

# Operating & Capital Budget

*As Adopted September 19, 2019*





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
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PRESENTED TO

**Ann Arbor Area Transportation Authority  
Michigan**

*For the fiscal years beginning October 1 2018, 2019*

*Christopher P. Morrill*

Executive Director

**Government Finance Officers Association (GFOA)  
Distinguished Budget Presentation Award**

The award, presented to TheRide for its *FY2018 and FY2019 Operating and Capital Budgets*, is a significant achievement which reflects the commitment of the Board of Directors and staff to meeting the highest principles of governmental budgeting. TheRide's budget satisfied nationally recognized guidelines for effective budget presentation, including how the document serves as a policy document, a financial plan, an operations guide, and a communications device.

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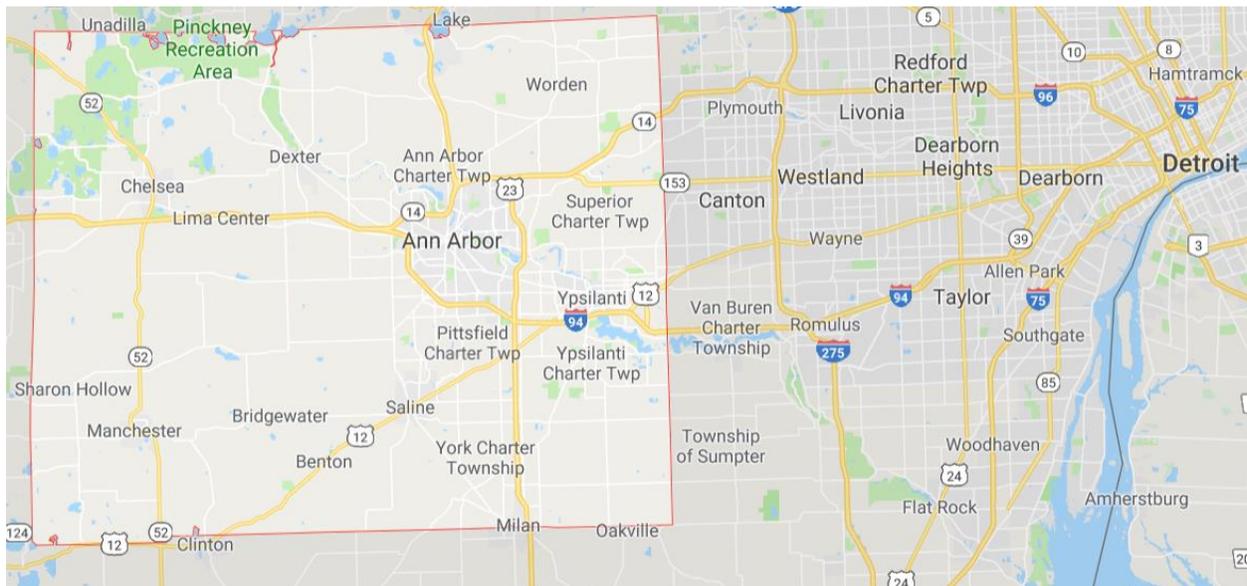
# About TheRide

The Ann Arbor Area Transportation Authority (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 and Eastern Michigan University. The region's economy is driven by the universities, medical facilities, and technology sector, as well as the area's proximity to Detroit.

Ann Arbor is the county seat for Washtenaw County, which also includes the city of Ypsilanti and the townships (Ann Arbor, Pittsfield, Scio, Superior, Ypsilanti) which make up TheRide's service area. The service area covers 110 square miles, with a service area population of 228,574 people. TheRide delivers 419,900 hours of revenue service annually, driving more than 5.6 million annual revenue miles, and carries more than 6.9 million annual passenger trips on transit services annually.



TheRide operates a fixed-route bus system, A-Ride paratransit services, ExpressRide commuter buses to Chelsea and Canton, AirRide express service to Detroit Metro Airport, FlexRide on-demand service, ridesharing, van pools, bikeshare, and other services.

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

## Board of Directors

Michael Allemang

Sue Gott

Raymond Hess

Roger Hewitt

Ryan Hunter

Eric Mahler, Chair

Jesse Miller

Kathleen Mozak-Betts

Kyra Sims, Secretary

## Senior Management Staff

Mike Blackston, Manager of Information Technology

Mary Boonin, Manager of Community Relations

Ron Copeland, Manager of Transportation

Gwyn Newsome, Manager of Human Resources

Candace Moore, Manager of Fleet Services

Gail Roose, Manager of Facilities Services

LaTasha Thompson, Manager of Finance

Michelle Whitlow, Manager of Purchasing

Michelle Willis, Manager of Mobility Services

## Executive Team

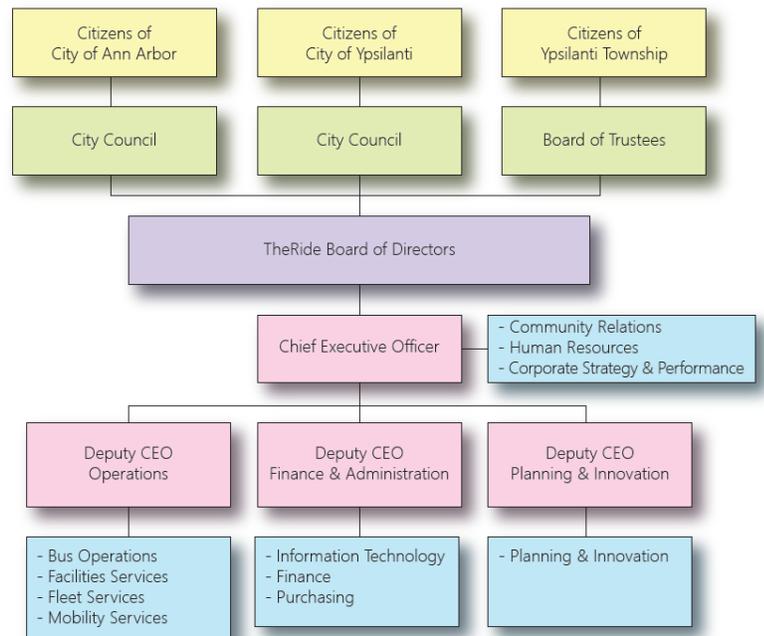
Matt Carpenter, Chief Executive Officer

John Metzinger, Deputy CEO/Finance & Administration

Tim Sanderson, Deputy CEO/Planning & Innovation

Bryan Smith, Deputy CEO/Operations

## Organization Chart



2700 S. Industrial Highway  
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# CEO Letter



Dawn Gabay Operations Center  
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Ann Arbor, MI 48104

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September 19, 2019

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to submit this 2020 Budget as adopted by the Board of Directors on September 19, 2019.

The 2020 budget has been prepared in accordance with the Michigan Uniform Budgeting and Accounting Act of 1968, Generally Accepted Accounting Principles (GAAP), and Board Governance Policies. The Board has delegated to the Chief Executive Officer (CEO) the responsibility to prepare a balanced budget which achieves the Board's objectives ("Ends") and avoids deficit spending and fiscal jeopardy. The budget achieves both requirements while positioning TheRide to continue providing excellent service to our communities and constituents.

Handwritten signature of Matt Carpenter in black ink.

Matt Carpenter  
Chief Executive Officer

Handwritten signature of John Metzinger in black ink.

John Metzinger  
Deputy CEO/  
Finance & Administration

# Executive Summary

As TheRide completes our 50th year, the Board of Directors has established a clear direction and results they expect the agency to achieve—such as providing access to destinations, and contributing to the area’s social, environmental, and economic vitality at a cost that demonstrates value and stewardship. TheRide’s future will be guided by these overall goals.

To achieve those goals, a *Corporate Business Plan* has been developed that identifies a multi-year path towards success based on the priorities of Planning for Growth, Serving Customers, and Modernizing TheRide. This Fiscal Year (FY) 2020 Budget is the next step in implementing these plans and moving toward our goals.

The FY2020 budget presents a balanced financial plan which continues to fund the services our community has come to rely upon. TheRide’s services will continue with no major service changes or fare increases, after passage of a renewal millage last year with strong support from voters. The budget is aligned with the Board-established direction and the *Corporate Business Plan*.

Highlights of the adopted FY2020 Budget are:

- Funding for major projects including:
  - Replacement and expansion of the Ypsilanti Transit Center (if funding is awarded)
  - Replacement and rehabilitation of fixed-route buses and paratransit vans
  - Continued progress on capital maintenance for the bus garage
  - Increasing investment in bus stop amenities
  - Development of short-term and long-term service plans
  - Development of fare policy, options, and pricing
  - Cost-containment and efficiency measures for A-Ride and related services
  - Continued investment in mobility innovations
  - Back-office technology modernizations and IT network enhancements
- Overall operating expenses of **\$47,389,476** and **\$17,987,928** in capital investments
- Avoids deficit spending in FY2020 and addresses the long-term financial picture by presenting a 7-year operating plan and 10-year capital plan
- Assures continued operations without debt or unfunded pension liabilities
- Continues to control growth in operating expenses to replenish reserve funds
- Makes no additions or cuts to staffing levels

# Introduction

## Budget Document Orientation

The remainder of the 2020 Budget document contains four sections: Introduction, The State of TheRide, Budget, and Appendices.

- 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 the financial context for the budget and discusses the strengths, challenges, and opportunities considered in developing the budget.
- The **Budget** summarizes the operating and capital budgets for FY2020.
- The **Appendices** include details on revenue and expenses in the operating budget, a list of projects included in the 2020 Work Plan and Capital Plan and their descriptions, an inventory of contracts anticipated in FY2020, the fare schedule, and a primer on State and Federal grant funding.

This document puts increased emphasis on the future with the use of multi-year forecasting. Although this document refers to years beyond 2020, it is important to note that those forecasted years 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 rather than a multi-year budget.

## Corporate Business Plan

The FY2020 Budget is the continuation of a multi-year plan to achieve the goals set out by TheRide’s Board of Directors. That plan is contained in a separate document called the *Corporate Business Plan*. That plan’s main purpose is to assure that the agency’s work aligns with the Board’s direction and expectations over multiple years. It also helps increase transparency and accountability by setting out the logic and assumptions that drive decisions. It is a rolling five-year “plan of plans,” which establishes programs and initiatives to help the organization achieve the Board’s ends. The *Corporate Business Plan* is available on TheRide’s [website](#).

The plan identifies three broad priority goals for the near future and the FY2020 Budget:

1. **Planning for the Future**
2. **Serving Customers**
3. **Modernizing TheRide**

The background and details of how TheRide establishes its overall strategic direction are provided in the *Corporate Business Plan*.

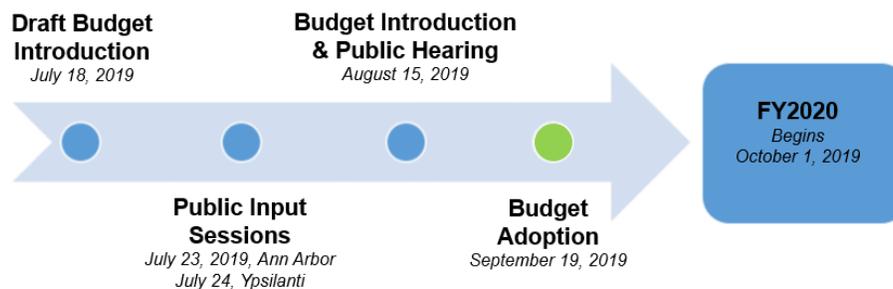
## Financial Policies

TheRide's Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on our [website](#). Many of the policies 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), Cash and Investments (Policy 2.6), Treatment of Staff (Policy 2.2), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.8).

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 and comply with federal, state, and local regulations; 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 set standards for employee treatment and compensation, and require TheRide's assets to be adequately insured and protected against risks.

## Budget Process and Timeline

The timeline for review and adoption of the FY2020 Budget:



- **April/May:** The Finance Department and Executive Team gathered many inputs, including Board Policy, project requests and budget reviews with department managers, staffing requests, collective bargaining agreement, fleet replacement plan, facilities plan, and other capital plans.
- **June:** The Board held its annual retreat to evaluate the organization's future direction. The retreat placed focus upon establishing priorities for the Board's ends policies, clarifying vision and expectations for the organization to achieve its goals.
- **July:** The draft *Corporate Business Plan* and *2020 Operating and Capital Budget* were introduced to the Board of Directors, staff, and public for review and comment. Comments from the public were received online and at public meetings held in Ann Arbor and Ypsilanti in late July.
- **August:** The proposed budget was formally introduced to the Board of Directors at the August meeting. A Public Hearing, as required by state law, was held.

- **September:** The Board adopted the budget at the September 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.
- **October:** Fiscal Year 2020 began October 1, 2019.

### **Basis of Budgeting**

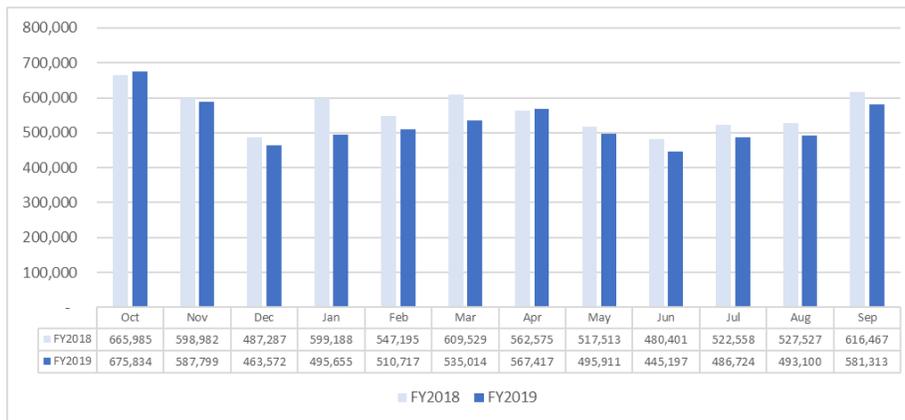
The 2020 operating and capital budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and for the production of the financial statements. The only difference between the financial statements and the budget is that depreciation 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.

