plan.

Bus Service Reduction

Reducing fixed-route bus service is one of the few decisions that could generate large savings; however, they were not considered in preparing the 2018 Budget because of the negative impact to riders.

These alternatives and others were considered in the development of the 2018 Budget. When considering alternatives, it should also be mentioned that TheRide budget is very complex with many interrelations between costs, and many purpose-specific grants that can be used for certain costs but not others. This limits the effectiveness and ease with which some seemingly-obvious options can be utilized, especially in the short term.

5. 2018 Budget

Budget Overview

The 2018 Budget incorporates all the changes outlined in the preceding section. Highlights of the budget include:

- No operating or capital shortfalls.
- All services to customers/riders are preserved.
- Fares and property tax rates remain unchanged.
- Total expenses are $495,000 less than in 2017, allowing for greater retention for the reserve.
- Old buses are replaced while costs are reduced and streamlined.

The following sections outline the operating and capital budget for 2018, and provide multi-year forecasts to help contextualize today's decisions.

Budget Inputs and Outcomes

The 2018 Budget includes a consistent level of service for fixed-routes since the implementation of the Five-Year Transit Improvement Plan (5YTIP). Due to the increased demand for the service, the budget for A-Ride is increased. ExpressRide will grow with the introduction of a long-planned express route to Ypsilanti Township. A consistent level is budgeted for AirRide, MyRide, VanRide and non-urban demand response services, with no service cuts planned. Ridership is presently growing and is forecasted to continue to grow 3.22%. The following assumptions are made for revenue service hours and expected ridership compared to 2017 projections:

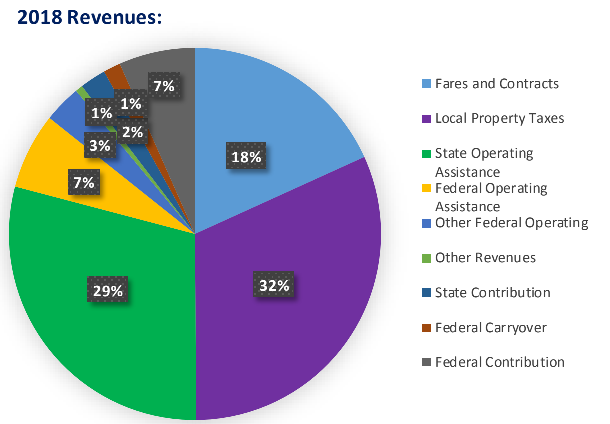
	Projected 2017	**Adopted 2018**	% Change
Service Hours:			
Local Fixed Route	280,000	**278,116**	-0.67%
ExpressRide	2,081	**2,831**	36.04%
AirRide	9,013	**8,965**	-0.53%
A-Ride, NightRide, MyRide	84,457	**86,000**	1.83%
Total	375,551	**376,162**	0.16%
Passenger Trips:			
Local Fixed Route	6,541,800	**6,748,700**	3.16%
ExpressRide	29,900	**34,000**	13.71%
AirRide	88,400	**92,500**	4.64%
A-Ride, NightRide, MyRide	167,000	**172,000**	2.99%
Total	6,827,100	**7,047,200**	3.22%

Operating Budget

The following tables and charts illustrate the elements of the 2018 Budget, as well as how the approved 2018 budget compares with the 2017 approved budget.

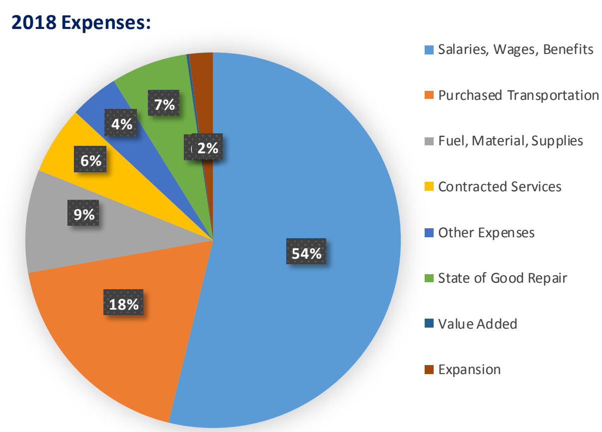
Revenues

Budgeted Revenues	FY2017	FY2018	% Change
Operating Revenue			
Fares and Contracts	$ 8,916,264	$ 8,950,470	0.4%
Local Property Taxes	15,252,538	15,566,300	2.1%
State Operating Assistance	13,700,698	14,354,497	4.8%
Federal Operating Assistance	2,680,000	3,250,000	21.3%
Other Federal Operating	3,287,484	1,597,302	-51.4%
Other Revenues	398,000	318,000	-20.1%
Total Operating Revenues	**$ 44,234,984**	**$ 44,036,569**	**-0.4%**
Capital Revenues			
State Contribution	$ 1,186,067	$ 1,113,100	-6.2%
Federal Carryover	3,709,777	737,302	-80.1%
Federal Contribution	1,176,786	3,255,098	176.6%
Total Capital Revenues	**$ 6,072,630**	**$ 5,105,500**	**-15.9%**
TOTAL REVENUES	**$ 50,307,614**	**$ 49,142,069**	**-2.3%**



