



OPERATING & CAPITAL BUDGET FOR FY2021

Version 1.0

Board Adopted Budget for TheRide's Fiscal Year 2021

2021
*Dedicated
to TheRide's
Essential
Front-Line
Workers*

ANN ARBOR AREA TRANSPORTATION AUTHORITY



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

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**Ann Arbor Area Transportation Authority
Michigan**

For the fiscal years beginning October 1, 2018 and 2019

**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

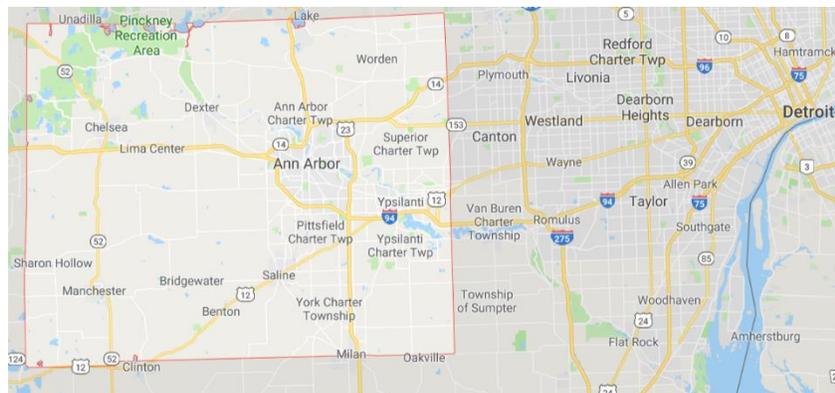


The Ann Arbor Area Transportation Authority (TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

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

Ann Arbor is the county seat for Washtenaw County, which also includes the city of Ypsilanti and the townships (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 more than 400,000 hours of revenue



Washtenaw County, Michigan

service, driving more than 5.6 million revenue miles, and carries more than 6.9 million passenger trips on transit services annually during a typical year.

TheRide operates fixed-route buses, A-Ride paratransit services, ExpressRide commuter buses to Canton, Chelsea and Ypsilanti Township, AirRide express service to Detroit Metro Airport, FlexRide on-demand service, ridesharing, van pools, and other services (some services are suspended for the pandemic).

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

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Gail Roose, Manager of Facilities Services

LaTasha Thompson, Manager of Finance

Michelle Whitlow, Manager of Purchasing

Michelle Willis, Manager of Mobility Services

Executive Team

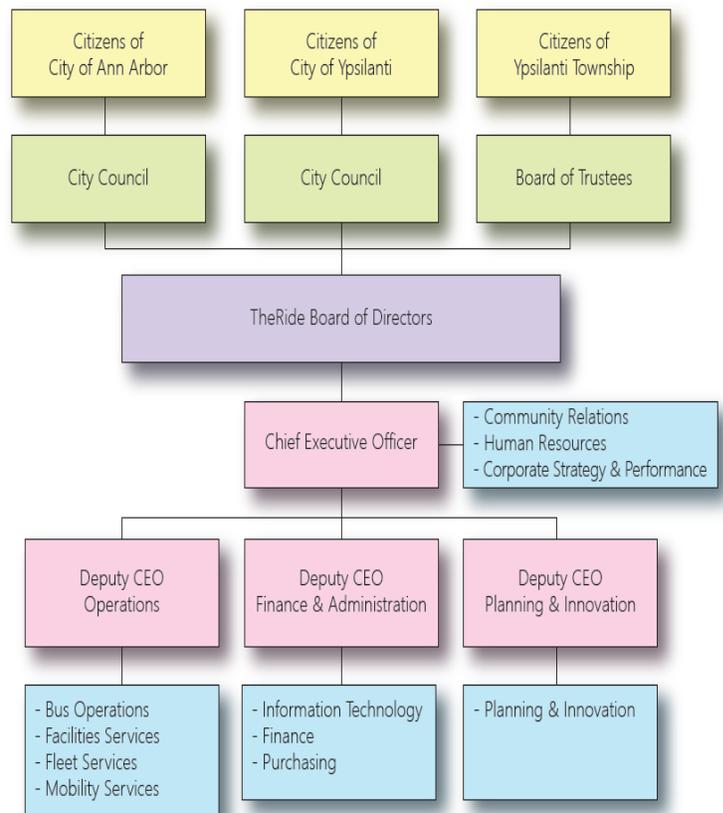
Matt Carpenter, Chief Executive Officer

John Metzinger, Deputy CEO/Finance & Administration

Bryan Smith, Deputy CEO/Operations

Forest Yang, Deputy CEO/Planning & Innovation

Organization Chart



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September 24, 2020

On behalf of the Board of Directors at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to publish the adopted 2021 Budget.

2021 is certain to bring challenges and opportunities as TheRide continues to execute its *COVID-19 Recovery Plan* enacted in 2020. The adopted budget supports new priorities to protect the health and safety of employees and the public, to provide essential transportation during the pandemic, and to prepare for service restoration and recovery after. Public and employee health, service restoration, and long-term financial resilience are key themes in this budget.

The 2021 adopted budget has been prepared in accordance with the Michigan Uniform Budgeting and Accounting Act of 1968, Generally Accepted Accounting Principles (GAAP), and Board Governance Policies. The Board has delegated to the Chief Executive Officer (CEO) the responsibility to prepare a balanced budget which achieves the Board's objectives ("Ends") and avoids deficit spending and fiscal jeopardy. The budget achieves both requirements while positioning TheRide to continue providing excellent service to our communities and constituents.

Matt Carpenter
Chief Executive Officer

John Metzinger
Deputy CEO/
Finance & Administration



Executive Summary

In a typical year, TheRide's revenues are predictable for the following 12 months. Under those circumstances, TheRide can usually be very clear with our communities about exactly what services will be provided and when. However, Fiscal Year (FY) 2021 will not be typical. As a result of the COVID-19 pandemic, revenues are unpredictable and depend upon decisions made by outside funders. Timing is also a challenge as some outside decisions won't be made until after our normal deadlines have passed. Under these circumstances, TheRide is not able to predict revenues with confidence. Therefore, we have to be cautious with spending—especially the pace with which services can be restored. We know that our communities and riders want a commitment about when services will be fully restored. However, our best option is to remain flexible, and restore services after funding levels are confirmed.

To remain flexible, staff would prefer to present a rolling series of short-term (4 month) budgets, however, our Board is required by law to adopt a 12-month budget before October. Therefore, staff presented a hybrid approach; a recommended 12-month budget with a strong caveat that it is likely to change. The Board will likely need to amend it one or more times during the course of FY2021. *The reader should consider this adopted budget to be a starting point, a baseline budget that will be adjusted up or down based on future revenues and circumstances, with additional Board authorizations.*

The most immediate and impactful point of uncertainty is the state budget. The State of Michigan funds a significant portion of TheRide's operating and capital budgets. The final contents of the State budget won't be known until later. Meanwhile, state law requires Board adoption of the budget by October 1, and only our best-guess assumptions were available before this deadline. The State budget is just one example of the uncertainties before us in FY2021; additional pandemic costs, federal funding, university attendance, and many other factors will make FY2021 an unpredictable year.

As with previous budgets, this adopted budget is guided by a strategic business plan—the [COVID-19 Recovery Plan](#)—which outlines the strategic priorities which guide the budget. This plan is aligned with the Board of Directors' expectations—that TheRide will ensure the safety of employees and the public while maintaining essential mobility needs and preserving the organization's financial strength, provide equitable access to transportation and enhance the environment, and create economic prosperity and quality of life for people in our service area (See *Board's Ends Policies*, in the [Board Policy Manual](#)).

This FY2021 Adopted Budget is the next step in implementing the Recovery Plan and moving toward achievement of these priorities. TheRide will gradually be restoring services through pandemic and post-pandemic recovery phases, as identified in the Recovery Plan, throughout the fiscal year. A balanced financial plan is presented which will fund services as they are restored, and perhaps reshaped to meet evolving community needs, during and after the pandemic.