# The State of TheRide

## Fixed Route Ridership

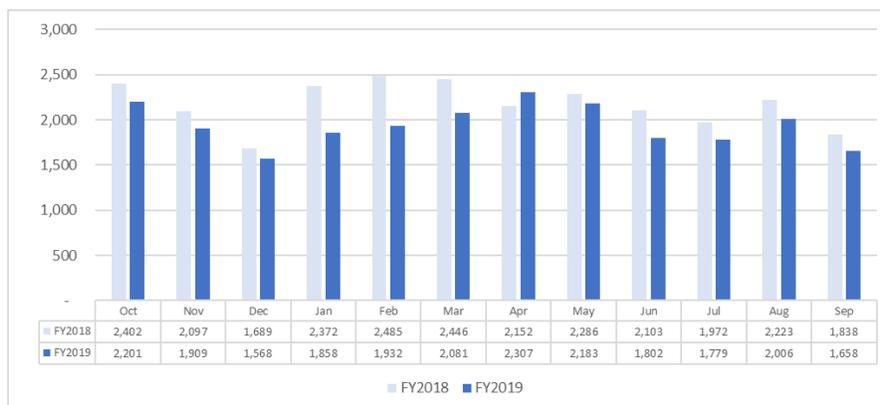
TheRide's fixed-route ridership growth peaked in 2018, and then declined in 2019. As shown in the charts below, fixed-route ridership is projected at 6.34 million trips for FY2019, down 5.9% from 2018. ExpressRide ridership is projected at 23,284 passenger trips, down 10.7%. Some causes for the decline included a particularly rough winter that resulted in closures of local schools and the University of Michigan. Declining transit ridership has been occurring across the nation for several years, and this is the first time that TheRide has experienced declines in several years.

*Fixed Route Ridership (2019 vs. 2018, by Month)*



*October through June ridership is actual; July through September is projected.*

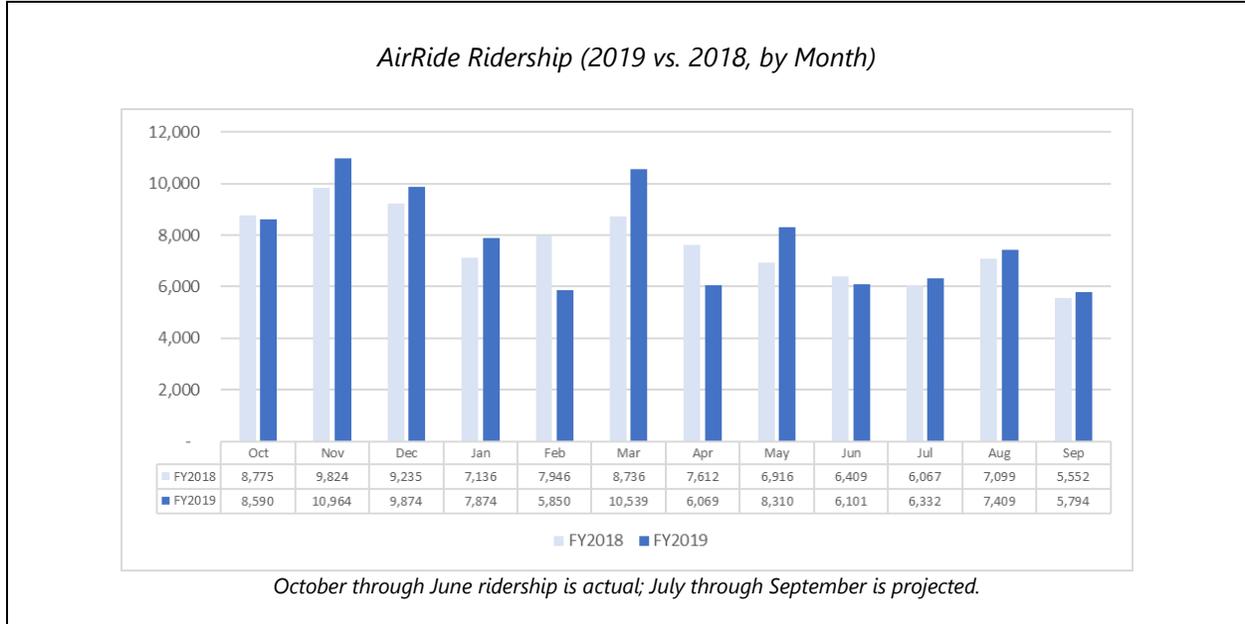
*ExpressRide Ridership (2019 vs. 2018, by Month)*



*October through June ridership is actual; July through September is projected.*

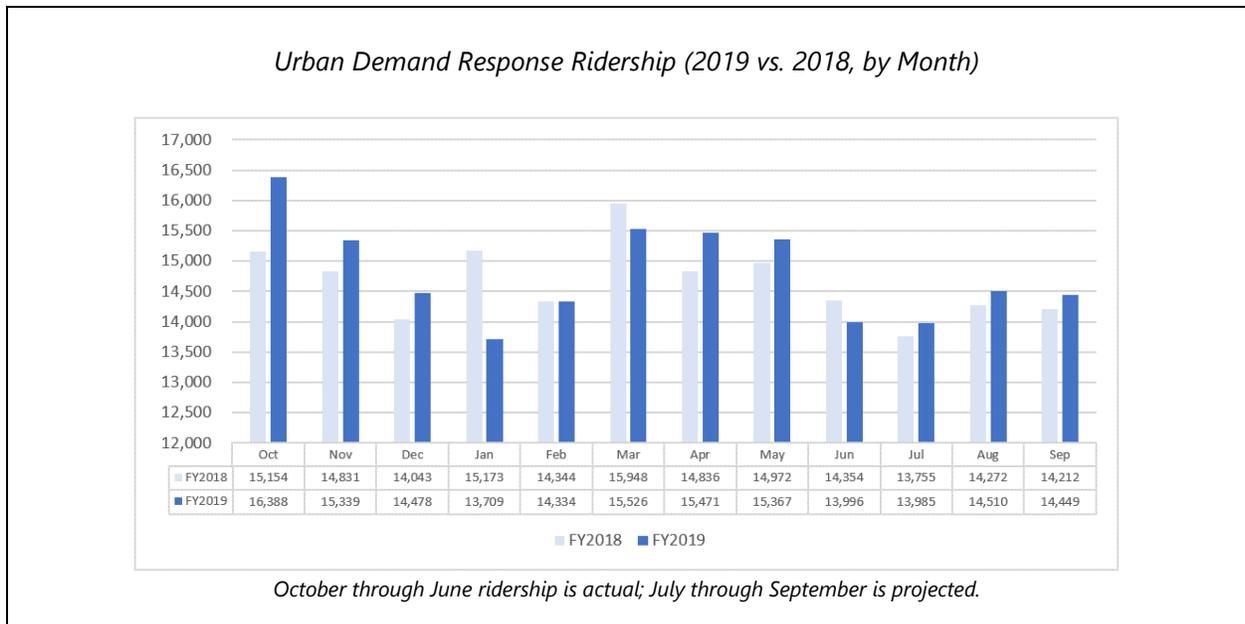
## AirRide

Service from Ann Arbor to the Detroit Metro Airport continues to grow with 2019 ridership projected at 93,705 trips, an increase of 2.6% from 2018 ridership. With an additional night trip being added in 2020, TheRide anticipated continued growth in this service for 2020.



## Urban Demand Response

Demand response services include A-Ride, GoldRide, GroceryRide, HolidayRide, NightRide, FlexRide, and MyRide. Growth in these services continues with 2019 ridership projected at 177,552 trips, an increase of 1% over 2018 ridership. The fastest growing service is A-Ride, with 2019 ridership projected at 11,225.



## Financial Condition

TheRide is set to end FY2019 on budget and with the position of reserve funds strengthened compared to past years. Financial strengths include:

- Continuing to operate within the budget
- Strengthening the status of reserve funds and making progress toward the reserve goal
- No indebtedness or significant liabilities
- No significant legacy costs such as unfunded pension liabilities

In addition, the agency has a track record of strong audit results, as was the case once again with auditing of the 2018 financial statements. A new Finance Manager joined the Authority in August. New budgeting and financial performance software was implemented this year. Working with the CFO, the new Manager will work to improve cost accounting, financial management skills for Senior Management personnel, and modernization of timekeeping and payroll processes. TheRide's relationship with the auditing firm Plante Moran expired this year due to the Board's policy requiring rotation of auditors, and a new firm, UHY LLP, was engaged to conduct the 2019 annual audit. Preserving and building on these strengths will be important going forward into the next fiscal year.

## Fund Description, Structure, and Balances

TheRide operates with one General Fund through which operating, capital, and investing cash flows occur during the fiscal year. The Fund Balance is the sum of cash and investments at a particular point in time. The Fund Balance was \$9.4 million at the end of Third Quarter 2019, and is projected to end the year at \$19.2 million, after property tax funds have been received. This is slightly lower than the prior year end, due to the planned year-end funding of an underfunded post-employment benefits liability.

## Millage Renewal/Restoration

In August last year, voters overwhelmingly supported renewal and restoration of TheRide's supplemental millage, which funds new services implemented since 2014. The 0.7 mill property tax was approved with 83% of voters supporting the measure overall and was won by large margins in every voting precinct in Ann Arbor, Ypsilanti, and Ypsilanti Township.

## Financial Opportunities

TheRide can make decisions with the budget for fiscal year 2020 that can ensure the continued delivery of high-quality services, demonstrate careful stewardship, and bring ongoing financial stability. Development of the 2020 Budget was guided by the following principles:

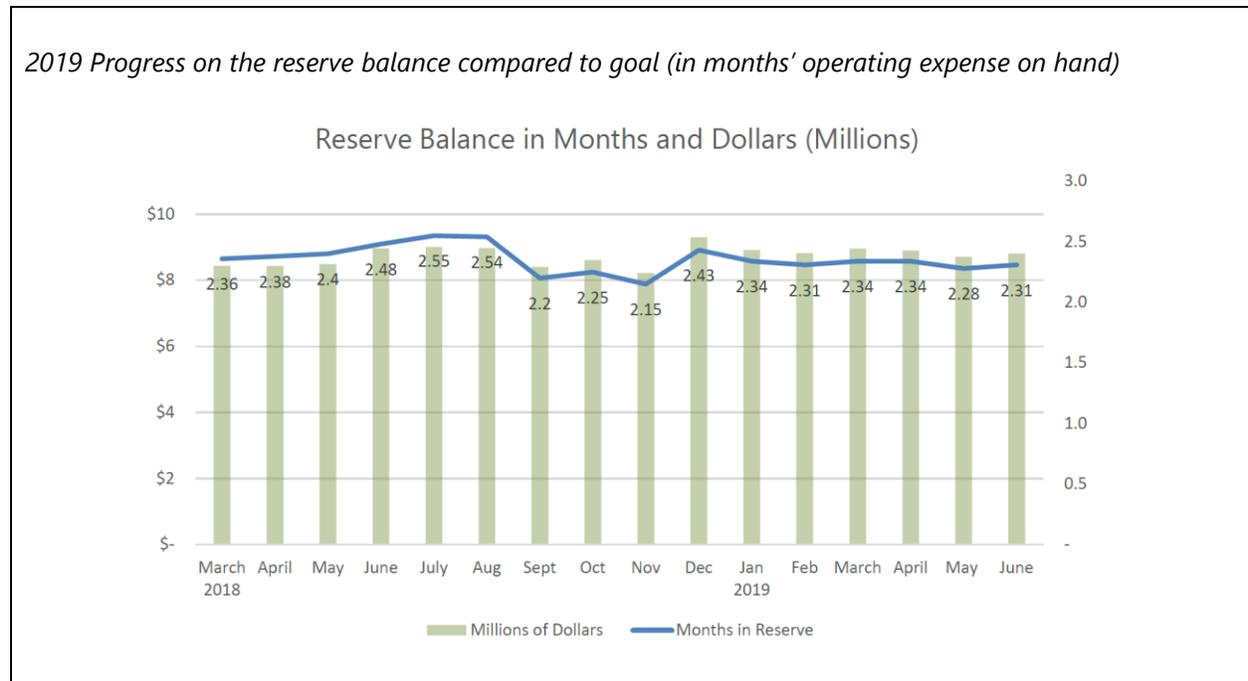
- Preserve existing services before expansion
- Maximize value provided to riders/customers and taxpayers

- Ensure funding for ongoing operations remains stable
- Reinforce the budgeting policies as adopted by the Board of Directors to help ensure future financial stability
- Ensure TheRide’s assets are maintained in a state of good repair
- Continuously improve cost accounting and financial management
- Budget for the priorities and initiatives outlined in the *Corporate Business Plan*

## Replenishing the Reserve

A reserve is an important part of a healthy agency budget. Its purpose is to buffer the agency from the risk of unexpected costs or disruptions to revenues. Without an adequate reserve, the agency might have to cut services in a financial emergency. In recent years, the reserve balance dropped below target levels as a result of business decisions supported by the Board to invest in transit fleet and expand service in advance of the 2014 expansion millage.

Steps taken since to begin replenishing the reserve are showing promising results. Gradually, the reserve is growing toward the target of 2.5 months of operating expense, as shown in the chart below (\$9.9 million in reserve is needed to fund 2.5 months of expense for a \$47.3 million annual budget.) We will consider this goal to be achieved when the reserve balance is at the target level for 12 consecutive months.