Expenses

Budgeted Expenses	FY2017	FY2018	% Change
Operating Expenses			
Salaries, Wages, Benefits	$ 25,303,309	$ 25,548,073	1.0%
Purchased Transportation	7,937,343	8,731,777	10.0%
Fuel, Material, Supplies	4,496,955	4,207,072	-6.4%
Contracted Services	3,823,361	2,773,344	-27.5%
Other Expenses	2,191,844	1,997,540	-8.9%
Total Operating Expenses	**$ 43,752,812**	**$ 43,257,806**	**-1.1%**
Capital Expenses			
State of Good Repair	$ 5,582,630	$ 3,122,500	-44.1%
Value Added	490,000	103,000	-79.0%
Expansion	$ -	$ 980,000	0.0%
Subtotal Capital Expenses	**$ 6,072,630**	**$ 4,205,500**	**-30.7%**
Work Plan/Planning Expenses	-	**900,000**	0.0%
Reserve Fund Retainage	**$ 482,172**	**$ 778,763**	61.5%
TOTAL EXPENSES	**$ 50,307,614**	**$ 49,142,069**	**-2.3%**



Position Summary Schedule (FTEs)

	FY2017 Budgeted	FY2017 Actual	FY2018 Proposed
Motor Coach Operators	173.50	177.00	174.00
Other Operations Personnel	26.75	25.75	26.75
Fleet Services	46.00	43.00	46.00
Facilities Services	6.00	6.00	6.00
Administrative Support Staff	38.00	34.00	35.00
Total Full-Time Equivalents	**290.25**	**285.75**	**287.75**

2018 Operating Budget (Prior Year Comparisons)

	FY2016 Audited	FY2017 Budgeted	FY2017 Projected	**FY2018 Adopted**	% Change 2018 vs. 2017 Budgeted
OPERATING REVENUE					
Passenger Revenue	$ 6,187,167	$ 6,715,104	$ 6,573,608	$ 6,848,660	1.99%
Local Property Tax Revenue	14,031,828	15,252,538	15,246,033	15,566,300	2.06%
POSA & other Governmental Partners	1,736,123	2,201,160	2,277,308	2,101,810	-4.51%
State Operating Assistance	12,201,178	13,700,698	12,039,539	14,354,497	4.77%
Federal Operating Assistance	1,980,000	2,680,000	2,680,000	3,250,000	21.27%
Other Federal Conditional Assistance	3,051,338	3,287,484	2,329,682	1,597,302	-51.41%
Advertising, Interest, and Other	334,481	398,000	372,529	318,000	-20.10%
TOTAL REVENUES	39,522,115	44,234,984	41,518,699	44,036,569	-0.45%
OPERATING EXPENSES					
PERSONNEL					
Operations Salaries & Wages	10,729,558	11,624,229	11,444,055	11,948,811	2.79%
Maintenance Salaries & Wages	2,779,202	3,172,001	2,842,889	3,339,840	5.29%
General Admin Salaries & Wages	3,043,077	3,487,634	3,030,032	3,149,323	-9.70%
Total Salaries & Wages	16,551,837	18,283,864	17,316,976	18,437,974	0.84%
Fringe Benefits	6,447,875	7,019,445	6,514,811	7,110,099	1.29%
Subtotal - Personnel	22,999,712	25,303,309	23,831,787	25,548,073	0.97%
OTHER EXPENSES					
Purchased Services	2,162,478	3,823,361	2,108,543	2,773,344	-27.46%
Diesel Fuel and Gasoline	1,347,156	1,688,800	1,485,382	1,515,600	-10.26%
Materials and Supplies	2,176,903	2,808,155	2,218,459	2,691,472	-4.16%
Utilities	418,268	524,640	492,261	510,948	-2.61%
Casualty & Liability Insurance	788,453	828,000	770,861	919,300	11.03%
Purchased Transportation	7,172,414	7,937,343	8,031,862	8,731,777	10.01%
Other Expenses	703,295	839,204	760,805	567,292	-32.40%
	14,768,967	18,449,503	15,868,173	17,709,733	-4.01%
TOTAL EXPENSES	37,768,679	43,752,812	39,699,960	43,257,806	-1.13%
Reserve Fund Retainage	$ 1,753,436	$ 482,172	$ 1,818,739	$ 778,763	61.51%

Basis of Budgeting: The 2018 Operating Budget is prepared on the full accrual basis of accounting, which is the same as our audited financial statements. The only two differences between the audited financial statements and the operating budget are capital contribution revenue and depreciation expense are not included in the operating budget, since these items do not affect operating reserves and affect only the capital budget.

2018 Operations Work Plan

Most of the annual budget is devoted to the costs of providing services. However, TheRide also continues to make plans and develop ideas that can lead to new improvements and services. The following table illustrates the major new projects and notable events proposed for 2018, as well as the near future. Detailed descriptions for each initiative can be found in Appendix 2.