Budget Overview

Highlights of the adopted FY2021 Budget are:

- Overall operating expenses of **\$43,150,941** and **\$6,449,880** in capital investments
- Avoids deficit spending while utilizing some federal CARES Act funding for COVID-19 recovery
- Plans for long-term financial sustainability with a balanced 7-year operating plan
- Funds the following priorities from the Recovery Plan:
 - Health and safety measures for public and employee health
 - Maintaining essential transportation needs, with gradual restoration of fixed-route and paratransit services
 - Preserve the TheRide's financial sustainability to ensure capacity to re-emerge stronger
- Presents a 10-year capital plan, and programs federal and state funding for major projects:
 - Replacement and rehabilitation of fixed-route buses and paratransit vans
 - Capital maintenance for the operations center and garage
 - Planning study for future bus garage development
 - Continued investment in bus stop amenities and technology infrastructure
- Assumes the loss of 30% of state operations funding and possible deferral of state capital funding

Introduction

Budget Document Orientation

This document contains five sections:

- The **Introduction** will orient the reader to the overall direction, strategic goals, and executive limitations established by TheRide's Board, as well as the budgeting schedule and process.
- **The State of TheRide** establishes financial context, discusses the challenges, opportunities and priorities for developing the budget, and presents ridership performance.
- The **Budget** summarizes the operating and capital budgets for FY2021, and presents financial forecasts for subsequent years.
- **Impacts of the 2021 Budget** discusses how the budget will affect the fund balance and the reserve, as well as the impact of capital investments upon the operating budget.
- The **Appendices** include details on initiatives and capital projects, anticipated contracts, fare schedule, a grant funding primer, Board resolution, and a glossary.

This document uses multiple-year forecasting. Although financial information is presented for years beyond 2021, it is important to note that forecasted years are provided *only for context*, 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 multiple-year budget.

Corporate Strategic Plans

The FY2021 Budget is the funding plan for achievement of goals established by TheRide's Board of Directors. Corporate strategic planning establishes the programs and initiatives to help the organization achieve these ends. Mid-2020, the previous corporate plan was superseded by new executive priorities established in the *COVID-19 Recovery Plan*, to ensure the health and safety of the public and staff, to maintain essential transportation needs including continuation and restoration of paratransit and fixed-route services, and to preserve the organization's financial sustainability and capacity to re-emerge after the pandemic. (See the [COVID-19 Recovery Plan](#).)

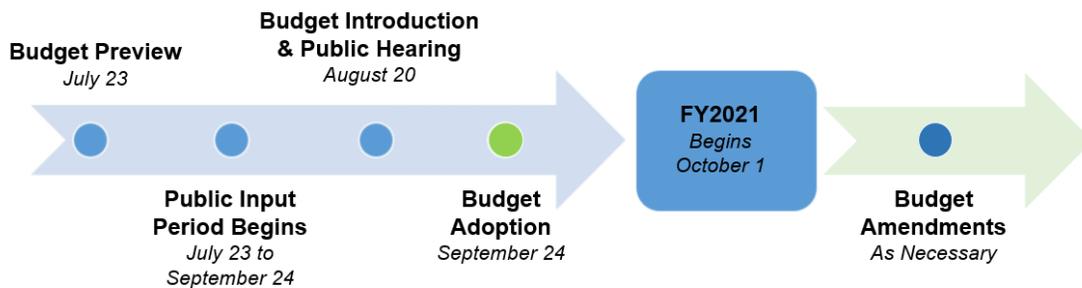
Financial Executive Limitations Policies

TheRide's Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on the [website](#). Many of the policies have a direct effect on shaping the annual budget. For example, the Board has set clear limitations upon Financial Planning and Budgeting (Policy 2.4), Financial Conditions and Activities (Policy 2.5), Cash and Investments (Policy 2.6), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.8).

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 (GAAP), comply with federal, state, and local laws, describe practices for handling cash and investments, and require Board authorization for adjusting passenger fares, property tax rates, or buying or selling real estate. Other Board policies guide treatment of the public and employee relations.

Budget Process and Timeline

The timeline for review and adoption of the FY2021 Budget:



- **April/May/June:** The Finance Manager and Deputy CEO/Finance and Administration drafted a budget with many inputs, including Board policies, budget reviews with department managers, staffing requests, collective bargaining agreement, fleet and facilities plans, and other plans.
- **July:** Federal regulations require a 30-day review period for TheRide’s federal funds. Both the capital program and operating budget preview were presented to the Board and made available for public review. Updated information will be available online until the budget is adopted.
- **August:** The draft budget was formally introduced to the Board of Directors at its meeting on August 20. A public hearing, as required by state law, was held during the meeting.
- **September:** The recommended budget was adopted at the meeting on September 24. The Michigan Uniform Budgeting and Accounting Act of 1968 requires Board adoption prior to any expenditures being made in the fiscal year.
- **October:** Fiscal Year 2021 begins October 1, 2019, with the newly adopted budget.
- **FY2021:** As necessary, budget amendments may be made throughout the new fiscal year to adapt to changing needs and conditions.

The State of TheRide

Financial Condition

TheRide is set to end FY2020 with revenue and costs significantly below the budget because of fare revenue losses and service reductions from the pandemic. The reserve balance was strengthened last year and will remain strong even with anticipated financial challenges in the new fiscal year, as federal aid from the CARES Act will support ongoing operations and service recovery. This aid will support revenue losses and pandemic-related costs that were not anticipated in FY2020 budgeting. While there is a great deal of uncertainty due to the pandemic, some financial strengths include:

- Continuing to operate within the budget
- Reserve funds at target levels
- 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 2019 financial statements. A new Finance Manager joined the Authority last year, and new budgeting and financial performance management software was implemented. Working with the CFO, the new Manager is working to improve cost accounting and financial management practices, and modernization of timekeeping and payroll processes. The auditing firm UHY LLP was engaged to conduct the 2019 annual audit after the contract with the prior auditing firm expired and rotation of the auditing firm was required by Board Policy (3.8.1.2.1).

Preserving and building on these strengths will be important going forward into the next fiscal year, particularly in dealing with financial challenges arising from the pandemic including economic recession, lower fare revenue, and uncertain impacts to operating and capital support from state and federal transportation funding sources.

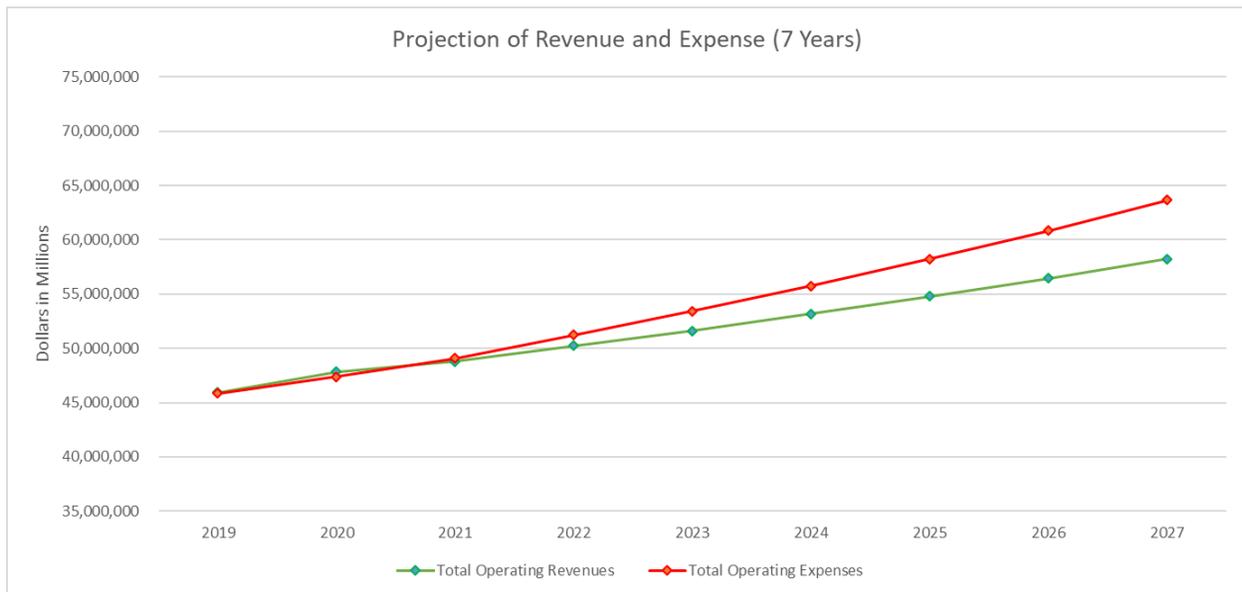
Fund Description, Structure, and Balances

TheRide operates with one general fund through which operating, capital, and investing cash flows occur during the fiscal year. The term *fund balance* is used to describe the net position of the general fund as calculated by GAAP, presented at a particular point in time. It is the net position on the statement of net position (balance sheet).