## Increase Revenues

Revenue growth will be essential to carry out the longer-term priorities and initiatives identified in the *Corporate Business Plan*. TheRide has several options available to increase revenues, including raising operating revenue (fares and fees), increasing property tax revenue, growth in grant formula funds, and pursuit of discretionary grant opportunities. The most impactful options to increase revenue are:

- **Property Taxes:** Property tax and millage funding is projected to grow due to growth in assessed valuation and restoration of the expansion millage rate of 0.7%. No changes to property tax rates are currently planned but could be recommended for the future if long-term planning indicates there is a need.
- **State and Federal Grants:** TheRide uses federal and state grants for both operating costs and capital investments (see [Appendix 5](#) for a primer on federal and state grants). Formula funds are expected to grow at inflationary rates. TheRide will compete with other transit agencies for discretionary grants such as federal Bus and Bus Facilities Grants, federal BUILD Grants (formerly TIGER), Michigan's Mobility Challenge Grants, and other opportunities.
- **Revenue from Operations:** TheRide's fares have not increased since 2010. While no fare increase is budgeted for 2020, a formal fare study was completed in 2018 and recommended changes to fare policy, structure, and pricing. The Board will establish clear policy direction for fares, and it is likely that new options will be ready to present for public review in 2020. *Current and adopted FY2020 fares are provided in [Appendix 4](#).*

## Achieve and Maintain State of Good Repair

Taking care of the facilities, vehicles, equipment, and other assets owned by TheRide is a significant focus in the FY2020 budget in alignment with federal regulation which emphasizes the good condition of federally-funded assets. The Transit Asset Management (TAM) Plan developed last year will continue to guide TheRide to ensure that assets are in good condition to support the services that we provide. While TheRide's fleet and equipment are in a good state of repair overall, our facilities need attention. Additional resources have been included in capital budgeting to address needs at the Dawn Gabay Operations Center at 2700 South Industrial Highway, Ann Arbor, including roof and HVAC replacement and other needs. Additionally, planning continues and discretionary grant applications have been filed so that, if awarded, the Ypsilanti Transit Center may be replaced and expanded. TheRide is working with the City of Ann Arbor on potential options to improve the Blake Transit Center as well.

## PESTLE and SWOT Analysis

At the outset of the budgeting process, the Board of Directors and the Executive Team engaged in a workshop to understand high level factors that affect the organization both positively and negatively in order to proactively plan for the future. Political, Economic, Social, Technological, Legal/Governance, and Environmental factors (PESTLE) were considered, as was an analysis of the agency's Strengths, Weaknesses, Opportunities, and Threats (SWOT Analysis). These were the basis for development of revised Ends along with the updated strategies and tactics identified in the business plan.

Drawing from the PESTLE and SWOT analysis, a few key conclusions are guiding the FY2020 budget and forecast (See the *Corporate Business Plan* for details):

1. **TheRide needs to plan for services.** One of our greatest opportunities lies in working with the community to develop a future vision for transit services. This can help channel the community's numerous ideas into a cohesive plan, and may become the foundation of a funding proposal.
2. **TheRide has earned a strong reputation with local community.** The agency and the staff who work here have demonstrated a commitment to serving the community, and enjoy a strong reputation demonstrated by public support for transit.
3. **Funding challenges are growing.** Due in part to growing demand for service, TheRide faces funding challenges in the future, and needs to prepare.
4. **Technological disruption is both a threat and an opportunity.** While new transportation options may challenge traditional public transit, they also unlock new opportunities.
5. **TheRide is uniquely positioned.** TheRide has a role that only it can provide in continuing to help address one of the area's biggest challenges: inequality. As housing costs rise, public transit provides an affordable way for everyone to access destinations throughout the area.

# 2020 Budget

## Budget Overview

The following sections outline the operating and capital budgets for FY2020. The initiatives outlined in this budget help advance the priorities identified in the *Corporate Business Plan* (i.e. Planning for Growth, Serving Customers, and Modernizing TheRide). This budget also provides multi-year forecasts and context.

Highlights of the FY2020 Budget include:

- Balanced operating and capital budgets, with no shortfalls for FY2020
- Services to customers/riders are preserved
- Fares and property tax rates remain unchanged
- Continuing replenishment of the operating reserve
- Continuing work on a new long-range service planning effort
- Continuing work on fare policy and structure and cost savings measures for paratransit
- Continuing work on a backlog of capital maintenance at TheRide's garage

In addition, the budget continues to advance many of the operating and capital initiatives that have been started in recent years. Examples of significant 2020 initiatives include:

- Phase I work to replace and expand the Ypsilanti Transit Center, contingent on grant awards
- Replacement and rehabilitation of fixed-route buses and A-Ride paratransit fleet
- Growing investment in mobility innovations and pilot projects
- Significant investments in back office technology modernizations and network enhancements
- Growing investments in bus stop improvements and amenities

## Budget Inputs and Outcomes

The 2020 Budget includes expansion of AirRide by an additional evening trip, and a slightly reduced level of fixed-route service due to replacement of Routes 61 and 67 in Pittsfield Township with FlexRide (as implemented in August 2019). Consistent service levels are budgeted for ExpressRide and non-urban demand response services; however, the budget for A-Ride is increased due to rapidly growing demand.

*Projected Service Hours for 2020 vs. 2019*

<b>Service Hours:</b>	<b>Projected 2019</b>	<b>Proposed 2020</b>	<b>% Change</b>
Local Fixed Route	278,100	273,940	-1.5%
ExpressRide	2,100	2,100	0.0%
AirRide	9,000	9,350	3.9%
Urban Demand Response	130,700	139,830	7.0%
<b>Total</b>	<b>419,900</b>	<b>425,220</b>	<b>1.3%</b>

*Projected Ridership for 2020 vs. 2019*

<b>Passenger Trips:</b>	<b>Projected 2019</b>	<b>Proposed 2020</b>	<b>% Change</b>
Local Fixed Route	6,338,252	6,458,700	1.9%
ExpressRide	23,800	24,250	1.9%
AirRide	102,100	110,300	8.0%
Urban Demand Response	180,900	186,100	2.9%
<b>Total</b>	<b>6,645,052</b>	<b>6,779,350</b>	<b>2.0%</b>

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

## Operating Budget

The following tables and charts illustrate the elements of the 2020 Operating Budget, as well as how the adopted 2020 budget compares with the 2019 approved budget.

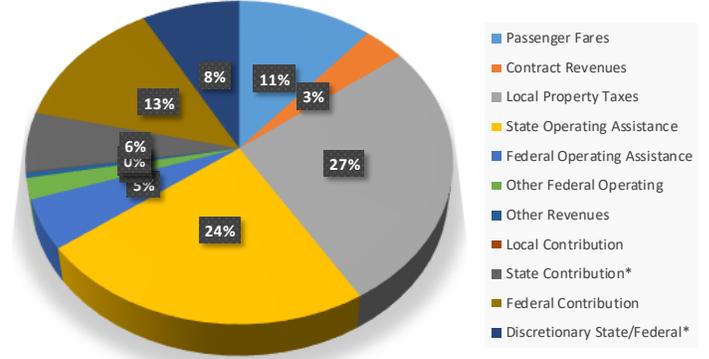
- Operating revenue is budgeted at \$47,824,448, up 4.1% over 2019 budgeted.
- Operating expense is budgeted at \$47,389,476, up 3.3% over 2019.
- 2020 budgeted revenue is higher than budgeted expense.
- There is a budgeted surplus of \$434,972 which will be directed to the operating reserve.
- Passenger revenues are budgeted at a 2.7% increase primarily from A-Ride and AirRide.
- Contract revenues decrease because of a lower Purchase of Service Agreement (POSA) with Pittsfield Township, after some fixed-route service was replaced with FlexRide.
- Local property tax revenues will rise due to growth in assessed valuation of property and restoration of the expansion millage property tax rate. State operating assistance will grow in proportion to operating expenses. Federal operating assistance will grow as expiring Job-Access Reverse Commute (JARC) funds are applied to operations.
- Wages and benefits are increasing by an average of 3% depending on job classification. The budgeted growth rate is lower, at 1.7%, because replacement of fixed-route service in Pittsfield Township with FlexRide will reduce motor coach operator wages and benefits.
  - The total number of full time equivalent (FTE) employees will remain at 288 FTEs.
- Growth in Purchased Transportation expense is due to rising costs of paratransit services and expansion of AirRide.
- Growth in other expenses and contracted services is due to increased employee development costs, and higher legal fees and insurance premiums.

## 2020 Operating Budget

### Revenues

Budgeted Revenues	FY2019	FY2020	% Change
<b>Operating Revenues</b>			
Passenger Fares	7,146,591	7,336,441	2.7%
Contract Revenues	2,392,524	2,274,698	-4.9%
Local Property Taxes	16,528,289	17,512,610	6.0%
State Operating Assistance	15,009,608	15,598,848	3.9%
Federal Operating Assistance	3,250,000	3,331,250	2.5%
Other Federal Operating	1,304,983	1,377,095	5.5%
Other Revenues	319,250	393,506	23.3%
<b>Total Operating Revenues</b>	<b>45,951,245</b>	<b>47,824,448</b>	<b>4.1%</b>
<b>Capital Revenues</b>			
Local Contribution	97,500	52,000	-46.7%
State Contribution*	1,712,600	3,855,149	125.1%
Federal Contribution	6,850,400	8,781,178	28.2%
Discretionary State/Federal*	-	5,299,601	-
<b>Total Capital Revenues</b>	<b>8,660,500</b>	<b>17,987,928</b>	<b>107.7%</b>
<b>TOTAL REVENUES:</b>	<b>54,611,745</b>	<b>65,812,376</b>	<b>20.5%</b>

FY2020

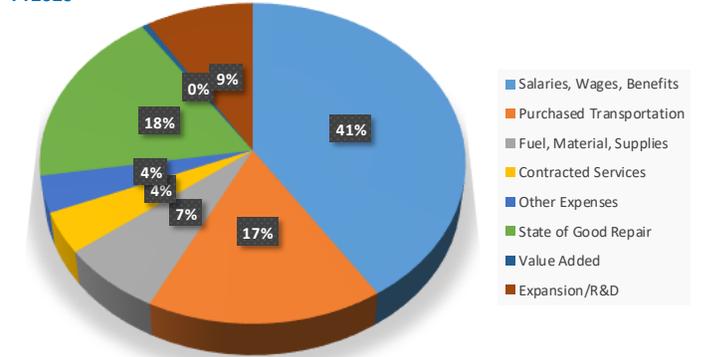


\* Contingent upon award of discretionary state and federal funds for the YTC replacement/expansion project.

### Expenses

Budgeted Expenses	FY2019	FY2020	% Change
<b>Operating Expenses</b>			
Salaries, Wages, Benefits	26,193,918	26,650,220	1.7%
Purchased Transportation	10,189,900	10,897,267	6.9%
Fuel, Material, Supplies	4,867,800	4,703,638	-3.4%
Contracted Services	2,567,909	2,730,795	6.3%
Other Expenses	2,038,171	2,407,556	18.1%
<b>Total Operating Expenses</b>	<b>45,857,698</b>	<b>47,389,476</b>	<b>3.3%</b>
<b>Capital Expenses</b>			
State of Good Repair	8,381,000	11,836,777	41.2%
Value Added	182,000	354,550	94.8%
Expansion/R&D	97,500	5,796,601	5845.2%
<b>Total Capital Expenses</b>	<b>8,660,500</b>	<b>17,987,928</b>	<b>107.7%</b>
<b>Reserve Fund Retainage</b>	<b>93,547</b>	<b>434,972</b>	<b>365.0%</b>
<b>TOTAL EXPENSES:</b>	<b>54,611,745</b>	<b>65,812,376</b>	<b>20.5%</b>

FY2020



## 2020 Operating Budget (Prior Year Comparisons)

	FY2018 Actual	FY2019 Adopted	FY2019 Projected	FY2020 Draft	\$ Change 2020 vs. 2019 Budgeted	% Change 2020 vs. 2019 Budgeted
<b>OPERATING REVENUE</b>						
Passenger Revenue	\$ 6,972,276	\$ 7,146,591	\$ 7,193,569	\$ 7,336,441	\$ 189,850	3%
Local Property Tax Revenue	16,037,925	16,528,289	16,161,016	17,512,610	984,321	6%
POSA & other Governmental Partners	2,337,643	2,392,524	2,239,012	2,274,698	(117,826)	-5%
State Operating Assistance	14,083,424	15,009,608	14,110,907	15,598,848	589,240	4%
Federal Operating Assistance	2,400,000	3,250,000	3,250,000	3,331,250	81,250	3%
Other Federal Conditional Assistance	2,797,808	1,304,983	1,304,983	1,377,095	72,112	6%
Advertising, Interest, and Other	450,502	319,250	359,484	393,506	74,256	23%
<b>TOTAL REVENUES</b>	<b>45,079,578</b>	<b>45,951,245</b>	<b>44,618,971</b>	<b>47,824,448</b>	<b>1,873,203</b>	<b>4%</b>
<b>OPERATING EXPENSES</b>						
<b>PERSONNEL</b>						
Operations Salaries & Wages	10,075,291	10,633,287	10,412,299	10,952,286	318,999	3%
Other Salaries & Wages	2,911,383	2,787,669	2,951,951	3,090,623	302,954	11%
Administration Salaries & Wages	4,990,870	5,338,733	5,271,577	5,479,575	140,842	3%
<b>Subtotal - Personnel</b>	<b>17,977,544</b>	<b>19,021,587</b>	<b>18,635,826</b>	<b>19,522,484</b>	<b>762,795</b>	<b>3%</b>
Fringe Benefits	6,374,276	7,172,331	6,782,624	7,127,736	(44,595)	-1%
<b>Total Salaries &amp; Wages</b>	<b>24,351,820</b>	<b>26,193,918</b>	<b>25,418,450</b>	<b>26,650,220</b>	<b>718,200</b>	<b>2%</b>
<b>OTHER EXPENSES</b>						
Purchased Transportation	9,042,101	10,189,900	9,616,639	10,897,267	707,367	7%
Diesel Fuel and Gasoline	1,529,650	1,950,500	1,696,620	1,880,000	(70,500)	-4%
Materials and Supplies	2,034,066	2,773,681	2,070,738	2,823,638	49,957	2%
Contracted Services	2,480,119	2,567,909	2,209,700	2,730,795	162,886	6%
Utilities	495,504	515,988	512,463	537,648	21,660	4%
Casualty & Liability Insurance	809,179	898,800	821,687	958,365	59,565	7%
Other Expenses	541,222	767,002	543,998	911,543	144,541	19%
<b>Subtotal - Other Expenses</b>	<b>16,931,841</b>	<b>19,663,780</b>	<b>17,471,844</b>	<b>20,739,256</b>	<b>1,075,476</b>	<b>5%</b>
<b>TOTAL EXPENSES</b>	<b>41,283,661</b>	<b>45,857,698</b>	<b>42,890,294</b>	<b>47,389,476</b>	<b>1,531,778</b>	<b>3%</b>
Reserve Retainage	\$ 3,795,917	\$ 93,547	\$ 1,728,677	\$ 434,972	\$ 341,425	365%

**Basis of Budgeting:** The 2020 Operating Budget is prepared on the full accrual basis of accounting. The same approach is used for TheRide's audited financial statements. The major differences between the audited financial statements and the operating budget are capital contribution revenue and depreciation expense are not included in the operating budget. These items are reflected on the balance sheet/statement of net position.