TheRide Five-Year Work Plan

	FY2018	FY2019	FY2020	FY2021	FY2022
Notable Events	Possible RTA Millage ($0)		Possible RTA Millage ($0)		
	FTA Triennial Review ($0)		FTA Title VI Compliance Review ($0)	FTA Triennial Review ($0)	
State of Good Repair (Maintaining Existing Services and Assets)	Renewal Millage ($133k)				
	Organizational Review & Modernization (TBD)				
	BikeShare (TBD)				
Value Added (Make Things Work Better)	Fare Strategy ($150k)				
	Paratransit Review ($150k)				
	Fixed Route Analysis ($0)				
Expansion					
Research and Development (Planning for the Future)	Washtenaw BRT-Light Planning ($200k)			Smart Card System (TBD)	Alternate Propulsion Systems Study (TBD)
	Ypsilanti Transit Center Planning ($400k)				
	US-23 Express/Park and Ride ($0)				
	Ypsilanti Railroad Station ($0)				

Long-Term Financial Context: 2018-2024

The Board's new policies require the annual budget to be contextualized within a multi-year forecast of costs and revenues (policy 2.4). The following table illustrates forecasts of future operating budgets, assuming the adoption of the 2018 Budget. Key observations include:

- There are no deficits foreseen through the next millage cycle (2019-2024).
- Passage of the renewal millage at the current 0.7 mil rate is assumed.
- No fare increase is required in this plan; however, a fare increase could be implemented after further analysis.
- No significant service changes are planned.

These forecasts help contextualize the 2018 Budget. It should be understood, however, that these projections are for context only, they will likely change, and are not approved as part of the 2018 Budget by the Board of Directors.

We would also like to acknowledge public concern about the reliability of federal funding. While the future of some federal programs is uncertain right now, the routine formula funding for transit which our budget relies upon is generally seen as reliable. Most congressional districts receive this funding and there is strong political support for these programs. There has been no mention from Congress or the White House of changing these formula grants.

Something to remain aware of is the potential for a prolonged disruption to federal formula revenue in the event of a federal government shutdown or other disruption. TheRide has become more reliant on federal funding over the last few years and there is a shortfall in the reserve. This leaves us more vulnerable to federal gridlock than in the past. A disruption in federal revenue could, over time, create a challenge for the agency's overall cash flow. However, because most transit formula programs are funded from the Highway Trust Fund and not the general account, it is not clear how or if these funds would be disrupted. At this time, it is prudent to continue the proposed course of replenishing the reserve and reducing our reliance on federal funding for operations.

Operating Budget (7 Year Forecast)

	Budget FY 2018	PROJECTED BUDGETS FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	SEVEN YEAR TOTAL
OPERATING REVENUES:								
Passenger Revenue	$6,848,660	$6,977,300	$7,060,153	$7,144,600	$7,230,673	$7,318,410	$7,407,837	$49,987,633
Local Property Tax Revenue (applied)	15,566,300	$15,930,100	$16,311,300	$16,702,000	$17,102,300	$17,512,600	$17,933,000	$117,057,600
POSA & Other Governmental Partners	2,101,810	2,081,993	2,128,912	2,109,615	2,109,034	2,138,185	2,138,007	$14,807,556
State Operating Assistance	14,354,497	14,016,789	14,451,364	14,747,796	15,131,549	15,286,576	15,691,252	$103,679,823
Federal Formula Operating Assistance	3,250,000	3,347,500	3,447,925	3,551,363	3,657,904	3,767,641	3,880,670	$24,903,003
Other Federal Conditional Assistance	1,597,302	1,037,602	1,063,947	1,042,338	1,043,977	1,045,666	1,047,404	$7,878,236
Advertising, Interest and Other	318,000	319,590	321,188	322,794	324,408	326,030	327,660	$2,259,670
TOTAL REVENUES	$44,036,569	$43,710,874	$44,784,789	$45,620,506	$46,599,845	$47,395,108	$48,425,830	$320,573,521
OPERATING EXPENSES:								
PERSONNEL:								
Operations Salaries & Wages	$11,948,811	$12,204,846	$12,538,244	$12,883,325	$13,229,020	$13,561,558	$13,801,919	$90,167,723
Maintenance Salaries & Wages	$3,339,840	$3,345,268	$3,431,615	$3,521,125	$3,612,914	$3,700,310	$3,767,919	$24,718,991
General Admin Salaries & Wages	$3,149,323	$3,198,029	$3,261,990	$3,327,230	$3,393,774	$3,404,621	$3,521,531	$23,256,499
Total Salaries and Wages	$18,437,974	$18,748,144	$19,231,849	$19,731,680	$20,235,708	$20,666,488	$21,091,369	$138,143,213
Fringe Benefits	7,110,099	7,315,752	7,616,564	7,874,330	8,141,227	8,191,247	8,643,599	$54,892,817
Subtotal - Personnel	25,548,073	26,063,896	26,848,413	27,606,010	28,376,935	28,857,736	29,734,968	$193,036,030
OTHER EXPENSES:								
Purchased Services	2,773,344	1,925,996	2,019,260	1,976,984	2,120,653	2,069,253	2,116,499	$15,001,989
Diesel Fuel and Gasoline	1,515,600	1,546,189	1,577,113	1,608,655	1,640,828	1,673,645	1,707,118	$11,269,148
Materials and Supplies	2,691,472	2,654,038	2,856,650	2,877,844	2,933,406	2,755,371	2,854,778	$19,623,559
Utilities	510,948	511,692	512,451	513,225	514,014	514,820	515,641	$3,592,791
Casualty & Liability Insurance	919,300	937,686	956,440	975,569	995,080	1,014,981	1,035,281	$6,834,337
Purchased Transportation	8,731,777	8,868,144	9,103,884	9,235,636	9,401,108	9,571,335	9,746,561	$64,658,445
Other Expenses	567,292	497,629	482,010	484,597	489,459	497,474	501,781	$3,520,242
Total Other Expenses	17,709,733	16,941,374	17,507,808	17,672,510	18,094,548	18,096,879	18,477,659	124,500,511
TOTAL EXPENSES	43,257,806	43,005,270	44,356,221	45,278,520	46,471,483	46,954,615	48,212,627	$317,536,541
CONTINGENCY/RESERVES (DEFICIT)	$778,763	$705,604	$428,568	$341,986	$128,362	$440,493	$213,203	$3,036,980