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2021 will bolster the organization against the risks of uncertain funding ahead. The expected effect of the FY2021 budget upon the fund balance is discussed in the [Impacts of the 2021 Budget](#).

Financial Challenges: Pre-Pandemic Deficits

Before the pandemic, TheRide was already grappling with financial challenges. A year ago, budget forecasting showed deficits in the near future because growth in costs was outpacing growth in revenues. Audited financials since 2015 showed costs grew an average of 6.1% annually, while revenue growth averaged 4.8%. This audited data demonstrated that the property tax millage which funded service expansion in 2014 (known as the Five Year Transportation Improvement Plan or 5YTIP) was insufficient to cover expansion costs: [TheRide was operating beyond its means](#). The forecast predicted that deficits would emerge in FY2021 and grow to unsustainable levels in following years, as shown in the chart below. Deficits were forecasted to grow from \$190,000 in FY2021, or 0.4% of budgeted expenses, to more than \$5.4 million in FY2027, 8.5% of total costs.



Among the corrections discussed last year were lowering the costs of A-Ride/GoldRide, which were growing at high rates due to inefficiencies in service delivery and growth in demand from aging population, discontinuation of Art Fair shuttles, and other cost saving measures. In early 2020 before the pandemic, TheRide was planning public consultations on how to reduce under-performing fixed-route services to reduce costs. New revenue was also discussed, including the potential for new millage funds and the need to increase fare revenues. These earlier plans have been disrupted by the pandemic.

Once the pandemic emerged, reducing costs became more urgent. Immediate cost saving measures included significant suspension of service and layoffs affecting 42 employees were implemented in response to the pandemic. Those immediate pandemic-related changes are starting to be rolled back, but the earlier structural deficits remain.

While current focus is upon pandemic recovery, it is important to understand that an underlying structural deficit problem still exists and needs to be corrected. One-time federal funding cannot offset ongoing operating costs. Restoring full 5YTIP services may result in the reemergence of these structural deficits. TheRide is not dealing with one financial challenge, we are dealing with two.

Financial Opportunities

TheRide can make decisions with the budget for fiscal year 2021 that will ensure the continued delivery of high-quality services, demonstrate careful stewardship, and bring ongoing financial stability including a balanced budget forecast that considers the resolution of the deficit problem. Development of the 2021 Budget was guided by the following principles:

- Budget for the priorities outlined in the *COVID-19 Recovery Plan*
- Support safe operation of essential services
- Create capacity to restore services after the pandemic without forecasted deficits
- Maximize value provided to riders/customers and taxpayers
- Ensure funding for ongoing operations remains stable
- Reinforce budgeting policies adopted by the Board of Directors to ensure financial stability
- Ensure TheRide's assets are maintained in a state of good repair
- Continuously improve cost accounting and financial management

Ensuring adequate reserves, utilizing federal CARES Act funding, and the priority of maintaining a state of good repair for TheRide's assets are priorities which warrant additional brief discussion, as follows.

Ensuring Adequate Reserves

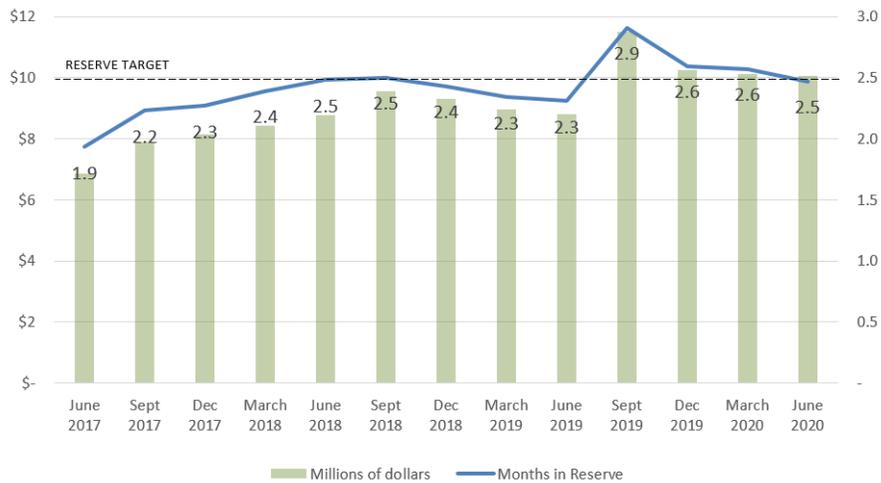
A reserve is an important part of a healthy agency budget. Its purpose is to buffer the agency from the risk of unexpected costs or disruptions to revenues. Without an adequate reserve, the agency would risk insolvency in an emergency, such as the COVID-19 pandemic.

Board Policies (2.4.6, 2.5.7) require budgeting to provide reserves adequate to cover near-term operating expenses to avoid this risk. TheRide's reserve is its unrestricted net asset on the statement of net position (balance sheet). The target reserve amount is a balance that can support 2.5 months of operating expense. Illustratively, \$10.2 million in reserve is needed to fund 2.5 months for an annual operating budget of \$48.8 million, as was adopted for FY2020.

Steps taken in recent years have strengthened the reserve after it had fallen below this target due to prior decisions to invest toward expansion. TheRide was able to gradually restore the reserve, reaching the target consistently beginning at the end of FY2019 and maintaining the target level through the first three quarters of 2020 as shown in the chart below.

The pandemic is going to affect the reserve balance for FY2021. The balance of the reserve will go *higher* than 2.5 months of operating expense during FY2021 due to lower operating expenses from pandemic-related service reductions. An overstated reserve balance will exist until services are restored and expenses normalize once again. The CFO and Finance Manager will clarify this as financial reporting is brought to the Board and public throughout the fiscal year.

Reserve Balance in Months and Dollars (Millions), as of Third Quarter, FY2020



Utilizing CARES Act Funding

In April 2020, TheRide received an apportionment of \$20.7 million in federal funds from the *Coronavirus Aid, Relief and Economic Security Act*, known as the CARES Act. This federal aid was provided to assist with coronavirus-related operating expenses such as replacement of lost revenue, purchase of Personal Protective Equipment (PPE), cleaning and sanitation supplies, increased janitorial services, paid employee leave, and other costs. New costing accounts have been added to the accounting system for pandemic-related services, materials, and supplies, as well as for CARES Act revenue.