## 2020 Operations Work Plan

The FY 2020 Budget preserves current services while advancing several initiatives identified in the *Corporate Business Plan*. Key operational initiatives for 2020 include (see [Appendix 2](#) for details):

### Planning for Growth

- **Long-Range Plan** – There is a need for a new long-term vision for public transit in the Ann Arbor/Ypsilanti area. Long-range plan development will be completed in 2020.
- **Mobility Innovations** – Includes development of a Mobility Hub, a multi-modal super stop, Transit Signal Priority funded by MDOT, and other opportunities for pilots and partnerships.
- **YTC Replacement and Expansion** – Following up on previous efforts, TheRide has applied for federal and state funds to replace and expand the Ypsilanti Transit Center. If funds are awarded Phase I architecture, engineering, environmental work, and land acquisition can commence in 2020.
- **Express Bus Proposal** – Working with the RTA and MDOT, TheRide is pursuing funding to allow for a new express bus service between Detroit and Ann Arbor. The success of this idea will hinge on state and federal funding applications. More information will be available in the future. (Policies 1.3.5, 2.10, 2.11)

### Serving Customers

- **Short-Range Improvements** – Continuing implementation of tweaks to existing fixed-route services to address quality-of-service concerns and improve performance efficiency.
- **Fare Study** – Next steps include implementation of some recommendations from 2018 studies, including establishing a Board Task Force to consider fare policy, and developing recommendations for fare options and pricing.
- **Digital Passenger Toolkit** – An evaluation of real-time data accuracy along with redevelopment strategy and implementation will be undertaken to improve customer experiences for using transit.
- **Mobile Ticketing Assessment** – Staff will research options that can be provided in the future to give riders new ways to access and pay for transit services using mobile smart phone applications.
- **Brand Strategy** – A review of TheRide’s corporate identity will seek to update and unify the brand for better cohesion and consistency, to aid customers in understanding TheRide’s varying services.

### Modernizing TheRide

- **Facility Rehabilitations** – TheRide’s Control Center will be remodeled and continuing work on a backlog of deferred maintenance on the bus garage will be completed in 2020, including replacement of the heating/air systems. Other work includes continued office renovations and replacement of furnishings.
- **Timekeeping, HRIS, Payroll** – A major effort to streamline back-office operations will include replacement of the TheRide’s timekeeping, Human Resources Information System, and payroll systems.
- **IT Strategic and Organizational Plan** – Strategic planning work to clarify the role of Information Technology staff will be completed by the end of 2019, and implementation of the plan will begin in 2020. A new Manager of Information Technology will lead IT staff in their expanding role to partner with the organization in delivery of information technology services.
- **IT Network Enhancements** – Expansion of the fiber network and replacement of the Storage Area Network will enhance redundancy and security of TheRide’s vital IT resources.
- **Cost Accounting and Financial Management** – The charge given to the CFO is to improve TheRide’s ability to account for its costs and improve budgeting and financial management. New budgeting and financial performance software has been implemented. A new Manager of Finance will lead staff efforts in coordination with the CFO to improve cost accounting, budgeting, and financial performance management.
- **Paratransit Study** – Next steps include implementation of some recommendations from the 2018 study to improve the efficiency of paratransit services and control growth in costs.

## Long-Term Financial Context: 2021-2027

The Board's 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. Key observations include:

- Annual revenue growth averages 3% per year. Expenses grow at an average annual rate of 4%.
- The historic and forecasted disparity between revenues and expenses rate of growth results in the emergence of deficits in future years. This exists because plans to raise revenue and lower costs have not yet been implemented in the forecast. Additional details are provided in the *Corporate Business Plan* and [Appendix 6](#).
- No significant service changes are considered. Implementation of the Long-Term Service Plan will result in changes in the forecast.

These forecasts help contextualize the 2020 Budget. It should be understood, however, that these projections are for context only, will change, and are not approved as part of the 2020 Budget by the Board of Directors. Any deficits must be resolved before future year budgets are presented to the Board of Directors for adoption.

## Risks and Uncertainties

While it is important to make reasonable allowances for risks and uncertainties, significant consideration has been given to limiting the amount of contingency funding in the adopted 2020 budget by budgeting to actual cost performance. Improved cost accounting and financial management will reduce this margin of error in the future.

TheRide faces many uncertainties, especially in federal and state funding. The routine formula funding for transit which our budget relies upon is generally seen as reliable; however, there have been unsuccessful attempts by the U.S. Congress and the state legislature to change formula funding. TheRide works with our industry associations to advocate for increased federal and state funding.

As experienced earlier this year, a prolonged federal government shutdown could disrupt overall cash flow for operations and capital funding. The state has not yet adopted its FY2020 budget, as the Governor and Legislature continue to spar over road funding; a state government shutdown is possible.

Other uncertainties which can affect the budget include service disruptions and detours, property and casualty losses, legal claims, and others. TheRide's CEO, Executive Team, and Risk Management Team work continually to mitigate risks as the Board directs in Policies 2.5, 2.6, and 2.8.

## 2020 Operating Budget (with 7 Year Forecast)

Operating Revenues	2019	2020	2021	2022	2023	2024	2025	2026	2027
Passenger Fares	7,146,591	7,336,441	7,552,590	7,783,799	8,031,478	8,297,182	8,582,616	8,889,655	9,220,360
Contract Revenues	2,392,524	2,274,698	2,102,248	2,101,299	2,061,722	2,113,554	2,166,837	2,221,613	2,277,922
Local Property Taxes	16,528,289	17,512,610	18,020,476	18,543,069	19,080,819	19,634,162	20,203,553	20,789,456	21,392,350
State Operating Assistance	15,009,608	15,598,848	16,198,828	16,822,502	17,470,812	18,144,737	18,845,296	19,573,548	20,330,595
Federal Operating Assistance	3,250,000	3,331,250	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000
Other Federal Operating	1,304,983	1,377,095	1,138,962	1,190,208	1,178,288	1,178,288	1,178,288	1,178,288	1,178,288
Other Revenues	319,250	393,506	396,069	398,650	401,252	403,873	406,513	409,174	411,855
<b>Total Operating Revenues</b>	<b>45,951,245</b>	<b>47,824,448</b>	<b>48,809,173</b>	<b>50,239,528</b>	<b>51,624,370</b>	<b>53,171,796</b>	<b>54,783,104</b>	<b>56,461,734</b>	<b>58,211,371</b>
Operating Expenses	2019	2020	2021	2022	2023	2024	2025	2026	2027
Salaries, Wages, Benefits	26,193,918	26,650,220	27,494,837	28,338,555	29,194,239	30,076,583	30,986,920	31,925,988	32,894,783
Purchased Transportation	10,189,900	10,897,267	11,675,158	12,587,980	13,552,675	14,610,741	15,771,878	17,046,829	18,447,488
Fuel, Material, Supplies	5,011,419	4,703,638	4,819,153	4,993,624	5,175,044	5,365,237	5,563,029	5,768,742	5,982,715
Contracted Services	2,567,909	2,730,795	2,500,067	2,601,306	2,657,354	2,728,259	2,787,783	2,862,589	2,925,741
Other Expenses	1,894,552	2,407,556	2,509,978	2,642,971	2,769,391	2,903,985	3,047,356	3,200,155	3,363,083
<b>Total Operating Expenses</b>	<b>45,857,698</b>	<b>47,389,476</b>	<b>48,999,194</b>	<b>51,164,437</b>	<b>53,348,702</b>	<b>55,684,805</b>	<b>58,156,966</b>	<b>60,804,303</b>	<b>63,613,810</b>
<b>Surplus/(Deficit)</b>	<b>93,547</b>	<b>434,972</b>	<b>(190,020)</b>	<b>(924,909)</b>	<b>(1,724,332)</b>	<b>(2,513,009)</b>	<b>(3,373,862)</b>	<b>(4,342,569)</b>	<b>(5,402,439)</b>

## 2020 Capital Budget

The table below lists the capital program for FY2020; details for each project can be found in [Appendix 2](#). While projects advance the *Corporate Business Plan's* priorities, here their purpose is further categorized as State of Good Repair, Value Added, Expansion, or Research and Development.

Category	Project Description	FY 2020 Program
<b>State of Good Repair</b> (Maintaining Existing Services and Assets)	Bus Replacements	\$4,200,000
	Facilities Rehabilitations	\$2,360,000
	Small/Medium Bus Replacements	\$2,140,000
	IT Hardware & Software	\$1,542,777
	Bus Capital Repairs/Tools/Equipment	\$820,000
	Architecture & Engineering	\$580,000
	Support Vehicle Replacements	\$100,000
	Furniture Replacement	\$75,000
	Communications Equipment	\$19,000
	<b>Sub-total</b>	<b>\$11,836,777</b>
<b>Value Added</b> (Make Things Work Better)	Rider Amenities and Accessibility	\$155,000
	IT Hardware & Software Expansion	\$199,550
	<b>Sub-total</b>	<b>\$354,550</b>
<b>Expansion</b>	Ypsilanti Transit Center (YTC) Replacement/Expansion*	\$5,299,601
	Mobility Innovations	\$445,000
	<b>Sub-total</b>	<b>\$5,744,601</b>
<b>Research and Development</b>	Emergent R&D Projects	\$52,000
	<b>Sub-total</b>	<b>\$52,000</b>
<b>Capital Program Total</b>		<b>\$17,987,928</b>

\* Funding for the YTC replacement/expansion is contingent upon award of federal and state grants.

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. Capital 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.

Several key capital initiatives planned for 2020 are:

- **Ypsilanti Transit Center Replacement and Expansion:** The passenger terminal in Ypsilanti was built nearly 30 years ago and is in need of replacement and expansion. A planning study which engaged the Ypsilanti community recommended replacement and expansion at the existing site. TheRide has filed applications for federal discretionary funding and state matching funds. If awarded, Phase I work including facility design and pre-construction environmental work can begin in 2020 with construction slated for 2021. These items are marked with an asterisk (\*) in the table above, indicating that they may advance only if funding is awarded.
- **Facility Rehabilitation:** Investments to rehabilitate TheRide's main garage (Dawn Gabay Operations Center) began this year and continue in 2020. The Operations Center is in urgent need of rehabilitation to address backlog of deferred maintenance, and to ensure a state of good repair in compliance with federal regulation. The planned repairs will help to ensure the building is able to continue to support operations and administration activities. Investments will continue through 2022 before capital funding for facilities will be returned to usual levels for ongoing preventative maintenance activities.
- **Large Bus Replacement:** This year a new 5-year contract for replacement buses was awarded in FY2019 to Nova Bus. TheRide plans to replace 8 fixed-route buses each year.
- **Paratransit Vehicle Replacement and Expansion:** Replacement and rehabilitation of the paratransit fleet is planned for 2020 as TheRide begins to implement improvements and efficiency measures for A-Ride and GoldRide. Up to 14 paratransit buses will be replaced or rehabilitated, and 16 lift-equipped vans will be purchased to begin replacing sedans currently operated by the contractor.
- **Bus Stop Amenities:** Growing investment in bus stop amenities like concrete pads and shelters is planned to continue in 2020 and grow in subsequent years thanks to additional surface transportation funding awarded by Washtenaw Area Transportation Study (WATS).
- **Mobility Innovations:** Capital capacity for innovative pilot projects in mobility are included in the 2020 program. Projects include planning for a Mobility Hub (which is a super bus stop with capability for multi-modal connections to other services) and Transit Signal Priority work.

Higher capital costs over the next three years will be partially funded by consolidating residual federal carryover funds from earlier years. Additionally, TheRide has already pursued discretionary grant opportunities to assist these projects.