2018 Capital Budget

The 2018 Capital Budget details specific costs for facilities, vehicles and equipment that would be purchased in FY2018. Detailed descriptions for each project can be found in the Appendices. Capital expenditures are defined as assets purchased with an initial individual cost of more than $1,000 and an estimated useful life greater than one year. Capital assets include land, buildings, vehicles, and equipment, which are recorded at historical cost. Improvements which are expected to extend the useful lives of existing assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Category	Project Description	FY 2018
State of Good Repair (Maintaining Existing Services and Assets)	Large Bus Replacement	$1,950,000
	Non-Revenue Vehicles	$103,000
	Maintenance: Bus Components, Tools and Equipment	$500,000
	Facilities Rehabilitation	$300,000
	IT - Hardware and Software	$269,500
	Sub-total	***$3,122,500***
Value Added (Make Things Work Better)	Rider Amenities and Accessibility	$103,000
	Sub-total	***$103,000***
Expansion	Deferred Large Bus Expansion	$980,000
	Sub-total	***$980,000***
Capital Costs Total		**$4,205,500**

10-Year Capital Plan

As with the operating forecasts, the 10-year Capital Plan represents an expectation of future costs, and will likely change. It is provided for context only and is not a part of the 2018 Budget approved by the Board of Directors.

Category	Project Description	FY 2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	TOTAL
State of Good Repair	Large Bus Replacement	$1,950,000	$4,052,100	$4,210,132	$4,374,327	$4,544,926	$4,722,178	$4,906,343	$5,097,690	$5,296,500	$5,503,064	$44,657,259
	Small/Medium Bus Replacement		$515,000			$900,000	$309,000	$106,000		$563,000		$2,393,000
	Non-Revenue Vehicles	$103,000	$260,000		$56,000	$58,000	$284,000					$761,000
	Maintenance: Bus Components, Tools and Equipment	$500,000	$385,000		$105,000							$990,000
	Facilities Rehabilitation	$300,000	$318,000	$347,000	$358,000	$369,000	$380,000	$391,000	$403,000	$415,000	$427,000	$3,708,000
	IT - Hardware and Software	$269,500	$159,000	$164,000	$169,000	$174,000	$179,000	$185,000	$190,000	$196,000	$202,000	$1,887,500
	Sub-total	***$3,122,500***	***$5,689,100***	***$4,721,132***	***$5,062,327***	***$6,045,926***	***$5,874,178***	***$5,588,343***	***$5,690,690***	***$6,470,500***	***$6,132,064***	***$54,396,759***
Value Added	2700 Facility Upgrades Phase II											
	Rider Amenities and Accessibility	$103,000	$106,000	$109,000	$113,000	$116,000	$119,000	$123,000	$127,000	$130,000	$134,000	$1,180,000
	Sub-total	***$103,000***	***$106,000***	***$109,000***	***$113,000***	***$116,000***	***$119,000***	***$123,000***	***$127,000***	***$130,000***	***$134,000***	***$1,180,000***
Expansion	Deferred Large Bus Expansion	$980,000										
	Sub-total	***$980,000***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***
Capital Costs Total		**$4,205,500**	**$5,795,100**	**$4,830,132**	**$5,175,327**	**$6,161,926**	**$5,993,178**	**$5,711,343**	**$5,817,690**	**$6,600,500**	**$6,266,064**	**$55,576,759**

In Closing

There is reason for optimism about the TheRide's future. Ridership is growing once again. The new leadership within TheRide's Board of Directors and administrative team gives us new energy to tackle both challenges and opportunities. While there are changes ahead, they are manageable. We are fortunate future challenges were discovered in time to develop a thoughtful response that can ensure continued service for riders.

The 2018 Budget includes recommendations for preserving services, eliminating shortfalls, creating future surpluses, and ensuring financial stability. The Board of Directors has already implemented strong new policies for budgeting that will help ensure similar situations never arise again.

The Board, CEO, and the rest of our leadership team will work to implement the adopted FY 2018 budget.

APPENDICES

1. 2018 Operating Budget Detail

Revenue Assumptions

Cash, Passes and Tokens: We are budgeting passenger revenue to be about 4.0% greater than the 2017 projected actual amount ($6,573,608) and about 2% greater than our 2017 budgeted passenger fares.

- Recommended Fares: No fare increase is budgeted for 2018.

Subcontracted Revenue: We are budgeting a slight decrease in revenue for AirRide shuttle service to/from Detroit Metro Airport and A-Ride. We expect NightRide, A-Ride, WAVE and Northfield's Human Services pass-through passenger revenue to remain flat.

Special Fares: Special Fares occur when someone other than the rider pays the fare. We are budgeting $679,500 based on the projected ridership on the go!pass program. The University of Michigan Unlimited Access contract amount represents $1.62 million payment from the University of Michigan after giving credit for the Federal funds we receive that are earned by the university bus system. This amount is $274,400 higher than the 2017 budget due to an increase in ridership. The EMU amount of $162,700 is for the route guarantee for route #41 during the school year.