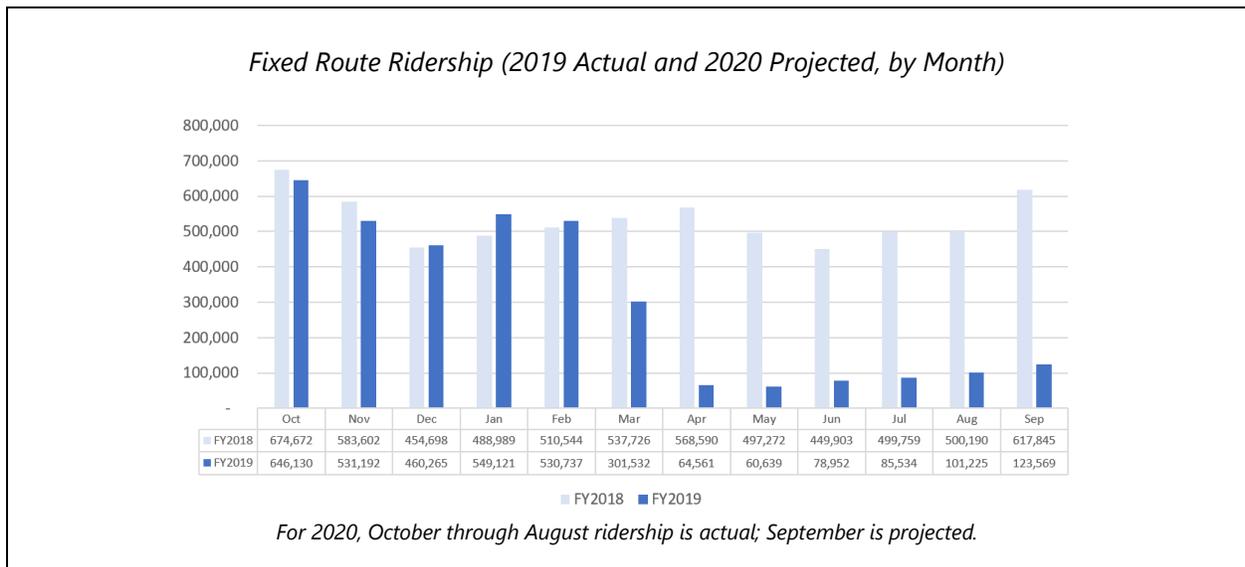
This budget demonstrates that CARES Act funds are being utilized to support eligible costs throughout the pandemic and after, through service restoration and recovery. Additionally, capital expenditures using CARES Act funds may continue as needed for projects to prevent spread of the virus and promote the health and safety of the public and employees.

Achieve and Maintain State of Good Repair

Maintaining facilities, vehicles, equipment, and other assets is a significant focus in the FY2021 budget, in alignment with federal regulation. The Transit Asset Management (TAM) Plan helps ensure assets are in good condition and ready to support TheRide’s services. While TheRide’s fleet and equipment are in a good state of repair overall, facilities need attention. Additional resources are included in capital budgeting to address needs at the bus garage, including roof and HVAC replacement, and other needs. Additionally, planning continues and discretionary grant applications are planned to be filed to replace and expand the Ypsilanti Transit Center. TheRide is working with the City of Ann Arbor on options to improve the Blake Transit Center as well, and will study the potential for garage expansion.

Fixed-Route Ridership

[Fixed-route bus service](#) operated by TheRide includes bus routes in Ann Arbor, Ypsilanti and nearby townships as shown on the [System Map](#). Ridership growth peaked in 2018 then declined slightly in 2019 and early 2020 until coronavirus emerged mid-March. Ridership losses were then sudden and severe, dropping by nearly 90% as shown in the chart below. Many fixed-route services were suspended due to lower demand and public safety. Services are gradually being restored to 60% of the full service level by August, before nearly full service levels are anticipated again in late FY2021 (unless the virus containment and funding allow restoration more quickly). Total annual fixed route ridership is projected to decline by 45% for 2020 vs. 2019, with 3.5 million passenger trips expected compared to 6.4 million passenger trips last year. Projections show gradual ridership growth as service is restored.



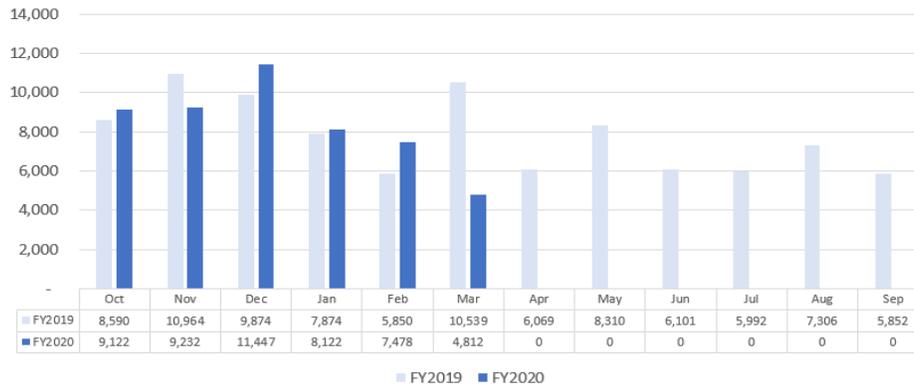
[ExpressRide](#) commuter bus service from Canton, Chelsea, and Ypsilanti Township to Ann Arbor and the University of Michigan campuses was suspended in mid-March due to the pandemic. Annual ridership for 2020 was 12,479 passenger trips, down 57% from 29,070 passenger trips in 2019. Service is not budgeted to resume in 2021 but may be restored if possible.

AirRide & D2A2

[AirRide](#) bus service from Ann Arbor to the Detroit Metro Airport was continuing its growth trend in 2020 with 5% ridership gains through February, before operations were suspended. TheRide launched [D2A2](#), Detroit-to-Ann Arbor commuter bus service, in partnership with and funded by the Regional Transit Authority (RTA) of Detroit in March 2020. The much-anticipated service operated for only a few weeks before service was suspended due to the pandemic.

Both services are budgeted to operate in FY2021 if possible. Combined ridership for both services is 50,213 passenger trips for 2020, down 46.2% from 93,321 trips in 2019, as shown in the chart below.

AirRide & D2A2 Ridership (2019 Actual and 2020 Projected, by Month)



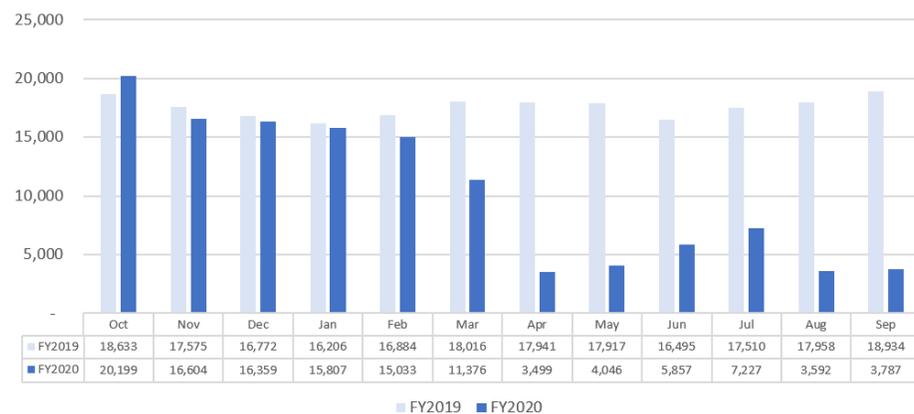
For 2020, October through March ridership is actual; August and September is projected.

Urban Demand Response

Demand response services cover a range of accessible, flexible, on-demand services operated by TheRide, including [A-Ride](#), [GoldRide](#) and [GroceryRide](#), [NightRide](#) and [HolidayRide](#), [FlexRide](#), and [MyRide](#). Service was reduced and ridership declined sharply in March; A-Ride trips were limited to paratransit services minimally required by the Americans with Disabilities Act (ADA). NightRide and HolidayRide services were consolidated with FlexRide in August 2020. MyRide mobility management services were suspended upon the onset of the pandemic, but anticipated for restoration in FY2021 if possible.

2020 Ridership is projected 42% lower, at 123,385 passenger trips compared to 210,841 in 2019. Ridership comparisons for all demand response services combined are shown in the chart below:

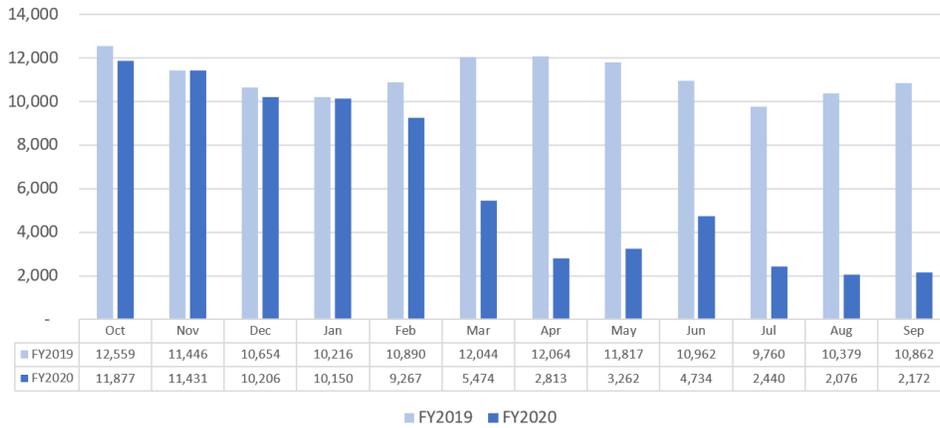
Urban Demand Response Ridership (2019 Actual and 2020 Projected, by Month)



For 2020, October through August ridership is actual; September is projected.