**10-Year Capital Plan**

Category	Project Description	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	TOTAL	
<b>State of Good Repair</b>	Large Bus Replacement	\$4,200,000	\$4,326,000	\$4,455,780	\$4,589,453	\$4,727,137	\$4,868,951	\$5,015,020	\$5,165,470	\$5,320,434	\$5,480,047	\$5,644,449	\$53,792,742	
	Small/Medium Bus Replacement	\$2,140,000	\$191,000	\$197,000	\$203,000	\$209,000	\$215,000	\$221,000	\$228,000	\$235,000	\$242,000	\$249,000	\$4,330,000	
	Non-Revenue Vehicles	\$100,000	\$103,000	\$106,000	\$109,000	\$112,000	\$115,000	\$118,000	\$122,000	\$126,000	\$130,000	\$134,000	\$1,275,000	
	Bus Components, Tools and Equipment	\$720,000	\$447,000	\$320,000	\$320,000	\$340,000	\$350,000	\$361,000	\$372,000	\$383,000	\$394,000	\$406,000	\$4,413,000	
	Facilities Rehabilitation	\$2,360,000	\$5,150,000	\$1,300,000	\$300,000	\$310,000	\$310,000	\$310,000	\$310,000	\$310,000	\$315,000	\$315,000	\$315,000	\$11,295,000
	Architecture & Engineering	\$580,000	\$210,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$2,140,000
	Furniture Replacement	\$75,000	\$150,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$405,000
	IT Hardware and Software Replacement	\$1,542,777	\$169,000	\$174,000	\$179,000	\$184,000	\$190,000	\$196,000	\$196,000	\$202,000	\$208,000	\$214,000	\$220,000	\$3,478,777
	Maintenance Equipment	\$100,000	\$100,000	\$100,000	\$103,000	\$106,000	\$109,000	\$112,000	\$115,000	\$118,000	\$122,000	\$126,000	\$126,000	\$1,211,000
	Communications Equipment	\$19,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,000
	<b>Sub-total</b>	<b>\$11,836,777</b>	<b>\$10,846,000</b>	<b>\$6,822,780</b>	<b>\$5,973,453</b>	<b>\$6,158,137</b>	<b>\$6,327,951</b>	<b>\$6,503,020</b>	<b>\$6,684,470</b>	<b>\$6,875,434</b>	<b>\$7,067,047</b>	<b>\$7,264,449</b>	<b>\$82,359,519</b>	
<b>Value Added</b>	Rider Amenities and Accessibility	\$155,000	\$312,500	\$312,500	\$312,500	\$175,000	\$180,000	\$185,000	\$191,000	\$197,000	\$203,000	\$209,000	\$2,432,500	
	IT Hardware and Software	\$199,550	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$199,550	
		<b>Sub-total</b>	<b>\$354,550</b>	<b>\$312,500</b>	<b>\$312,500</b>	<b>\$312,500</b>	<b>\$175,000</b>	<b>\$180,000</b>	<b>\$185,000</b>	<b>\$191,000</b>	<b>\$197,000</b>	<b>\$203,000</b>	<b>\$209,000</b>	<b>\$2,632,050</b>
<b>Expansion</b>	YTC Replacement/Expansion	\$5,299,601	\$8,969,264	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,268,865	
	Mobility Innovations	\$445,000	\$880,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,325,000	
		<b>Sub-total</b>	<b>\$5,744,601</b>	<b>\$8,969,264</b>	<b>\$0</b>	<b>\$14,713,865</b>								
<b>Research and Development</b>	Emergent R&D Projects	\$52,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$52,000	
		<b>Sub-total</b>	<b>\$52,000</b>	<b>\$0</b>	<b>\$52,000</b>									
<b>Capital Costs Total</b>		<b>\$17,987,928</b>	<b>\$20,127,764</b>	<b>\$7,135,280</b>	<b>\$6,285,953</b>	<b>\$6,333,137</b>	<b>\$6,507,951</b>	<b>\$6,688,020</b>	<b>\$6,875,470</b>	<b>\$7,072,434</b>	<b>\$7,270,047</b>	<b>\$7,473,449</b>	<b>\$99,757,434</b>	

Sources of Capital Funds:	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	TOTAL
Local Share	\$52,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$52,000
STP Flex	\$60,185	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$2,560,185
MDOT Mobility TSP	\$350,000	\$380,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$730,000
State Capital Match	\$3,505,149	\$3,899,553	\$1,377,056	\$1,207,191	\$1,216,627	\$1,251,590	\$1,287,604	\$1,325,094	\$1,364,487	\$1,404,009	\$1,444,690	\$19,283,050
Federal 5307 Formula	\$6,250,884	\$4,246,211	\$3,060,466	\$2,303,372	\$2,272,204	\$2,341,247	\$2,412,547	\$2,487,754	\$2,568,516	\$2,647,686	\$2,729,316	\$33,320,202
Federal 5310 Formula	\$218,501	\$224,947	\$231,583	\$238,414	\$245,448	\$252,688	\$260,143	\$267,817	\$275,717	\$283,851	\$292,225	\$2,791,334
Federal 5339 Formula	\$1,114,403	\$987,036	\$1,016,154	\$1,046,130	\$1,076,991	\$1,108,762	\$1,141,471	\$1,175,144	\$1,209,811	\$1,245,500	\$1,282,242	\$12,403,644
CMAQ	\$1,137,205	\$1,170,753	\$1,200,022	\$1,240,846	\$1,271,867	\$1,303,664	\$1,336,255	\$1,369,662	\$1,403,903	\$1,439,001	\$1,474,976	\$14,348,154
Discretionary	\$5,299,601	\$8,969,264	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$14,268,865
<b>Total:</b>	<b>\$17,987,928</b>	<b>\$20,127,764</b>	<b>\$7,135,280</b>	<b>\$6,285,953</b>	<b>\$6,333,137</b>	<b>\$6,507,951</b>	<b>\$6,688,020</b>	<b>\$6,875,470</b>	<b>\$7,072,434</b>	<b>\$7,270,047</b>	<b>\$7,473,449</b>	<b>\$99,757,434</b>

# Impacts of 2020 Budget

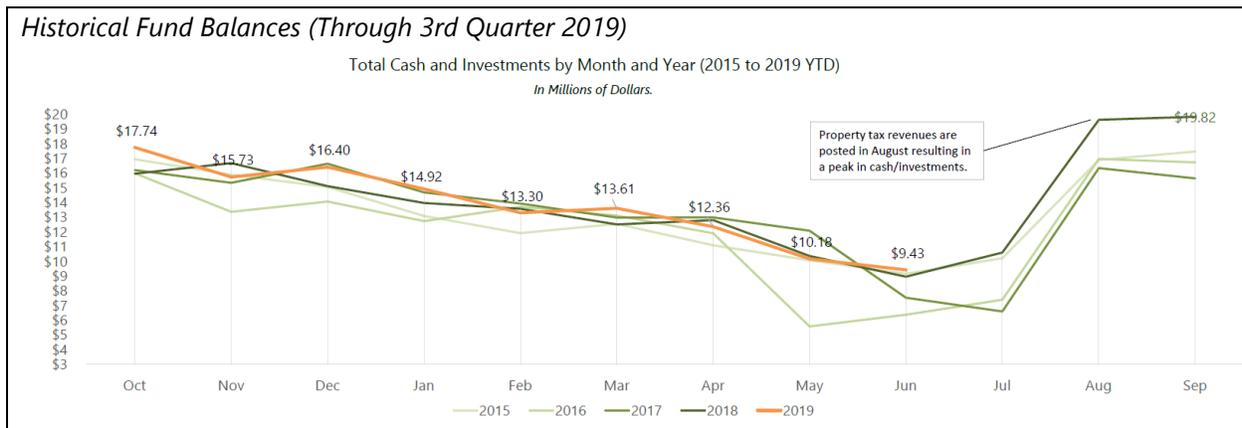
Even though there are challenges ahead, particularly with emerging deficits in the operating forecast, there is reason for great optimism about the future of public transportation in Ann Arbor, Ypsilanti, Ypsilanti Township, and surrounding areas.

The 2020 Budget includes recommendations for preserving expanded levels of service, ensuring state of good repair of assets, planning, delivering high-quality customer service, and modernizing our organization, consistent with the Board's *Ends Policies* and the *Corporate Business Plan*.

## Projected General Fund Balances

The FY2020 General Fund beginning balance is projected at \$19.2 million, the same as FY2019 close. The FY2020 closing fund balance is projected at \$19.6 million after a slight budget surplus for the year.

TheRide's fund balance will fluctuate through the fiscal year following the same historic pattern as shown in the chart below. Property tax revenues received in July and August will be gradually spent over the fiscal year.



## Projected Reserve Balance

As discussed in the [State of TheRide](#), replenishing the reserve is a priority. The reserve is the balance of unrestricted net assets, or retained earnings, on the balance sheet. TheRide expresses the reserve in terms of a dollar amount (balance) and the number of months of operations it can support. Best practices in government finance suggest that the reserve balance should be able to support 2 to 3 months of operations; therefore, TheRide's target reserve balance is 2.5 months. While TheRide has not been able to sustain this target in the recent past, the reserve balance is inching its way toward that target, and has consistently remained above 2 months of operations for more than 12 months. Projections call for the reserve balance to begin and end FY2020 above the 2-month level, likely still below 2.5 months, ending the year in the range of \$9 million with a slowly growing trend.

## Impacts of Capital Investments on the Operating Budget

Capital investments can impose significant impacts upon the operating budget. These have been considered in development of the FY2020 budget and are summarized in this section.

- **Large Bus Replacement:** TheRide's fleet replacement plan calls for the replacement of 8 fixed route buses each year. Buses to be replaced have reached expected useful life for age and/or mileage. Replacement of old equipment reduces maintenance expenses such as replacement parts and labor. New equipment is warranted by the manufacturer, which protects TheRide from costly defects. In 2019, TheRide awarded a bus manufacturing contract to Nova Bus, a new vendor for the Authority. For FY2020, higher costs were anticipated for investment in parts inventory and training for the new style of buses to be procured.
- **Small/Medium Bus Replacement and Rehabilitation:** Operating expenses for paratransit will be reduced for FY2020 as TheRide replaces the paratransit fleet currently owned by the paratransit contractor, and makes capital rehabilitations to vehicles owned by TheRide. Currently, TheRide pays the contractor for depreciation as an operating expense, and maintenance costs. Capitalization of assets using grant funds is one of many cost savings measures that are being implemented for paratransit.
- **Bus Components:** Major bus components such as engines, transmissions, hybrid drives and batteries, and other major parts can be replaced as capital improvements to equipment. These capital investments are made to maintain a state of good repair in equipment, and result in lower maintenance costs.
- **Facilities Rehabilitations:** A backlog of preventive and corrective maintenance needs has resulted in increased operating expenses for service of HVAC systems and the roof. Replacement of these systems began in 2019 and will continue through 2021, resulting in lower ongoing maintenance costs when complete. Other facility rehabilitations, such as higher efficiency HVAC systems and lighting replacement campaigns will lower utility expenses in the long run.
- **Ypsilanti Transit Center Replacement and Expansion:** If discretionary capital funds are awarded, TheRide will proceed with Phase I architecture, engineering, and environmental work needed before construction can begin in 2021. While there is no operating impact for 2020, additional costs for contract services (security, snow removal, janitorial), utilities, and personnel which will be necessary once the facility is constructed have been included in the budget forecast for subsequent years.

# APPENDICES

# 1. 2020 Operating Budget Detail

## Revenues

### Fares and Contracts

Fare revenue is budgeted to grow with projected ridership increases in AirRide and A-Ride along with slight inflationary growth in other categories. Purchase of Service Agreements (POSAs) decline as Pittsfield Township pays a lower amount for reduced fixed route service. See the [Appendix 4](#) for current and proposed fares.

### Local Property Tax Revenue

The projected July 2020 property tax levy includes both the original millage of 2.0 and the renewal millage of 0.7 mills for Ann Arbor, 0.973 transit millage and renewal millage of 0.7 mills in Ypsilanti, and the 0.7 mill property tax for Ypsilanti Township. Growth of 6% is budgeted due to restoration of property tax rates for expansion millages to the 0.7 rate, and growth in assessed value of property in these jurisdictions.

### State Operating Assistance

The State Urban Operating Assistance is budgeted at 32.9% of total operating expense, at historical average rates. The actual amount to be received will depend upon the actual expenditures in 2020.

### Federal Operating Assistance

TheRide uses a portion of urban area formula funds as operating assistance to pay for motor coach operator wages. The amount for FY2020 will grow slightly to \$3.3 million. Other federal conditional assistance will grow by 3% as expiring federal JARC funds will be expended for operations in 2020.

### Other Revenues

Other revenues include investment income, advertising revenue, and salvage value on disposed assets. TheRide changed its approach to investing this year resulting in increased yields.

## Expenses

### Salaries, Wages and Benefits

Non-union wages are increasing 3.0%, based upon the *2019 Supervisory, Managerial, and Professional Compensation Survey* published by the American Society of Employers (ASE). Union wages are increasing at rates defined in the collective bargain agreement (2.2 to 3.9% based upon job classification). Fringe benefits are budgeted to increase at inflationary rates. Wages/fringes overall grow by a lower amount of 2% due to replacement of fixed route service in Pittsfield Township with FlexRide.

### Purchased Transportation

Costs for A-Ride and GoldRide continue to grow at higher rates than any other costs in the budget. The historic rate of growth has averaged 11%, and the 2020 budget anticipated this rate continuing until

operational efficiencies can be implemented to constrain costs. The budget for FlexRide service will grow in 2020 due to expansion of this service in Pittsfield Township, replacing fixed-route service previously operated. Other purchased transportation includes NightRide, AirRide, VanRide, and BikeShare.

### **Biodiesel Fuel and Gasoline**

TheRide will use 846,500 gallons of fuel in our buses and 15,000 gallons of gasoline for service trucks, supervisor vehicles, and shuttle vehicles during the new fiscal year. TheRide will continue to use biodiesel fuels in FY2020.