- Recommended Fares: No fare increase is budgeted for 2018.

Local Tax Revenue: The projected City of Ann Arbor July 2017 property tax levy includes both the original millage of 2.0373 and the additional millage of 0.686 mills approved by the voters in 2014. These millages have been Headlee Amendment-reduced from last year's 2.056 and 0.7 mills. We are allowing for $30,000 collection loss due to potential Michigan Tax Tribunals rebates and other adjustments.

The projected City of Ypsilanti July 2017 property tax levy includes both the original 0.973 transit millage and the new 0.686 millage.

The Charter Township of Ypsilanti July 2017 property tax levy is 0.686 mills.

A portion of the July 2016 levy was used to purchase two additional buses and bus stop improvements in the new service areas.

16 large buses for a total of $7.35 million have been purchased using the funds from the property tax levies of July 1, 2014, 2015 and 2016.

- Recommended Tax Rate: No tax rate change is budgeted for 2018.

Purchase of Service Agreements (POSA) and Governmental Partners: These are the proposed contract amounts the other governments will be charged based on the increasing level of service with the fully allocated POSA hourly rate. POSA contracts do recover overhead costs. Pittsfield, Scio and Superior Townships' amounts also include a capital component to recover the cost of buses needed to provide the service over the life of the buses.

State Operating Assistance: The State Urban Operating Assistance is 33.05% (2017 was 32.2%) multiplied by our budgeted urban eligible expenses. The Nonurban State Operating Assistance amount is the nonurban eligible expenses multiplied by the reimbursement rate of 39.27% (2017 was 38.52%). These percentages are based on the latest communication from the Michigan Department of Transportation (MDOT) regarding the Local Bus Operating (LBO) line item in the state's budget of $188.25 million, an increase of $2 million from 2017. These amounts are subject to reconciliation and audit, resulting in changes (either increase or decrease) based on our audited eligible expenses and the total State tax revenue received in 2018. The State revenue also includes matching funds for Planning, Preventive Maintenance and Capital Cost of Contracting.

Federal Operating Assistance: Federal Formula Funds are budgeted based on the current Capital Budget. The agency uses a portion ($3.25 million) of TheRide's programmed Federal Formula Funds to fund operating expenses. In addition, TheRide uses Federal funds for planning, which includes funding for the paratransit review, comprehensive fare study and Washtenaw Avenue bus rapid transit. Federal Revenue also includes $128,000 Federal Section 5303 Planning grant, with a $32,000 State match, to study the Ypsilanti Transit Center.

Advertising, Interest and Other Revenue: Interest is based on projected cash balances at a 0.25% rate of return. We are budgeting advertising revenue at $250,000.

Expense Assumptions

Operator Wages: The number of Motor Coach Operators (MCOs) will be 174 Full Time Equivalents (FTE) resulting from increased service hours in the 5YTIP. The top hourly wage rate for MCOs is $27.05 and will increase to $27.65 (+2.2%) on July 1, 2018 per the current labor agreement that is effective from July 1, 2017 to March 31, 2022.

Call Taker Wages: The number of Call-Takers/Information Specialist is increasing from 9.75 (9 full-time and 1 part-time) to 10.75. One full time position is funded by Federal and State of Michigan JARC and New Freedom grants under the MyRide program.

Operations Supervision: These wages include the wages for the manager of operations, ten operations supervisors, specialized transportation coordinator, paratransit coordinator, call-center supervisor, administrative assistant and a travel trainer.

Maintenance Wages: The wages for the Master Technicians are $28.95 and will increase to $29.55 (+2.1%) on July 1, 2018. The top wage for the Service Crew is $24.10 and increases to $24.70 (2.5%) on July 1, 2018.

Maintenance Supervision: These wages include the wages for the manager of fleet services, three vehicle mechanic supervisors, a parts inventory supervisor, three electronic technicians, a bus stop coordinator, and an administrative assistant. The wages also include a manager of facilities services to oversee our facilities, which includes our main facility (operations, maintenance and administration), two transit centers, six park-and-ride lots, 1,200 bus stops, 150 bus shelters and 200 benches.

General Administrative Wages: Administrative departments include Administration, Information Technology, Finance, Purchasing, Human Resources, Service Development & Planning, Community Relations, and the GetDowntown program. Two full time FTEs in the Administration department were eliminated.

Fringe Benefits: Payroll taxes (FICA) and pension expenses are based on wages and statutory or contractual rates.

Medical insurance plans are from Blue Care Network (BCN) and premiums were virtually unchanged on the annual renewal date of August 1, 2017. Medical & dependent care reimbursement, vision, dental, life insurance, long term and short term disability are based on the number of employees at the monthly premium amounts effective August 1, 2017. The budget assumes 5.0% increase in medical insurance on January 1, 2018, when we will start the next plan year to coincide with the calendar year. Life insurance, long-term and short-term disability rates are consistent. All employees pay 20% of the medical insurance premiums.

The pension expense is 9.0% of wages for full-time employees, who are eligible after one year of service with an assumption of 3.0% turnover. This amount is net of forfeitures of TheRide provided pension match for employees who leave before the five-year vesting period.

Our workers' compensation rates are lower, since we were approved by the State of Michigan to self-insure our workers' compensation coverage. Historically, we have had low claims, so we believe we can save over $150,000 per year. This change was made in August 2017.