A-Ride is an ADA-required paratransit service, available for people with disabilities who are unable to use the fixed-route system. In prior years, A-Ride had also incorporated GoldRide, a shared-ride on-demand service for persons age 65 or older. Several changes were made in 2020 in response to the pandemic. GoldRide was suspended to ensure adequate capacity was available for ADA-required trips. (GoldRide passengers continue to ride free on fixed-route services.) Ridership is projected at 75,902 trips for 2020, down 43% from 133,653 riders in 2019, as shown in the chart below.

A-Ride/GoldRide Ridership (2019 Actual and 2020 Projected, by Month)



For 2020, October through June ridership is actual; July through September is projected.

2021 Budget

Budget Overview

The following sections outline the operating and capital budgets for FY2021. The initiatives outlined in this budget help advance the priorities identified in the *COVID-19 Recovery Plan* (i.e. ensuring public health, providing essential service, and sustaining the organization). This budget also provides multi-year forecasts and context.

Highlights of the FY2021 Budget include:

- Balanced operating and capital budgets
- Promotes health and safety through additional sanitation, PPE, and social distancing
- Provides essential transportation during the pandemic
- Provides for service restoration and long-term financial resilience
- Fares and property tax rates remain unchanged (receipts are assumed to be lower due to the pandemic, however)
- Continuing work on a long-range service plan
- Continuing work on fare policy and structure
- 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 2021 initiatives include:

- Replacement and rehabilitation of fixed-route buses and support fleet
- Added capacity to support land acquisition for future facility replacement and expansion
- Growing investments in bus stop improvements and amenities
- Ongoing investments in technology modernizations

Operations Overview

Many of the TheRide's services were reduced or suspended upon the pandemic outbreak, as discussed in [The State of TheRide](#). Operations are planned to be restored to 60% of pre-pandemic levels in August 2020, 66% by November, and 96% by August. The focus of service planning has been upon maintaining high-ridership services, increasing frequencies to allow for social distancing, simplifying routing to ease in adding overflow buses to handle additional capacity demands, and increasing the use of FlexRide where fixed-route service is in less demand or impractical.

This is a *temporary service plan* in response to the pandemic. It is paramount to understand that no services have been permanently discontinued. The *COVID-19 Recovery Plan*, TheRide's policy on major service changes, federal regulations, and Board policy each require extensive public review and input to determine how resources will be best allocated during service restoration after the pandemic. These policies will be followed, fully engaging the public as necessary and required.

The following tables present vehicle revenue hours (hours of service) and ridership, with comparisons between FY2019 actual performance and projected results for FY2020 and FY2021 as proposed:

Projected Vehicle Revenue Hours for 2021 vs. 2020, 2019 Actual

Service Hours:	Actual 2019	Projected 2020	Proposed 2021	% Change (2019 vs. 2021)
Local Fixed Route	308,213	267,076	218,831	-29.0%
ExpressRide	1,943	2,100	--	-100.0%
AirRide & D2A2	8,768	9,010	24,000	173.7%
Urban Demand Response	104,073	78,819	98,160	-5.7%
Total	422,997	357,005	340,991	-19.4%

Projected Ridership for 2021 vs. 2020, 2019 Actual

Passenger Trips:	Actual 2019	Projected 2020	Proposed 2021	% Change (2019 vs. 2021)
Local Fixed Route	6,383,790	3,516,702	3,704,364	-42.0%
ExpressRide	29,070	12,479	--	-100.0%
AirRide & D2A2	93,321	50,213	56,223	-39.8%
Urban Demand Response	210,841	116,209	107,374	-49.1%
Total	6,717,022	3,699,607	3,867,961	-42.4%

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

Operating Budget

The following tables and charts illustrate the elements of the 2021 Operating Budget, as well as how the adopted budget compares with the 2020 approved budget.

Expenses

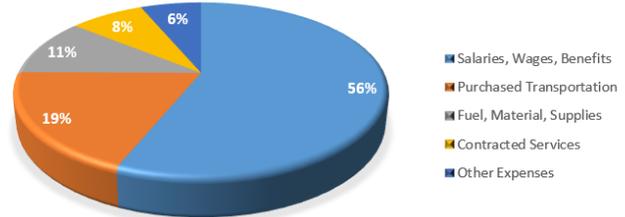
Operating expenses are budgeted at **\$43,150,941**, 12% lower than the current year. Key expense assumptions:

- Fixed route service will operate at 60% of pre-pandemic (2019) levels before services are gradually restored. A-Ride will provide ADA trips only, with service operated in-house rather than contracted. FlexRide will expand to serve additional needs and NightRide and HolidayRide.
- Salaries and wages include contractual pay rate increases for bargaining unit employees and a 3% annual increase for non-union employees. The rate for non-union employees has been benchmarked with the [American Society of Employers \(ASE\) Annual Salary Budget Survey](#). Total wage and fringe costs are budgeted down 9% after staff reductions were made in FY2020.
- Purchased transportation expenses are 34% lower from bringing paratransit services in-house, even after expansion of FlexRide and the addition of D2A2 for FY2021.
- Fuel, materials, and supplies costs are down 2%. Fuel is budgeted at \$2.29 per gallon for 655,000 gallons, 23% fewer gallons than budgeted for 2020 due to less service. Pandemic-related cleaning and sanitation supplies and PPE costs offset the savings.

- Contracted services will grow 23% due to pandemic-related services such as increased janitorial and security expenses, increased consultation for service planning and strategic planning.
- Other expenses will increase by 14% from higher insurance premiums and other costs.

FY2021 Expenses (with FY2020 Comparison)

Budgeted Expenses	FY2020	FY2021	% Change
Operating Expenses			
Salaries, Wages, Benefits	26,650,220	24,252,988	-9%
Purchased Transportation	12,297,267	8,169,337	-34%
Fuel, Material, Supplies	4,703,638	4,624,778	-2%
Contracted Services	2,730,795	3,361,468	23%
Other Expenses	2,407,556	2,742,371	14%
Total Operating Expenses	48,789,476	43,150,941	-12%



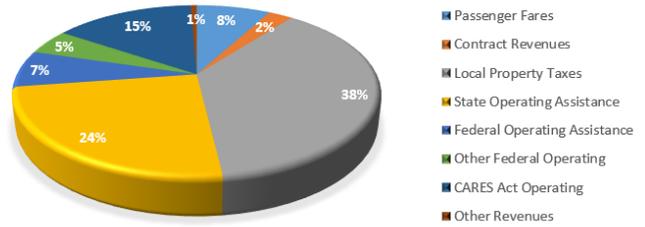
Revenues

Operating revenues are budgeted at **\$43,150,941**, a 12% reduction from the current budget year. Key revenue assumptions are:

- Passenger fare collection resumed in August 2020, but fare revenues will be down significantly due to reduced services and lower ridership; budgeted at 54% lower than current year.
- Reduced service and lower ridership will reduce contract revenues by 52%.
- Local property tax collections may decline due to delayed tax collections; budgeted at 7% lower. The projected 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.
- There is still much uncertainty with the state FY2021 budget due to revenue losses. The State operating assistance budget has been reduced by 38% overall, with Local Bus Operating Assistance (LBO) down 33%, and specialized services funding (which funds D2A2) also reduced. This budget may be adjusted later as the state budget is better known.
- Federal operating assistance is reduced 10% from the prior year to open capacity for capital investments with formula funding, and due to the availability of CARES Act funding.
- Other federal operating assistance will increase due to federal funds passed through RTA for the D2A2 service, and utilization of expiring JARC funds for MyRide, an increase of 51%.
- \$6.4 million in CARES Act funds will be required as operating assistance to offset lost revenues and coronavirus-related costs in FY2021, covering 15% of the total cost of operations.
- Other revenue is budgeted 31% lower due to recessionary impacts on interest income and reduced advertising sales.