### **Contracted Services**

Contracted maintenance includes snow removal, electricians, service on vehicle hoists, HVAC systems maintenance, and consulting. Such services will continue to be necessary in 2020, and costs are budgeted at a growth rate of 6% with additional consulting planned for A-Ride, Ypsilanti Transit Center planning, and other projects.

### **Other Expenses**

Other expenses include vehicle and other insurance coverage, utilities, employee development and training, media expenses, uniforms, and postage. Utilities and insurance premiums are budgeted at 5% growth. With several new members of TheRide's management team and Board of Directors, TheRide's budget includes increased conference and training expenses for 2020.

## **Explanations for Variances in 2019 Projections**

The table on Page 16 includes projections for 2019 revenue and expenses. This section explains some of the variances between budgeted and projected amounts.

Revenue: Passenger revenue is projected slightly higher than budgeted. State operating assistance is projected to be less than budgeted due to lower operating expenses.

Expense: Operator wages were budgeted too high as additional contingency was authorized last year. Other salaries and wages are projected higher than budgeted because a supervisor position that was added in 2018 was erroneously not included in last year's budget. Fringe benefits are lower than budgeted as we fared better in health insurance renewal than expected. Purchased transportation projected expenses are lower than budgeted due to contingencies in the 2019 budget for paratransit growth. Fuel, materials, and supplies expenses are less than budgeted due to operational efficiencies in maintenance lead by our new Fleet Manager.

## 2. Work Plan & Capital Descriptions

This section provides detailed descriptions of operating and capital initiatives that will help to advance the priorities of the *Corporate Business Plan* and achieve the Board's *Ends Policies*.

### Notable 2020 Events

- TheRide awaits word on whether federal discretionary funds will be awarded to fund replacement and expansion of the Ypsilanti Transit Center. This year, applications were filed for discretionary Bus and Bus Facilities and federal BUILD programs. Grant awards, which are highly competitive across the nation, will be announced in Fall 2019.
- Work on fares will continue in 2020 after the results of a consultant study were introduced to the Board of Directors and the community this year. The study recommended policy development to guide fare options and pricing, with the objectives to make the fare system easier for customers to use and for TheRide to implement, as well as to promote transit ridership and grow revenue.
- Development of efficiencies in TheRide's A-Ride paratransit and related services will take place in 2020 after a consultant study produced last year was introduced. Recommendations include clarifying ADA-required service requirements, finding the right balance between meeting needs and constraining rapidly growing costs, and replacement of fleet.

### Corporate Initiatives: Operating Budget Impacts

#### Long-Range Plan

With recent major transit studies completed, there is a need for a new long-term vision for public transit in the Ann Arbor/Ypsilanti area. TheRide will continue and complete planning with our communities, riders, and stakeholders to create that guiding vision. (Policies 1.0, 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Planning and Innovation

#### Planning for Blake Transit Center (BTC)

TheRide is presently working with the City of Ann Arbor, who owns the Y-Lot adjacent to the Blake Transit Center in downtown Ann Arbor. We are hopeful that these discussions will move towards allowing a small expansion of the BTC on this parcel. (Policies 1.0, 2.1, 2.4, 2.10, 2.11)

- Budgeted Funds: Staff time in Planning and Innovation

#### Fare Strategy

As fixed-route fares were last adjusted in 2010, staff will evaluate changes to TheRide's fare structure and recommend changes for public with guidance from a new Board task force. No changes to fares are

budgeted for 2020. Staff have planned for a high level of involvement and transparency in the review and in planning for the implementation of any recommended changes. (Policies 1.0, 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Finance, Planning and Innovation

### **Paratransit Review**

A comprehensive study of A-Ride service was introduced this year, making recommendations for scheduling, service operation, fares, eligibility certification process, as well as need for review of use by seniors and the integration of paratransit with accessible fixed-route service. Implementation of some of the study's recommendations is planned for 2020. Goals will be to continue to provide quality 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. (Policies 1.0, 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Staff time in Transportation, Mobility Services

### **Digital Passenger Toolkit**

TheRide will evaluate its portfolio of passenger tools available online, such as Plan My Trip, Track My Bus, Live Maps, and Alerts and determine strategy for redevelopment of these tools to strengthen them. By evaluating and redesigning our passenger tools, TheRide can provide a more personalized experience for customers using transit. (Policies 1.0, 2.1, 2.8.5.6).

- Budgeted Funds: \$20,000 (Operating), \$42,000 (Capital)

### **Express Bus Proposal**

Working with the RTA and MDOT, TheRide is pursuing funding to allow for a new express bus service between Detroit and Ann Arbor. The success of this idea will hinge on state and federal funding applications. More information will be available with the state's budget adoption. (Policies 1.0, 2.10, 2.11)

- Budgeted Funds: \$2,500,000 (Operating), contingent upon award of funds from MDOT

### **Mobile Ticketing Assessment**

TheRide participated in a brief test of mobile ticketing this year in coordination with a2Tech360. For 2020, in coordination with work on fare strategy, staff will investigate how mobile ticketing could be implemented to deliver mobile fare payments for passengers in the future. (Policies 1.0, 2.1, 2.8.5.6).

- Budgeted Funds: Staff time in Community Relations, Finance, Operations, Planning and Innovation

## **Brand Strategy**

In the early 1980s, TheRide's brand was consolidated with an encircled, chevron logo and standardized colors (red, white, dark blue). Over the years, the original look has been joined by numerous spin-off logos and sub-brands for particular services that can be confusing for customers. TheRide will develop a new brand strategy that synchronizes our corporate identity with the historical brand along all lines of our business, and delivers greater clarity of TheRide's identity for customers. New designs for the paint schemes used on fixed-route and paratransit vehicles will be developed as part of updating our brand. (Policies 2.8, 2.8.5).

- Budgeted Funds: \$15,000 (Operating Budget)

## **Timekeeping and Integrated HRIS and Payroll**

Every employee in the organization is affected by these systems. The current timekeeping system for operations is outdated and needs to be replaced. Operations plans to implement Trapeze OPS to streamline timekeeping-related functions, bidding, scheduling, and dispatching. Enhancements will include a self-service module for use by operators called Trapeze OPS Web, which provides work assignment notifications and other information to employees in a mobile application. At the same time, TheRide has the opportunity to consolidate and modernize the Human Resources Information System (HRIS) and payroll. Currently, two systems are in-use with many manual processes involved to ensure integration of data between them. Producing the payroll is nearly a full-time job to review timekeeping, prepare payrolls, handle tax filings and withholdings payments, and print and distribute payroll to employees. TheRide will look for a single source provider for both HRIS and payroll, and may be able to outsource some functions of payroll which could open staff capacity within the Finance Department. (Policies 2.1, 2.3, 2.4, 2.5, 2.8).

- Budgeted Funds for Trapeze OPS: \$131,507 (Operating), \$722,777 (Capital)
- Budgeted Funds for Integrated HRIS and Payroll: \$20,000 (Operating), \$50,000 (Capital)

## **IT Strategy**

Like many businesses, TheRide is increasingly dependent on back-office information technology. This year, external experts helped staff better understand what technology options to pursue and what resources will be required through development of a new strategic plan for IT, Intelligent Transportation Systems, and the organization itself. In 2020, a new Manager of Information Technology will lead staff in their expanding role to partner with the organization in delivery of strategic IT services. (Policies 2.1, 2.2, 2.4, 2.8.).

- Budgeted Funds: Staff time in Information Technology

## **IT Network Enhancements**

Continuous improvement to enhance IT network resources will continue in 2020. Planned improvements include completion of the fiber-ring connections to the City of Ann Arbor's fiber network and replacement

of the Storage Area Network (SAN) with added cloud storage. Both projects will improve redundancy and security for TheRide's vital IT resources. (Policies 1.0, 2.1, 2.2, 2.8).

- Budgeted Funds: \$8,832 (Operating), \$100,000 (Capital)

### **Cost Accounting and Financial Management**

The CFO and Finance Manager will lead TheRide's Management Team in continuous improvement with the Authority's abilities to accurately account for its costs, and improve budgeting and financial management skills of personnel. Hitting these targets is a shared responsibility for senior managers, not just Finance staff, and critically important as TheRide continues to operate with greater efficiency in resource utilization (Policies 2.4, 2.5).

- Budgeted Funds: Staff time for Senior Management Team and other staff

### **BikeShare Assessment**

ArborBike was relaunched in 2019, operated by TheRide in partnership with the Downtown Development Authority, the City of Ann Arbor, and the University of Michigan. Performance will be monitored, particularly use of the service and market share in the face of private competition from electric scooters (Policies 1.0, 2.1, 2.4, 2.8, 2.10, 2.11).

- Budgeted Funds: Staff time for Planning and Innovation, GetDowntown

### **Corporate Initiatives: Capital Budget Impacts**

#### **State of Good Repair / Maintain Existing Service and Assets**

Board Policy 2.8 requires the CEO to ensure that the physical assets of TheRide are not risked or under-maintained. To meet this requirement and to comply with federal regulation, TheRide produced a comprehensive Transit Asset Management (TAM) Plan in October 2018. Updated annually, this plan establishes performance targets to ensure state of good repair for the fleet, equipment, and facilities operated by TheRide and its grant subrecipients. This section also includes efforts proposed to help preserve existing services.

### **Large Bus Replacements**

In 2020, eight large transit buses that have reached the end of their useful life will be replaced to maintain service levels and avoid additional maintenance costs. \$525,000 is budgeted for each clean-diesel bus. These will be the first buses purchased off a new contract awarded this year (Policies 1.0, 2.1, 2.4, 2.8).

- Budgeted Funds: \$4,200,000 (Capital)

## **Small/Medium Bus Replacement/Rehabilitation**

Replacement and/or rehabilitation of up to 14 paratransit buses for A-Ride, and procurement of 16 lift-equipped vans to replace sedans currently used by the contractor, are planned for 2020. TheRide will own vehicles used for paratransit and lease them to the contractor, rather than depending upon the contractor to maintain vehicle ownership. These changes are necessary to begin implementing recommendations for the fleet which were recommended in the Paratransit Study completed in 2018 (Policies 2.1, 2.4, 2.8).

- Budgeted Funds for Replacement/Rehabilitation of A-Ride Vehicles: \$2,140,000 (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. (Policies 2.2, 2.4, 2.8).

- Budgeted Funds: \$100,000 (Capital)

## **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. (Policies 2.1, 2.2, 2.4, 2.8).

- Budgeted Funds: \$720,000 (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. A backlog of preventative and corrective maintenance needs at the DGOC will continue to be addressed, most notably remodeling of the Control Center in 2020, and setting aside funds to replace HVAC systems and the roof over the maintenance facility in 2021 (Policies 2.1, 2.2, 2.4, 2.5, 2.8).

- Budgeted Funds: \$2,360,000 (Capital)

## **Architecture and Engineering**

Facility rehabilitation projects will be guided by architecture and engineering design consultants who will provide design, engineering, bidding support, and project management. Additional A&E work will be needed in 2020 to plan a Mobility Hub, which is a multimodal super stop (Policies 2.1, 2.2, 2.4, 2.5, 2.8).

- Budgeted Funds: \$580,000 (Capital)

## **Furniture Replacement**

Many of the furnishings at DGOC are original to the facility, purchased in 1984, and need to be replaced due to poor condition. Furniture replacements are necessary to modernize workspaces, improve ergonomic function, and enhance TheRide's objective to be a workplace of choice (Policies 2.2, 2.8).

- Budgeted Funds: \$75,000 (Capital)

## **IT – Hardware and Software**

Capital funds are budgeted for the replacement of obsolete or at-risk computers, network servers, software, and other technology infrastructure aboard buses and in facilities. Notable projects include development of new passenger tools, timekeeping and payroll systems, and IT network enhancements (Policies 2.1, 2.2, 2.8).

- Budgeted Funds for State of Good Repair: \$1,542,777 (Capital)

## **Maintenance and Communications Equipment**

Capital funds are set aside for additional maintenance equipment and tooling required to ensure state of good repair for transit fleets, and to enhance TheRide's phone system and emergency notification system (Policies 2.1, 2.2, 2.8).

- Budgeted Funds: \$19,000 (Capital)

## **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 and other amenities, all with an eye toward ensuring accessibility for riders with disabilities. Staff in the Planning and Innovation Division are developing a list of priority locations for enhancement in 2020. The budget for this item is being increased by \$5,000 from 2019 Budget levels (Policy 2.1, 2.8).

- Budgeted Funds: \$155,000 (Capital)

## **IT – Hardware and Software**

More than ever, TheRide needs to monitor its operating and financial performance in delivery of public transportation services. TheRide plans development of a new data warehouse called Transtrack for collection of operating and financial data and to aid in meeting federal, state, and local reporting requirements (Policies 2.1, 2.2, 2.7, 2.8).

- Budgeted Funds for Expansion: \$199,550 (Capital), \$150,000 (Operating)

## Expansion / Implementing New, Approved Service

### Ypsilanti Transit Center Replacement and Expansion

Applications for federal funding have been submitted and TheRide may receive notice of award in Fall 2019. If funds are awarded, TheRide can proceed with architectural, engineering, and environmental work necessary before construction can begin in 2021. (Policies 2.1, 2.4, 2.10, 2.11).

- Budgeted Funds: Anticipated 2020 expenditure: \$5,299,601 (Capital)

### Mobility Innovations

Using MDOT funds, TheRide will advance Transit Signal Priority to help buses move more quickly through traffic (initial planning work will commence in 2020; continuing work depends upon additional funding from MDOT which will be applied for next year). Also in the work plan is planning and development work for a Mobility Hub, a multi-modal super bus stop that allows connections between fixed-route bus service and other mobility services like bike sharing, park and ride, Uber and Lyft, and scooters. Work will continue on other mobility innovations including planning for Bus Rapid Transit (BRT) along Washtenaw Ave. (Policies 1.0, 2.1, 2.8, 2.10, 2.11).