The Health Care Savings Plan (HCSP) is a defined contribution plan administered by the Municipal Employees Retirement System of Michigan (MERS). TheRide contributes $140 to each full-time employee's health savings account each month. This will increase to $150 on January 1, 2018, per the five-year labor agreement. This money will be available to each employee, after a five-year vesting period, for eligible health care expenses post-employment.

We still maintain the post-employment medical defined benefits plan for eleven retirees. Even though the plan is closed, the agency will still need to contribute approximately $85,000 each year. An actuary study is conducted annually to determine future contribution amounts.

Contractual Services: Contracted maintenance includes snow removal, electricians, along with services on vehicle hoists, and all the building systems in our facilities.

Diesel Fuel and Gasoline: We are expecting ultra-low sulfur biodiesel fuel (#2 B10%) prices to decrease and are budgeting $1.80 per gallon. We plan to use 829,400 gallons of biodiesel fuel in our buses and 15,000 gallons of gasoline in our service trucks, supervisor vehicles and shuttle vehicles per year.

Materials and Supplies: We are utilizing Federal grant funds for associated capital maintenance to cover the costs of $150,000 in components (hybrid battery refresh kits, transmissions, etc.). Bus parts are increasing due to the increase in service hours and the campaign to replace the engines in the hybrid diesel-electric buses (2007 & 2008). Lubricants, tires and repair parts are increasing due to the increase in the amount of service hours. We expect other items to be consistent with the 2017 budget or rise with the increase in service hours.

Utilities: For natural gas, we are contracted to pay $5.36 per million British Thermal Unit (MMBTU) through April 2018, which is down from $7.65 per unit in FY 2015, with budgeted usage at 24,000 MMBTU, which is 20% above the average of the last five years' actual usage at the main facility. Telephone expense is increasing, since we switched the way we communicate with our buses on the street. Before, we were using a radio-based system and we recently implemented a cellular based system to reliably transmit voice and real-time data information.

Insurance: Our vehicle and corporate insurance renewal rates are increasing over last year. The expense includes an estimate of annual insurance claims below our $25,000 deductible for minor incidents and accidents. We have increased our coverage to ensure coverage of vehicles at replacement cost rather than depreciated value. The insurance detail is as follows:

	2017	**2018**
Vehicles Insurance – Premiums	$529,400	$580,000
Vehicles Insurance – Claims under $25,000*	75,000*	75,000*
Umbrella Coverage (from $5 million to $10 million)	75,000	78,000
Property	25,400	26,000
Property – Damage to Buses within Facility	0	33,500
Public Official and Employment Practices Liability	20,100	21,300
Pollution Premises – Underground Storage Tank	21,700	21,700
Fiduciary	6,900	7,600
Commercial General Liability	15,900	16,000
Government Official/Crime	3,900	3,900
Broker Fees	54,700	56,300
Total	$828,000	$919,300

Purchased Transportation – The amount for A-Ride and GoldRide Taxi is based on the contract effective May 1, 2017 at current service levels. Later fixed route service hours mean that NightRide started later each night. The WAVE and People's Express portions are the pass-through amounts to these entities using Nonurban State Operating Assistance and Federal Section 5311 grants. Purchased Transportation includes $1.2 million for the Ann Arbor to Detroit Metro Airport, which is funded from State operating assistance and passenger fares.

Other Expenses – Employee development is increasing to support additional training for personnel. Media costs and postage are increasing in Communications due to upcoming millage education needs, to inform the communities about service improvements and other goals in the 2018 Work Plan.

Local Depreciation – Previously, the agency included depreciation expense on capital assets purchased with local funds in the operating budget. However, this expense is no longer included the operating budget since the expense does not affect unrestricted net assets, but affects the calculation of net assets invested in capital assets; it is a booked expense but does not represent an outflow of cash. The revised budget format expresses the balance between revenue and expense as surplus, or in our case contingency/reserve retainage. Future surpluses will be expressed in this manner until the reserve is replenished.

2. Capital & Work Plan Descriptions

Notable Events

- The Regional Transit Authority (RTA) may elect to put a millage on the November 2018 ballot (or in November 2020). The plan and rate, among other things, are in discussion.
- The Federal Transit Administration's Triennial Review of TheRide will take place in 2018. External evaluation of the agency requires significant effort for purchasing, maintenance, and grants staff, as well as others, but provides additional assistance to ensure that business practices are prudent and applicable federal rules are followed.

State of Good Repair / Maintain Existing Service and Assets

Policy 2.8 of the Board new policy manual requires the CEO to ensure that the physical assets of TheRide are not be risked or under-maintained. This is important because failing to maintain a transit agency's vehicles and facilities in a "state of good repair" can lead to higher maintenance costs, service disruptions and an overwhelming backlog of expenses. This section also includes efforts proposed to help preserve existing services.

Large Bus Replacement

Replacement of four large transit buses that have reached the end of their useful life. Replacement is needed maintain service levels and avoid additional maintenance costs. $488,000 is budgeted for each clean-diesel bus.

- Budgeted Funds: $1,950,000 (capital)

Non-Revenue Vehicle Replacement

TheRide requires a small fleet of utility vehicles (trucks, vans, etc.) to support regular operations. These vehicles are used for a variety of functions such as shuttling drivers, snow clearing, on-road repairs, business meetings, etc. Two service trucks will be replaced in 2018.