FY2021 Revenues (with FY2020 Comparison)

Budgeted Revenues	FY2020	FY2021	% Change
Operating Revenues			
Passenger Fares	7,336,441	3,397,137	-54%
Contract Revenues	2,274,698	1,102,389	-52%
Local Property Taxes	17,512,610	16,265,739	-7%
State Operating Assistance	16,998,848	10,592,027	-38%
Federal Operating Assistance	3,331,250	3,000,000	-10%
Other Federal Operating	1,377,095	2,075,700	51%
CARES Act Operating	-	6,446,949	0%
Other Revenues	393,506	271,000	-31%
Total Operating Revenues	49,224,448	43,150,941	-12%



Contingencies

There is a great deal of uncertainty regarding revenues and expenses, particularly the pandemic’s impact on state and local funding and how quickly and the degree to which services can be fully restored. The FY2021 budget will likely need to be amended after adoption to adapt to changing needs and circumstances. The following revenues and expenses are expected to change:

- Fare revenue and contract revenue will vary based upon ridership and service restoration.
- Property tax collections could be higher or lower than anticipated.
- State operating and capital contributions will depend upon the state’s budget adoption, which occurred just prior to TheRide’s budget adoption and awaits clarification by MDOT.
- Federal formula amounts depend upon the federal government’s budget adoption, which often occurs well after the start of the new fiscal year.
- Staffing costs will grow if service restoration is able to take place more quickly than anticipated due to community needs or earlier pandemic recovery.
- Purchased transportation costs could vary if AirRide and D2A2 are unable to relaunch, or increase if a new contract for paratransit service can be awarded earlier than anticipated.
- CARES Act funds will cover deficits from revenue losses and yet-unanticipated pandemic-related costs for FY2021.

This adopted budget represents the staff’s best attempts to make financial projections using the economic inputs available from industry, local, state, and federal leaders. It is likely that budget amendments may be necessary to adapt to changes after the new fiscal year begins. State law allows budgets to be amended, offering adequate flexibility to accommodate changing budgetary needs as the year progresses. Any staff recommendation to amend the adopted budget would be presented to the Board for consideration, as it is the Board’s responsibility to adopt or amend budgets (Policy 3.2.7).

2021 Operating Budget Detail (with Prior Year Comparisons)

	FY2019 Audited Actuals	FY2020 Projected Actuals	FY2020 Adopted Budget	FY2021 Adopted Budget	\$ Change 2021 vs. 2020 Budgeted	% Change 2021 vs. 2020 Budgeted
OPERATING REVENUE						
Passenger Revenue	\$ 6,750,571	\$ 4,389,219	\$ 7,336,441	\$ 3,397,137	\$ (3,939,304)	-54%
Local Property Tax Revenue	16,943,479	17,512,511	17,512,610	16,265,739	(1,246,871)	-7%
POSA & other Governmental Partners	2,705,015	1,455,837	2,274,698	1,102,389	(1,172,309)	-52%
State Operating Assistance	15,024,782	13,031,506	16,998,848	10,592,027	(6,406,821)	-38%
Federal Operating Assistance	3,250,001	2,525,000	3,331,250	3,000,000	(331,250)	-10%
Other Federal Conditional Assistance	2,221,057	424,128	1,377,095	2,075,700	698,605	51%
CARES Act Operating Assistance	-	1,400,423	-	6,446,949	6,446,949	
Advertising, Interest, and Other	605,724	309,806	393,506	271,000	(122,506)	-31%
TOTAL REVENUES	47,500,629	41,048,430	49,224,448	43,150,941	(6,073,507)	-12%
OPERATING EXPENSES						
PERSONNEL						
Operations Salaries & Wages	10,347,042	10,674,293	10,952,286	10,703,862	(248,424)	-2%
Other Salaries & Wages	2,919,670	2,864,780	3,090,623	2,780,127	(310,496)	-10%
Administration Salaries & Wages	5,190,751	5,436,071	5,479,575	4,858,032	(621,543)	-11%
Subtotal - Personnel	18,457,463	18,975,144	19,522,484	18,342,021	(1,180,463)	-6%
Fringe Benefits	6,694,345	6,509,747	7,127,736	5,910,967	(1,216,769)	-17%
Total Salaries & Wages	25,151,808	25,484,891	26,650,220	24,252,988	(2,397,232)	-9%
OTHER EXPENSES						
Purchased Transportation	10,673,301	6,931,082	12,297,267	8,169,337	(4,127,930)	-34%
Diesel Fuel and Gasoline	1,993,488	1,425,760	1,880,000	1,500,000	(380,000)	-20%
Materials and Supplies	2,039,857	2,673,248	2,823,638	3,124,778	301,140	11%
Contracted Services	2,564,857	2,189,173	2,730,795	3,361,468	630,673	23%
Utilities	593,643	618,698	537,648	608,344	70,696	13%
Casualty & Liability Insurance	890,946	1,061,600	958,365	1,046,500	88,135	9%
Other Expenses	681,269	663,978	911,543	1,087,526	175,983	19%
Subtotal - Other Expenses	19,437,361	15,563,539	22,139,256	18,897,954	(3,241,302)	-15%
TOTAL EXPENSES	44,589,169	41,048,430	48,789,476	43,150,941	(5,638,535)	-12%
Reserve Retainage	\$ 2,911,460	\$ 0	\$ 434,972	\$ (0)	\$ (434,972)	-100%

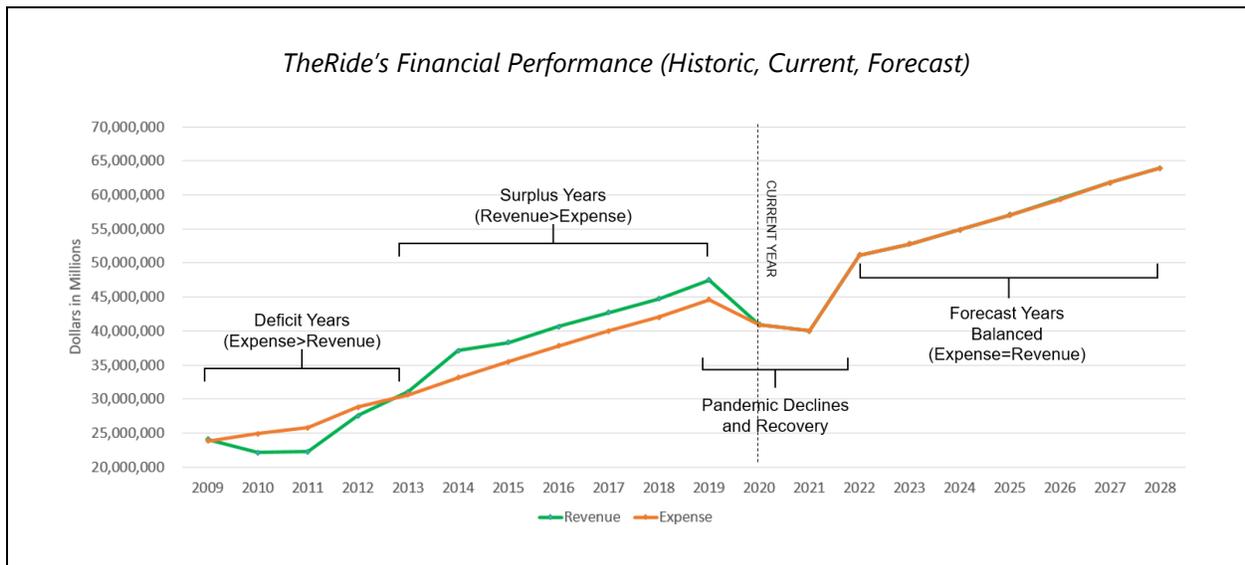
Basis of Budgeting

The 2021 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.

Long-Term Financial Context: 2021-2028

The Board’s policies require the annual budget to be contextualized within a multi-year forecast of costs and revenues (Policy 2.4). The FY2021 budget and 7-year forecast for subsequent years is detailed on the next page.