- Budgeted Funds: Staff time in Planning and Innovation, \$445,000 (Capital, 2020 Expenditure)

## Research and Development / Explorations to Advance Innovation

### Emergent R&D Projects

Capital funds are reserved for emergent research and development projects that may develop in 2020. This is a budget placeholder for exploratory projects that could advance the organization's Ends by leading to new services, infrastructure, or business relationships. The Board's policies require the CEO to explore opportunities for innovation (2.8.5.6) and collaborative relationships (2.10).

- Budgeted Funds for Research and Development: \$52,000 (Capital)

### 3. Contracts

The Board’s Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to \$250,000 and disallows the splitting of purchases or contracts into smaller amounts to avoid this limitation. Listed below are the contracts that are anticipated to be awarded in FY2020 sorted from the highest value to the lowest value.

When adopting the budget, the Board may opt to accept all contracts with a value greater than \$250,000 as listed by including them in the budget adoption or may call out specific contracts that the Board wishes to consider for deliberation before acceptance. The largest contract to be awarded in FY2020 is for A-Ride purchased transportation.

CONTRACT DESCRIPTION	CURRENT PROVIDER	RENEWAL DATE	VALUE OF AWARD	FY 2020
ARide Paratransit Services	RideCorp	4/30/2020	\$24,500,000	\$4,900,000
Ypsilanti Transit Center Phase I (If grant funds awarded)	Multiple Providers	N/A	\$14,268,865	\$5,299,601
Small/Medium Bus Replacement	Multiple Providers	2/1/2020	\$2,140,000	\$2,140,000
New Express Bus Service	TBD	TBD	\$2,500,000	\$2,500,000
NightRide Services	Ann Arbor Limousine (Blue Cab)	2/28/2020	\$2,175,000	\$435,000
Gasoline and Biodiesel Fuel	Multiple Providers	11/1/2019	\$1,850,500	\$1,850,500
Bus Engines and Installation	Cummins	10/1/2019	\$1,115,000	\$223,000
Unarmed Security Guard Services	D.K. Security	3/31/2020	\$1,085,000	\$217,000
Trapeze OPS and OPS Web	Trapeze	10/1/2019	\$854,284	\$842,284
Transit Signal Priority	TBD	12/1/2019	\$730,000	\$350,000
Architecture & Engineering Services	TBD	N/A	\$580,000	\$580,000
Control Center Remodel	Construction	12/1/2019	\$300,000	\$300,000
Snow Removal Services	Various	10/31/2019	\$545,000	\$110,000
Communications and Marketing Services	Berline	3/31/2020	\$540,000	\$108,000
Insurance Brokerage Services	Marsh USA	2/28/2020	\$280,000	\$56,000

## 4. Fares

The fare table presents current-year fares and adopted fares for the new fiscal year. While no fare changes are planned for FY2020, TheRide will review its policies, options, and pricing for potential changes for FY2021.

<b>FIXED ROUTE FARES</b>		
	Current FY2019	Proposed FY2020
<b>Cash Fares</b>		
Full Fare Cash	\$1.50	\$1.50
Transfer	Free	Free
<b>Reduced Cash Fares</b>		
Youth (Grades K-12)	\$0.75	\$0.75
Children (5yrs & Younger)	Free	Free
Fare Deal Card	\$0.75	\$0.75
A-Ride Card	Free	Free
GoldRide Card	Free	Free
<b>Passes and Tokens</b>		
Day Pass	\$4.50	\$4.50
30 Day Pass	\$58.00	\$58.00
30 Day Value Pass (Senior)	\$29.00	\$29.00
30 Day Value Pass (Income Elig.)	\$29.00	\$29.00
30 Day Value Pass (Disability)	\$29.00	\$29.00
30 Day Value Pass (Student)	\$29.00	\$29.00
Full Fare Token	\$1.50	\$1.50
Reduced Fare Token	\$0.75	\$0.75

<b>SPECIAL SERVICES FARES</b>		
	Current FY2019	Proposed FY2020
<b>GroceryRide</b>		
GroceryRide	\$0.75	\$0.75
<b>NightRide</b>		
NightRide (Full Fare)	\$5.00	\$5.00
NightRide (go!Pass)	\$3.00	\$3.00
NightRide (Reduced Fare)	\$2.50	\$2.50
NightRide (Surcharge/outside A2)	\$2.00	\$2.00
NightRide (Child age 5 & under)	Free	Free

<b>SPECIAL SERVICES FARES (CONTINUED)</b>		
<b>HolidayRide</b>		
HolidayRide (Full Fare)	\$5.00	\$5.00
HolidayRide (go!Pass)	\$3.00	\$3.00
HolidayRide (Reduced Fare)	\$2.50	\$2.50
HolidayRide (Surcharge/outside A2)	\$2.00	\$2.00
HolidayRide (Child age 5 & under)	Free	Free
<b>Art Fair</b>		
Regular Fare (One-Way)	\$1.50	\$1.50
Youth K-12 (One-Way)	\$0.75	\$0.75
Fare Deal	\$0.75	\$0.75
GoldRide Card	Free	Free
A-Ride Card	Free	Free
Children (Age 5 & Under)	Free	Free
<b>FootballRide</b>		
One-Way	\$1.50	\$1.50
Round Trip	\$3.00	\$3.00

<b>EXPRESSRIDE FARES</b>		
	Current FY2019	Proposed FY2020
<b>Cash Fares</b>		
One-Way Cash	\$6.25	\$6.25
Transfer from Fixed Route	\$4.75	\$4.75
<b>Passes and Tickets</b>		
30 Day Commuter Pass	\$125.00	\$125.00
10-Ride Ticket	\$62.50	\$62.50
<b>Reduced Passes</b>		
Mride	\$62.50	\$62.50
go!Pass	\$62.50	\$62.50

<b>A-RIDE FARES</b>		
	Current FY2019	Proposed FY2020
<b>Cash Fares</b>		
Advance Reservation	\$3.00	\$3.00
Same Day Reservation	\$4.00	\$4.00
Will Call return Trip	\$3.00	\$3.00
Companion Fare	\$3.00	\$3.00

<b>A-RIDE FARES (CONTINUED)</b>		
Companion Fare (Youth K-12)	\$1.50	\$1.50
Companion Fare (Age 5 & Under)	Free	Free
Personal Care Assistant	Free	Free
<b>Scrip Coupons</b>		
Booklet of 10	\$30.00	\$30.00

<b>AIRRIDE FARES</b>		
	Current FY2019	Proposed FY2020
<b>Advance Reservation</b>		
Standard One-Way Fare	\$12.00	\$12.00
Standard Round Trip	\$22.00	\$22.00
Seniors One-Way	\$6.00	\$6.00
Seniors Round Trip	\$11.00	\$11.00
Disabled One-Way	\$6.00	\$6.00
Disabled Round Trip	\$11.00	\$11.00
Youth (Ages 2-17) One Way	\$6.00	\$6.00
Youth (Ages 2-17) Round Trip	\$11.00	\$11.00
<b>Walk-On Fares</b>		
Standard One-Way Fare	\$15.00	\$15.00
Seniors	\$7.50	\$7.50
Disabled	\$7.50	\$7.50
Youth (Ages 2-17)	\$7.50	\$7.50

<b>FLEXRIDE FARES</b>		
	Current FY2019	Proposed FY2020
<b>FlexRide Fares</b>		
Standard Adult One-Way	\$1.00	\$1.00
Students (K-12, ages 6-18)	\$0.50	\$0.50
Children (Age 5 & Under)	Free	Free
Fare Deal Card	\$0.50	\$0.50
A-Ride Card	Free	Free
GoldRide Card	Free	Free
30-Day Value Pass (Fare Deal)	Free	Free

## 5. State and Federal Grants Primer

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

### Federal Funding

Requirements: In order to be eligible for federal funding, projects must be included in a long-range plan (20-year) and four-year Transportation Improvement Program (TIP) approved by the Federal Transit Administration (FTA). Each of these documents is first approved by the Washtenaw Area Transportation Study Committee (WATS), the Southeast Michigan Council of Governments (SEMCOG), and then the Michigan Department of Transportation (MDOT). There is a wide variety of other federal requirements, particularly dealing with grant management and purchasing. FTA conducts a compliance audit every three years (Triennial Review). The AAATA submits annual applications which are approved by the FTA in August or September.

### Funding for Urban Service

Section 5307/5339 Formula: Urbanized area formula funds are appropriated annually by U.S. Congress to the Ann Arbor urbanized area. The appropriation will be about \$7.4 million in Sec. 5307 funds and \$1 million in Sec. 5339 funds in FY2020. The Regional Transit Authority (RTA) is the designated recipient of formula funds and has the authority to approve AAATA applications for these funds. By law, the funds can only be spent in the Ann Arbor urbanized area. These funds are primarily for capital purchases and projects, but general operating assistance and some specific types of operating expenses are also eligible (see “operating assistance,” below). The federal share is 80% for most capital projects. Funds appropriated in one year are available for four years, which provides the AAATA with some flexibility to manage its capital program (e.g. saving funds for up to four years for a large bus or facilities purchase).

Operating Assistance: AAATA is currently eligible to use up to about \$4.1 million in federal formula 5307 funds for urban operating assistance per year. In addition, there are other specific categories of operating expenses which are eligible for grant funding – preventive maintenance, capital cost of contracting, and planning - at 80% federal funding.

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

- Capital Investment Grants (Section 5309): Discretionary funds awarded in a competitive application process to fund major transit investments for rail projects and bus rapid transit.
- Bus and Bus Facilities Grants (Section 5339): Funds are awarded for the purchase or replacement of buses and related equipment, and to rehabilitate or build bus-related facilities. A sub-program provides competitive grants for projects to support low and zero-emission vehicles.

- **BUILD Discretionary Grants:** This USDOT program, Better Utilizing Investments to Leverage Development (BUILD), 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.
- **Congestion Mitigation/Air Quality (CMAQ):** 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. For FY2020, a CMAQ grant for \$1.4 million for replacement buses has already been programmed.
- **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. AAATA has two active grants with funds remaining, used for mobility management services. 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. The Southeast Michigan Council of Governments (SEMCOG) passes through to AAATA about \$50,000 per year. The remainder of the planning work program has been funded with Section 5307 formula funds. The use of formula grant funds (Section 5307) for planning was phased out this year.

**Section 5310:** Congress apportions an annual allocation of funds for “Enhanced Mobility for Seniors and People with Disabilities” to the Ann Arbor urbanized area, which AAATA is responsible for administering. For FY2020, approximately \$185,000 will be allocated to AAATA. Funds are eligible to be used for traditional purposes such as replacement of vans and buses, and for non-traditional purposes such as trip assistance and mobility management. AAATA works with WATS and local non-profit agencies to coordinate the use of funds.

### **Funding for Non-Urban Service**

**Operating Assistance (Section 5311):** AAATA receives federal operating assistance for service outside of the urbanized area through 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 rate has been between 16%-18% of nonurban operating expenses. AAATA utilizes non-urban funding for certain ExpressRide services, and passes through non-urban operating assistance to Western Washtenaw Area Value Express (WAVE) and People’s Express to fund their service in the non-urban area.

**Capital Assistance:** Federal, non-urban 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 for the fiscal year beginning the following 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, currently just over 30%. The percentage depends first on the amount of funding appropriated by the legislature. It also depends on the eligible expenses of all the transit systems in the state because the funds are distributed among them at the same percent of eligible operating expenses. These funds for all southeast Michigan, including Ann Arbor, may go to the RTA for distribution in the future, and they could change the distribution formula.

Statutory Operating Assistance – Non-urban: 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 does not directly operate any non-urban service currently but does apply for and receive funds to pass through to WAVE and People's Express for their service in the non-urban area.

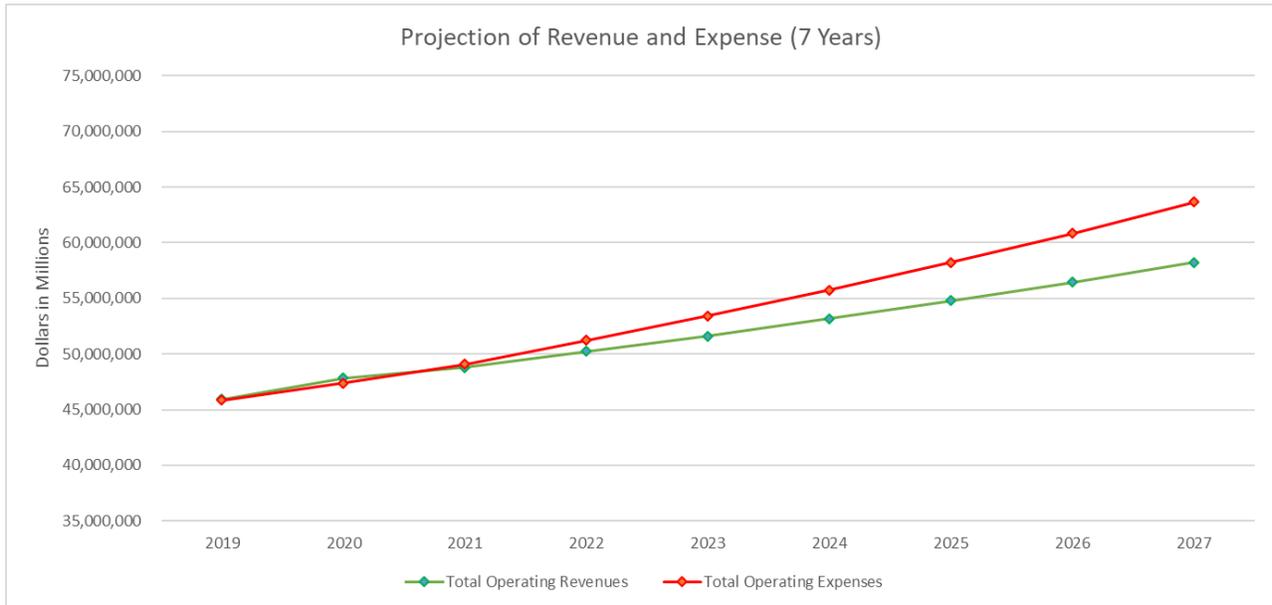
Matching Funds for Capital Grants: MDOT provides all or part of the match for federal capital grants. Historically, MDOT has always provided the entire 20% local (non-federal) share for capital grants, so no local funds were required. By law, MDOT is only required to provide 2/3 of the non-federal share.