- Budgeted Funds: $103,000 (capital)

Maintenance: Bus Components, Tools and Equipment

Each year major bus components such as engines, transmissions, hybrid drives and batteries, and other major parts are needed to maintain the fleet in a state of good repair. Tools and equipment are also necessary to maintain the fleet.

- Budgeted Funds: $500,000 (capital)

Facilities Rehabilitation

TheRide owns three major facilities: The Dawn Gabay Operations Center (DGOC), the Blake Transit Center (BTC) and the Ypsilanti Transit Center (YTC). These funds are being set aside to assure funding to address priority maintenance issues. The CEO has reason to believe there may be a backlog of preventative and corrective maintenance needs at the DGOC, and funds may be needed on an ongoing basis to account for needs at all three facilities. Staff are developing a prioritized list to guide spending.

- Budgeted Funds: $300,000 (capital)

IT – Hardware and Software

More than ever, TheRide and our riders rely on technology in delivery of public transportation. This budget allows for replacement of computers, network servers, software and other technology infrastructure aboard buses and in facilities.

- Budgeted Funds: $269,500 (capital)

Renewal Millage

Ann Arbor, Ypsilanti, and Ypsilanti Township voters approved a 0.7 millage for service improvements in May 2014 which will expire in 2019. Staff recommend August 2018 for a renewal millage. The costs for this initiative include elements to support the anticipated education of the public including: community survey, on board survey, service analysis, and communications (printing, etc.).

- Budgeted Funds: $133,000 (operating)

Organizational Review & Modernization

Future success for TheRide in part depends on identifying additional means to reduce costs, maintain excellence, and remain an attractive employer. The Executive Team of the agency (CEO and Deputy CEOs) will lead a proactive review of the internal organization and its key processes in order to identify opportunities for further cost savings, or increased productivity. This will include a review of the agency's scope, organizational structure, staffing levels and roles, process review, program reviews. We will also continue to refine our financial tools. The efforts will seek staff input, outside best practices, and other input to reinvent the internal workings of the agency. This will accelerate efforts at modernization that have already been underway for two years.

- Budgeted Funds: Staff time and potentially outside consultant assistance (funded from CEO's budget, less than $50,000)

BikeShare

In mid-2015 the ArborBike bike share program was launched in Ann Arbor as the result of a partnership between the University of Michigan, the City of Ann Arbor, the Downtown Development Authority and TheRide. Initially, our role was limited to merely assisting with obtaining the federal grant that funded the purchase of equipment.

Over the last year, it has become increasingly apparent that the program is struggling financially. Presently there is only enough funding to ensure operations until December 2017. In addition, it has become apparent that TheRide co-sponsored the federal grant in such a way that we could be required to repay the federal government about $400,000 should the program cease.

In discussions with the partnering organizations, TheRide seems to be in the best position to lead an effort to sustain the program. The partners appear to be in support and may be willing to assist financially. In 2018 we will continue to lead the partners in developing a plan. We have signaled to the partners that we cannot afford either the approximately $250,000 annual operating costs or the $400,000 grant repayment.

This effort is not a formal proposed project or part of the 2018 Budget, but rather is an informational item for the Board and a signal that there may be budgetary or agency scope implications later in 2018. The CEO will keep the Board apprised of this rapidly developing situation via regular operational reports. If any costs become necessary, the CEO will return to the Board with a budget amendment request.

- Budgeted Funds: Staff time only. Goal is to avoid unbudgeted expenses and preserve a service.

Value Added / Make Things Work Better

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

Rider Amenities and Accessibility

The bus stop is where riders access TheRide's services. Each year investment is needed for replacement and improvement of bus stop infrastructure including concrete landing pads, shelters, benches, and other amenities, all with an eye toward ensuring accessibility for riders with disabilities.

- Budgeted Funds: $103,000 (capital)

Fare Strategy Study

Staff, with consultant assistance, will develop options and recommendations for fare levels, collection technology, administration, and media; and will involve community input. New technologies offer new options in this area. Fixed-route fares were last adjusted in 2010.

- Budgeted Funds: $120,000 (federal planning grant); $30,000 (operating)

Paratransit Review

This study will review A-Ride service including scheduling, service operation, fares, and eligibility certification process and assess service for seniors and the integration of paratransit with accessible fixed-route service. Goals will be to continue and improve the level and quality of transportation services for people with disabilities and seniors at a sustainable cost. Staff have planned for a high level of involvement and transparency in the review and in planning for the implementation of any recommended changes.

- Budgeted Funds: $30,000 (operating); $120,000 (federal planning grant)

Fixed Route Analysis

Staff will develop detailed route and equity analysis. Goals will be to provide analysis to support development of adjustments to the new route structure introduced in May 2016, accessibility metrics, improved planning process policies, and updated Fixed Route service standards. This work will also take into consideration the potential implementation of other emergent mobility options.

- Budgeted Funds: planning staff time

Expansion / Implementing New, Approved Service

Deferred Large Bus Expansion

The purchase of two expansion buses was deferred in 2013 when the decision was made to purchase hybrid diesel-electric buses for replacement instead. Since the expansion of service for the 5YTIP, TheRide has been using contingency vehicles, temporarily, to meet service demand. The two buses will be purchased in 2018 at a budgeted cost of $488,000 each.

- Budgeted Funds: $980,000 (capital)

Research and Development / Planning for the Future

The projects and initiatives in this section are typically preliminary planning or exploratory discussion for projects that could advance the Board's stated organizational goal (Ends policies). They could lead to new services or infrastructure. In addition, the Board's policies require the CEO to explore opportunities for innovation (2.8.5.6) and collaborative relationships (2.10).