The graph below compares historic (10 year actuals), FY2020 projected actuals, and forecasted financials to provide context for the FY2021 budget. After historical operating deficits consumed much of TheRide’s financial capacity prior to 2013 as the organization expanded, new funding helped restore fiscal strength until just before the pandemic outbreak. TheRide’s reserve coffers were finally at the policy target in late FY2019 after experiencing low balances for several years.



At the onset of the pandemic in 2020, revenues declined and cost-cutting measures including staff reductions and suspended transit service were enacted in response. Federal aid from the CARES Act helped to gradually restore service in late FY2020 continuing through FY2021, assuring long-term financial sustainability. By 2022, the forecast anticipates restoration of service to pre-pandemic levels (although the specific route and schedule details may differ). The CEO’s directive for budgeting, as clarified in the *COVID-19 Recovery Plan*, is to preserve the long-term financial capacity of the authority through balanced annual budgeting, preservation of the reserve, and balanced forecasting for subsequent years avoiding deficits.

Anticipated CARES Act Funding Utilization

\$20.7 million in federal CARES Act Aid is forecasted to be used as follows:

Fiscal Year	2020	2021	2022	2023	2024	Total
Pandemic-Related Operating Assistance	2,500,000	6,446,949	7,246,178	1,903,601	1,595,501	19,692,229
Capital Assistance (Driver Barriers)	-	800,000	-	-	-	800,000
Operating Assistance (Mobile Ticketing Pilot)	-	207,771	-	-	-	207,771
Total:						20,700,000

2021 Operating Budget (with 7 Year Forecast)

Operating Revenues	2020	2021	2022	2023	2024	2025	2026	2027	2028
Passenger Fares	7,336,441	3,397,137	5,925,604	8,423,789	8,691,168	8,978,230	9,286,943	9,619,369	9,978,236
Contract Revenues	2,274,698	1,102,389	1,457,246	1,491,584	1,526,812	1,562,954	1,600,033	1,638,076	1,775,692
Local Property Taxes	17,512,610	16,265,739	16,643,984	17,476,183	18,349,993	20,481,885	21,647,878	22,865,110	24,061,385
State Operating Assistance	16,998,848	10,592,027	14,084,399	17,487,891	18,132,144	18,814,907	19,543,195	20,305,921	21,098,822
Federal Operating Assistance	3,331,250	3,000,000	3,000,000	3,000,000	3,500,000	4,050,364	4,050,434	4,050,507	4,050,582
Other Federal Operating	1,377,095	2,075,700	3,325,250	3,362,905	3,378,663	3,439,611	3,501,777	3,565,187	3,629,865
CARES Act Operating Assistance	-	6,446,949	7,246,178	1,903,601	1,595,501	-	-	-	-
Other Revenues	393,506	271,000	339,022	447,563	454,252	461,109	468,141	475,350	482,744
Total Operating Revenues	49,224,448	43,150,941	52,021,683	53,593,516	55,628,533	57,789,060	60,098,402	62,519,520	65,077,326
Operating Expenses	2020	2021	2022	2023	2024	2025	2026	2027	2028
Salaries, Wages, Benefits	26,650,220	24,252,988	26,499,823	27,238,031	27,998,257	28,780,720	29,586,171	30,415,783	31,270,022
Purchased Transportation	12,297,267	8,169,337	14,123,717	15,359,716	16,352,228	17,427,618	18,593,407	19,857,817	21,105,363
Fuel, Material, Supplies	4,703,638	4,624,778	5,111,168	4,938,166	5,089,040	5,244,728	5,405,393	5,571,198	5,725,590
Contracted Services	2,730,795	3,361,468	3,429,823	3,204,161	3,253,984	3,315,404	3,390,091	3,461,035	3,478,813
Other Expenses	2,407,556	2,742,371	2,857,153	2,853,442	2,935,025	3,020,589	3,123,340	3,213,686	3,497,540
Total Operating Expenses	48,789,476	43,150,941	52,021,683	53,593,516	55,628,534	57,789,060	60,098,402	62,519,520	65,077,327
Surplus/(Deficit)	434,972	-							

2021 Capital Budget

The table below lists the capital program for FY2021. Details for each project can be found in the [Appendix](#). While projects advance the *COVID-19 Recovery Plan* priorities, here they are organized by priorities of State of Good Repair, Value Added, Expansion, or Research and Development. The priority for capital investments is to maintain State of Good Repair as the highest priority, and Value Added and Expansion as the second highest priorities.

Category	Project Description	FY2021
State of Good Repair	Non-Revenue Vehicles	\$106,000
	Facilities Rehabilitation	\$3,500,000
	Architecture & Engineering	\$150,000
	Furniture Replacement	\$40,000
	IT Hardware and Software Replacement	\$230,000
	AOS System Replacement	\$670,000
	Maintenance Equipment	\$100,000
	Communications Equipment	\$30,000
	Sub-total	\$4,826,000
Value Added	Rider Amenities and Accessibility	\$327,880
	Sub-total	\$327,880
Expansion	Land Acquisition	\$1,000,000
	Garage Expansion A&E	\$271,000
	Sub-total	\$1,271,000
Research and Development	Emergent R&D Projects	\$25,000
	Sub-total	\$25,000
Capital Costs Total		\$6,449,880

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.

10-Year Capital Plan

Category	Project Description	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	TOTAL	
State of Good Repair	Large Bus Replacement	\$0	\$4,326,000	\$4,355,780	\$4,589,453	\$4,727,137	\$4,868,951	\$5,015,020	\$5,165,470	\$5,320,434	\$5,480,047	\$5,644,449	\$49,492,742	
	Small/Medium Bus Replacement	\$0	\$0	\$203,000	\$209,090	\$215,363	\$221,824	\$228,478	\$235,333	\$242,393	\$249,664	\$257,154	\$2,062,299	
	Non-Revenue Vehicles	\$106,000	\$109,180	\$0	\$115,829	\$119,304	\$122,883	\$126,570	\$130,367	\$134,278	\$138,306	\$142,455	\$1,245,171	
	Bus Components, Tools and Equipment	\$0	\$0	\$320,000	\$340,000	\$350,000	\$361,000	\$372,000	\$383,000	\$394,490	\$406,325	\$418,514	\$3,345,329	
	Facilities Rehabilitation	\$3,500,000	\$3,350,000	\$3,100,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$29,950,000	
	Architecture & Engineering	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$1,650,000
	Furniture Replacement	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$440,000
	IT Hardware and Software Replacement	\$230,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$2,230,000
	AOS System Replacement	\$670,000	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$8,670,000
	Maintenance Equipment	\$100,000	\$100,000	\$103,000	\$106,000	\$109,000	\$112,000	\$115,000	\$118,000	\$121,540	\$125,186	\$128,942	\$128,942	\$1,238,668
	Communications Equipment	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,000
	Fare Collection Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Sub-total		\$4,826,000	\$8,275,180	\$10,471,780	\$10,250,372	\$10,410,804	\$10,576,658	\$8,747,067	\$8,922,170	\$9,103,135	\$9,289,529	\$9,481,514	\$100,354,209
Value Added	Rider Amenities and Accessibility	\$327,880	\$312,500	\$312,500	\$175,000	\$180,000	\$185,000	\$191,000	\$197,000	\$202,910	\$208,997	\$215,267	\$2,508,055	
	Sub-total	\$327,880	\$312,500	\$312,500	\$175,000	\$180,000	\$185,000	\$191,000	\$197,000	\$202,910	\$208,997	\$215,267	\$2,508,055	
Expansion	Land Acquisition	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000	
	Garage Expansion A&E	\$271,000	\$115,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$386,000	
	Sub-total	\$1,271,000	\$115,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,386,000	
Research and Development	Emergent R&D Projects	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$275,000	
	Sub-total	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$275,000	
Capital Costs Total		\$6,449,880	\$8,727,680	\$10,809,280	\$10,450,372	\$10,615,804	\$10,786,658	\$8,963,067	\$9,144,170	\$9,331,045	\$9,523,526	\$9,721,782	\$104,523,263	