Matching Funds for Section 5310: MDOT provides the entire non-federal share of cost for the capital portion of 5310 grants, typically 20%.

Specialized Service: MDOT provides limited funds for service for seniors and people with disabilities. The statewide amount has not changed for many years, and the Washtenaw County allocation has remained at about \$180,000 per year. About \$78,000 per year pays a portion of the cost for A-Ride service in Ypsilanti, Ypsilanti Township, and Superior Township. The AAATA also administers these funds for private, non-profit service providers in the County.

## 6. Budget Forecast

While the FY2020 Budget produces a small surplus for the year, the 7-year forecast (see p. 23, and projection graph below) identifies emerging deficits starting in FY2021 and growing thereafter.



It is important to note that *only the FY2020 budget* will be presented for adoption by the Board; TheRide does not adopt a multi-year operating budget. TheRide's Board may adopt the FY2020 budget even though the forecast predicts deficits, as long as they are corrected by the next annual budget. The forecast is provided for context as an element of long-term financial planning.

### Nature of Deficits

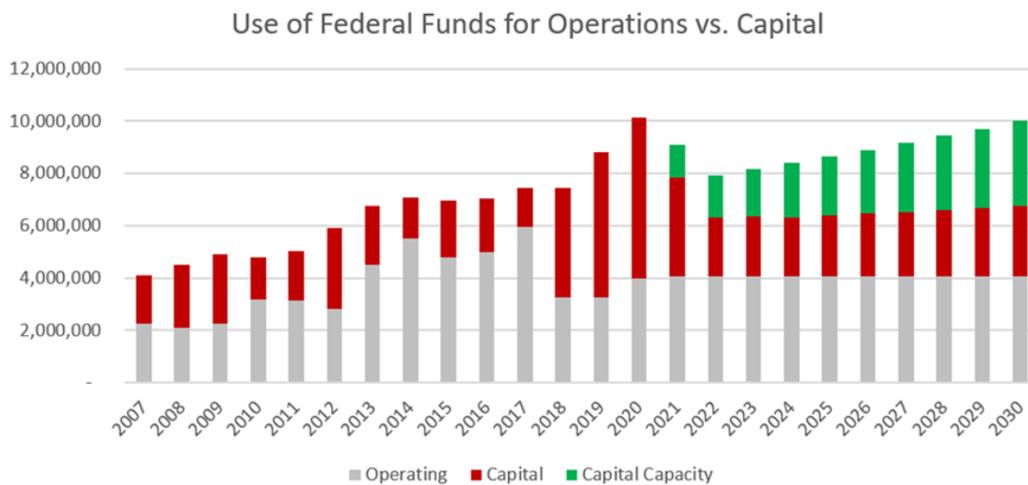
TheRide's forecasted deficits are temporary rather than indicative of a permanent problem that cannot be corrected. They appear because business decisions to fix them, while underway, are still to be made and are not yet included in forecasting. Deficits are forecasted to grow from \$190,000 in FY2021, or 0.4% of budgeted expenses, to more than \$5.4 million in FY2027, 8.5% of total costs.

### Causes of Deficits and Corrective Measures

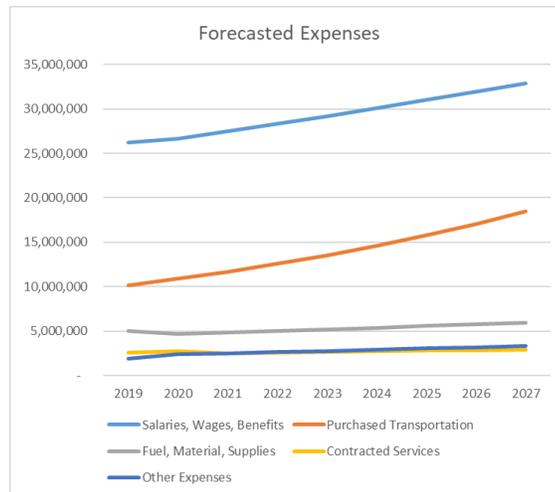
Emerging deficits are caused by slow revenue growth against a higher growth rate for expenses. Audited financials show operating revenue has grown by 4.8% while costs have grown 6.1% annually on average since 2015. Some key causes and potential corrections of forecasted deficits are:

1. Federal operating assistance has been held flat at \$3.4 million annually in the forecast starting in FY2021. These funds are flexible, and may be used to support both operations and capital projects. While this change contributes to the growing deficit, it will improve the availability of funds for capital investment. In recent years, TheRide has directed an increasing percentage of its federal formula funds to support operations, making them unavailable for capital projects. Capital investment is a strategic priority for these funds, and TheRide needs to increase capacity for capital investment to meet needs for expansion projects that are on the horizon.

*Correction: Long-range capital budgeting detail needs to be further developed to clarify priorities for capital investments vs. the use of federal funds to support operations. The decision to hold flat the amount of federal funds supporting operations will result in growing capacity for capital investment in future years as shown in the graph:*



2. Purchased transportation costs for A-Ride paratransit and Gold Ride are projected to grow at a much higher rate than the growth rate for all other costs and revenues. This growth is due, in part, to an aging population, consistent with national trends for rapid growth in paratransit. TheRide’s growth rate is especially high due to inefficiencies in service delivery. For example, much of the service is operated like a taxi service rather than a shared-ride service. Increasing the number of shared rides will increase efficiency, but may result in a lower level of customer satisfaction. Community discussions are necessary to consider expectations, regulatory requirements, and efficiency.

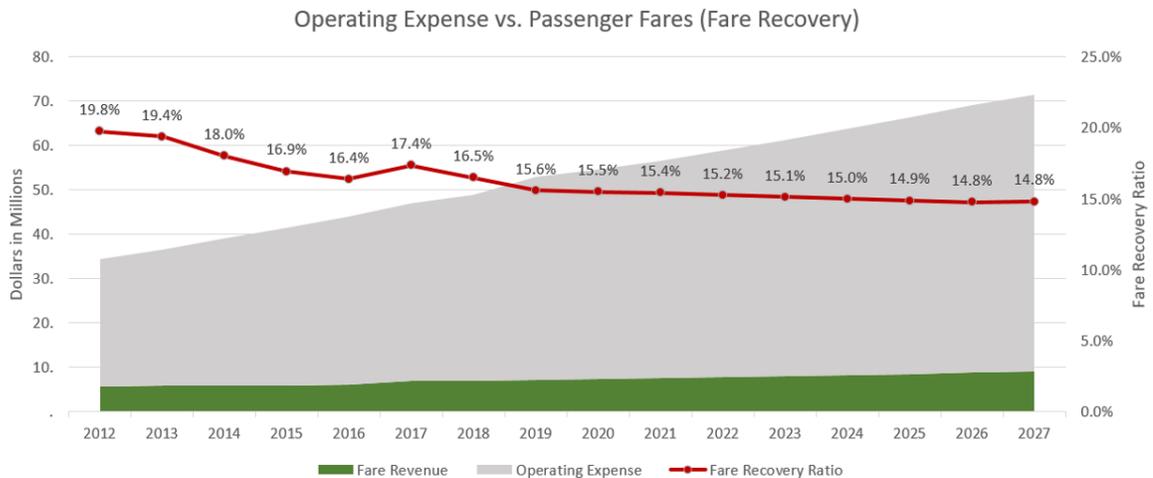


Correction: The issue was studied in 2018, and presentations were made to the Board and public about the need for cost-containment measures earlier this year. Changes to service delivery are necessary to contain costs. This year, a paratransit expert was brought on staff as Manager of Mobility Services to begin the work of implementing efficiencies and cost controls. Further work will engage the community in discussing how customer expectations can continue to be met with service operated more efficiently.

- Property tax revenues from the 0.7 expansion millage are not sufficient to cover full cost of service expansions made since 2014. Growth in property tax revenue is limited by the state’s Headlee amendment to original millage levels adjusted for inflation. This constraint contributes to the disparity between growth rates for revenue and expenses.

Correction: Some services which are underperforming need to be changed, reduced, or discontinued. Future changes to the expansion millage rate may be considered.

- The pricing of fares has not been increased since 2010. TheRide’s fare recovery (percentage of costs covered by fares) has declined from 19.8% in 2012 to 16.5% in 2018. The forecast predicts continued declines in fare recovery if no changes to the price of fares are made as shown in the chart below. This is an indication that fare revenue increases are needed. With more than 50 ways to pay for TheRide’s services (see [Appendix 4](#)), TheRide has the opportunity to simplify fares for customers and develop new, easier ways to pay, and incentivize increased transit use through fares.



Correction: *Fare policy, structure, and pricing is being considered to grow fare revenue.*

5. Staff are working on many other measures to lower costs and find efficiencies. Some examples include:
  - a. Possible discontinuation of traditional but unrequired services like football game shuttles and Art Fair shuttles. These ventures have not been profitable since federal regulation changes in 2012 disallowed TheRide from charging a premium fare to cover its costs. Both services are budgeted for operation in FY2020, however it is possible, after coordination with Art Fair organizers and other community stakeholders, that service could be discontinued in Summer 2020.
  - b. Reduce costs of materials and supplies. Fuel is a significant expense for TheRide. Propulsion alternatives such as electric buses, Compressed Natural Gas, fuel cell, and other alternatives need to be studied to find the right balance between controlling costs, capital investment capacity, emissions-reduction, and reduction of dependence upon fossil fuels.

## 7. Adopting Resolutions

Resolution 06/2019

ADOPTION OF FY 2020 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 2020 Operating and Capital Budget that furthers Board Ends Policies within Executive Limitations and provides multi-year context;

**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 2020 to the Federal Transit Administration (FTA) as part of the annual application for FY 2020 federal funding, and

**WHEREAS**, the AAATA is required to submit the capital program for FY 2020 – FY 2023 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 FY2020 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- \$47,389,476 for operations.
- \$17,987,928 for capital investment (contingent upon grant awards).

**BE IT ALSO RESOLVED**, that the Ann Arbor Area Transportation Authority Board of Directors hereby adopts the FY 2020-2023 Capital Program, of which FY 2020 and beyond is subject to amendment in future years.

Eric A. Mahler, Chair

September 19, 2019

Kyra Sims, Secretary

September 19, 2019

**RESOLUTION CONCERNING  
CAPITAL CONSTRUCTION EXECUTIVE LIMITATIONS**

**WHEREAS**, the Ann Arbor Area Transportation Authority's proposed budget for the Fiscal Year 2019-20 includes initial funding for the replacement of the Ypsilanti Transit Center.

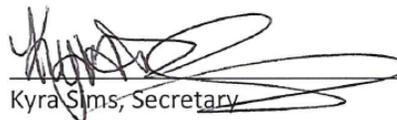
**WHEREAS**, the Board of Directors believes that additional Executive Limitations policies may be necessary to ensure that Board expectations are clear for the Ypsilanti Transit Center and future capital construction projects.

**THEREFORE BE IT RESOLVED**, that the CEO of the Ann Arbor Area Transportation Authority shall not execute any additional contracts concerning the replacement of the Ypsilanti Transit Center until the Board of Directors has had sufficient time to revise the Executive Limitations policies concerning capital construction, if such revisions are deemed necessary.



Eric A. Mahler, Chair

September 19, 2019



Kyra Sims, Secretary

September 19, 2019

## 8. Glossary of Terms

**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.

**Assessable Base** – The total value of all real and personal property which is used as a basis for levying taxes. Tax exempt property is excluded from the assessable base.

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

**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 adopted 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 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.

**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)** – The official annual report of a government.

**Corporate Business Plan** – A multi-year plan that establishes the strategic priorities for the budget.

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

**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 of the AAATA which indicates overall management responsibility for an operation or a group of related operations within a functional area.

**Empowerment** – A managerial style which places emphasis on decentralized problem-solving in an effort to allow employees and citizens who are affected by policy decisions to participate extensively in the decision-making process.

**Encumbrance** – A firm commitment to pay for future goods and services, formally documented with a contract or agreement that may extend over more than one budget year. Both encumbrances and planned expenditures on a project must fit within an agency’s appropriation.

**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, and tokens 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 2020 begins on October 1, 2019 and ends on September 30, 2020.

**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 the fixed route bus system.

**Fringe Benefits** – For budgeting purposes, fringe benefits are employer payment 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.

**Fund Balance** – The cumulative difference between revenues and expenditures over the life of a fund. A negative fund balance is usually referred to as a deficit.

**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 those 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 as an arm of the Financial Accounting Foundation 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.

**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 especially to improve it.

**Modernizing or Modernization** – A strategic initiative identified in the Corporate Business Plan 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.

**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.

**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.

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

**Tax Rate** – The amount levied per \$1000 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 benefitting from the service. Also known as user charges.

**Zoning** – The partitioning of a city, borough, or township by ordinance into sections reserved for different purposes (i.e. residential, offices, manufacturing).