Washtenaw Avenue BRT-lite Planning

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

- Budgeted Funds: $40,000 (operating); $160,000 (federal planning grant)

Ypsilanti Transit Center Planning, Phase I

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

- Budgeted Funds: $320,000 (federal planning grant); $80,000 (local capital)

US-23 Express Bus/Park and Ride Service Pilot

MDOT will be building a park and ride lot along US-23 in 2018 and has asked TheRide to help implement express bus service between the lot and Ann Arbor. This represents a significant opportunity for inter-government cooperation, innovation and advancing the Board's goal of providing access for workers, among others.

At this time, this initiative is conceptual and there is no funding or approval included in the 2018 Budget. Work to date is suggesting a 3-year pilot project of contracted express bus service overseen by TheRide or another organization. Initial cost estimates suggest annual operating costs of $300,000 to $600,000 and no capital costs. It is understood that TheRide is willing to consider administration of the contract and service, but it cannot pay for the service. It could be funded with outside competitive grant funds (possible CMAQ). MDOT and TheRide are currently searching for grant funding options. If no additional outside funding can be identified, this project is unlikely to continue.

This effort is not a formal proposed project or part of the 2018 Budget, but rather is an informational item for the Board and a signal that there may be budgetary or agency scope implications later in 2018. The CEO will keep the Board apprised of this rapidly developing situation via regular operational reports. If any costs become necessary, the CEO will return to the Board with a budget amendment request.

- Budgeted Funds: Staff time only.

Ypsilanti Railroad Station

In mid-June 2017, TheRide was approached by local elected officials and asked to help with the development of an Amtrak rail platform in the City of Ypsilanti. Although the role of the agency was not clear, the agency made it clear that we would look to the City of Ypsilanti first before considering involvement in such a project, that we lack the financial capacity to pay for such a project, and that we have no formal experience with railroad matters. However, out of respect for the official, we have agreed to participate in discussion.

This effort is not a formal proposed project or part of the 2018 Budget, but rather is an informational item for the Board and a signal that there may be budgetary or agency scope implications later in 2018. The

CEO will keep the Board apprised of this rapidly developing situation via regular operational reports. If any costs become necessary, the CEO will return to the Board with a budget amendment request.

- Budgeted Funds: Staff time only.

Smart Card Study

Should the RTA not be able to develop a coordinated regional smart card system by late 2020, TheRide will move forward to study the potential for a local deployment. These payment technologies allow greater convenience for riders and allow new management techniques.

- Budgeted Funds: TBD.

Alternative Propulsion Study

After allowing several years for emergent propulsion technologies to mature, the agency will undertake a comprehensive review of all potential alternative propulsion systems with a goal of renewing the agency's commitment to environmental stewardship.

- Budgeted Funds: TBD

3. Contracts

The following contracts are scheduled to be awarded in 2018 and presented here for Board consideration:

Contract Description	Vendor	Renewal Date	Value of Award (Approximate/Estimated)	FY2018 Expenditure
Uniforms	Superior Uniform Sales, Inc.	5/28/2018	380,000	126,000
Translation Services	Trusted Translations	8/5/2018	25,000	5,000
Bus Advertising Services *(Revenue Contract)*	Outfront Media Group, LLC	9/16/2017	(1,218,406)	(250,000)
Small Print Jobs	Dollar Bill Copying, Green Light Graphics, Print-Tech	8/31/2018	123,613	25,000
Bus Transfers & Magnetic Fare Media	Electronic Data Magnetics Inc	9/14/2018	90,000	18,000
IT Support Services	Ardent Technologies	11/30/2017	38,000	7,500
Ride Guide Printing	American Litho (formerly Grand River Printing)	4/1/2018	600,000	120,000
Auto Body Paint and Supplies	Painter's Supply	4/11/2018	80,000	20,000
Natural Gas	Constellation NewEnergy	4/30/2018	450,000	148,300
Legal Services	Pear Sperling Eggan & Daniels	9/30/2018	400,000	80,000
Postage Meter Machine	Pitney Bowes	12/18/2018	6,000	1,200
Copier - BTC	Applied Imaging	2/28/2018	16,000	4,000

Note: The contract with Gillig for new buses expires, and a new contract will be awarded, in 2019.

4. Board Resolution to Adopt Budget

Resolution 21/2017

ADOPTION OF FY 2018 OPERATING AND CAPITAL BUDGET

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 2018 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 capital projects for inclusion in the Transportation Improvement Program (TIP) to be submitted to the Washtenaw Area Transportation Study (WATS) in order to be eligible for federal funds, and

WHEREAS, the AAATA is required to submit the capital program for FY 2018 to the Federal Transit Administration (FTA) as part of the annual application for FY 2018 federal funding, and

WHEREAS, the AAATA is required to submit the capital program for FY 2020 – FY 2022 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY 2020 state funding,

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby approves the AAATA FY 2018 Operating and Capital Budget as its general appropriations act with total expenses of $49,142,069, and

BE IT FURTHER RESOLVED, that the Ann Arbor Area Transportation Authority Board of Directors hereby adopts the attached FY 2018-2022 Capital Program of which FY 2019 and beyond is subject to amendment in future years.

Eric A. Mahler, Chair

September 28, 2017

Acting Secretary

September 28, 2017