Sources of Capital Funds:	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	TOTAL
Local Share	\$1,025,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$1,275,000
STP Flex	\$262,304	\$250,000	\$250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$762,304
MDOT Mobility TSP	\$670,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$670,000
State Capital Match	\$950,976	\$1,740,536	\$2,156,856	\$2,085,074	\$2,118,161	\$2,152,332	\$1,787,613	\$1,823,834	\$1,861,209	\$1,899,705	\$1,939,356	\$20,515,653
Federal 5307 Formula	\$2,555,175	\$3,088,071	\$4,002,789	\$3,918,171	\$4,002,073	\$4,089,345	\$4,580,073	\$4,673,547	\$4,770,611	\$4,871,112	\$4,975,162	\$45,526,130
Federal 5310 Formula	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federal 5339 Formula	\$986,425	\$1,006,154	\$1,026,277	\$1,046,802	\$1,067,738	\$1,089,093	\$1,110,875	\$1,133,092	\$1,155,754	\$1,178,869	\$1,202,447	\$12,003,525
CMAQ	\$0	\$2,617,920	\$1,348,358	\$1,375,325	\$1,402,832	\$1,430,888	\$1,459,506	\$1,488,696	\$1,518,470	\$1,548,840	\$1,579,816	\$15,770,651
Discretionary	\$0	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$0	\$0	\$8,000,000
Total:	\$6,449,880	\$8,727,680	\$10,809,280	\$10,450,372	\$10,615,804	\$10,786,658	\$8,963,067	\$9,144,170	\$9,331,045	\$9,523,526	\$9,721,782	\$104,523,263

Sources of Capital Funding

The capital program is funded through a combination of local, state, and federal sources as listed at the bottom of the table on the previous page and summarized below for FY2021. Additional information is available in the *State and Federal Grants Primer*, see the [Appendix](#).

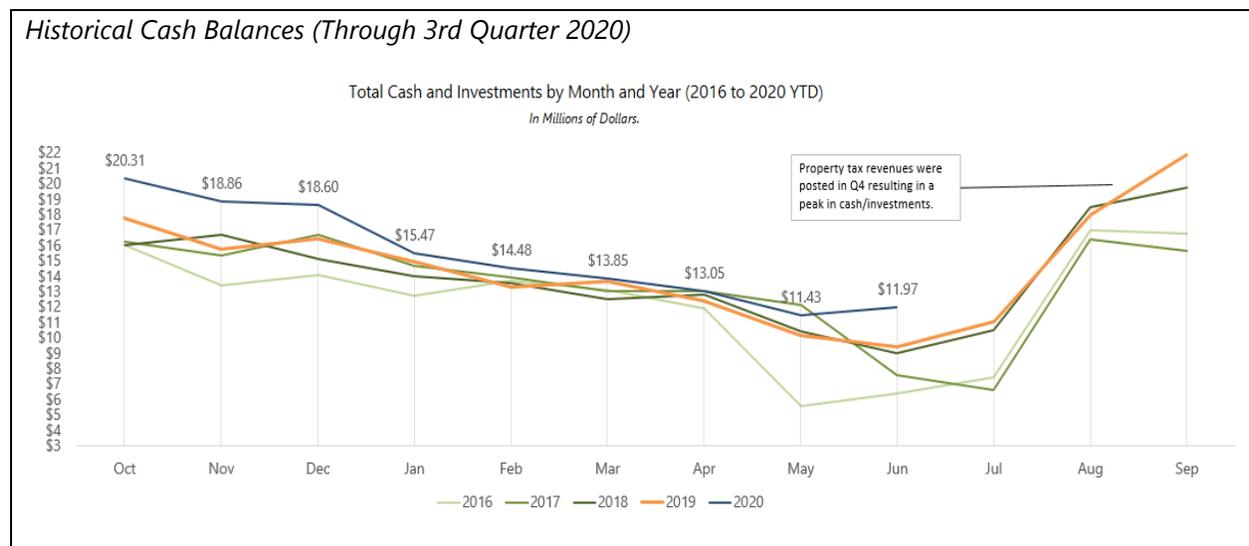
Sources of Capital Funds:	FY2021
Local Share TheRide's own cash and investments budgeted for land acquisition and research and development projects.	\$1,025,000
STP Flex Federal Surface Transportation Program (STP) funding provided to states and localities for road projects. Washtenaw Area Transportation Study (WATS) has transferred a portion to FTA Section 5307 for pedestrian/bus stop improvements.	\$262,304
MDOT Mobility TSP State funding awarded for the Transit Signal Priority Project, continuing work started last year. Project listed as Advanced Operating System (AOS) replacement.	\$670,000
State Capital Match State Comprehensive Transportation Fund (CTF) capital funding for 20% local share of federally-funded capital projects (STP, 5307, 5310, 5339, CMAQ, Discretionary).	\$950,976
Federal 5307 Formula Federal urbanized formula support for 80% share of capital projects. Supports state of good repair projects (except TSP, CMAQ, and 5339-funded projects) and garage expansion study.	\$2,555,175
Federal 5310 Formula Federal formula for mobility of seniors and people with disabilities. Supports operations, though capital projects are eligible. A placeholder in the capital budget.	\$0
Federal 5339 Formula Federal formula for bus and bus facilities, supports 80% share of capital projects, will support state of good repair vehicle replacements and facility rehabilitations.	\$986,425
CMAQ Federal highway funding for Congestion Mitigation/Air Quality (CMAQ) authorized by the Clean Air Act, transferred by the Southeast Michigan Council of Governments (SEMCOG) for transit projects in Washtenaw County. Supports large bus replacements. (2021 CMAQ funding in the amount of \$1,296,000 will be carried forward to 2022, after 2021 buses were deferred due to lower demand from the pandemic.)	\$0
Discretionary A placeholder in the capital budget for federal discretionary awards, also known as competitive FTA grants, that will support capital projects.	\$0
Total:	\$6,449,880

Impacts of 2021 Budget

Projected General Fund and Cash Balances

The fund balance will start the new fiscal year near the Third Quarter 2020 net position of \$76 million with most assets in capital rather than liquid assets. The FY2021 closing fund balance will be in this same range after new capital asset investment and depreciation, with liabilities expected to remain low.

TheRide's cash balance will fluctuate through the year following a historic pattern as shown in the chart below. Property tax revenues received in July and August will be gradually spent over the fiscal year, with lowest cash balances in June.



Projected Reserve Balance

As discussed in the [State of TheRide](#), the reserve is the balance of unrestricted net assets on the statement of net position (balance sheet). TheRide expresses the reserve in terms of a dollar amount (balance) and the number of months of operations it can support. The Government Finance Officers Association (GFOA) recommends that reserve balances in the public sector should be able to support 2 to 3 months of operations. TheRide's target reserve balance is 2.5 months, which was \$10.2 million to support a \$48.8 million budget as adopted for FY2020. This target level was reached at the end of FY2019 and was sustained through third quarter of the fiscal year.

With lower operating expenses budgeted for FY2021, a lower reserve balance of \$9 million will be sufficient to sustain 2.5 months of operations during the fiscal year. TheRide anticipates restoring service to a budgeted level of \$52 million for FY2022, as shown in the budget forecast, an annual budget amount which will require \$10.8 million in reserve to support 2.5 months of operations. It will be prudent to maintain the reserve at higher levels than the policy target during FY2021, so that the reserve will be at adequate levels to support higher annual budget amounts in FY2022 and after.

Therefore, projections call for the reserve balance to begin and end FY2021 above the target, ending the year in the range of \$10.8 million, or at about 3 months of operations for FY2021. The higher reserve balance will be explained with financial reports made quarterly during the fiscal year.

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 FY20201 budget and are summarized in this section.

- **Large Bus Replacement:** TheRide awarded a contract to Nova Bus, a new vendor, in 2019 and 8 buses were ordered. These buses were delayed by the manufacturer due to the pandemic and will now arrive in FY2021, funded with prior-year capital dollars. TheRide's fleet replacement plan calls for the replacement of 8 fixed route buses each year, however with a portion of the fleet out of service due to the pandemic and new buses arriving late, a one-time deferral of replacement buses in the FY2021 budget will allow \$4.2 million in capital funding to be carried for future investment in facilities. For the FY2021 operating budget, higher costs were anticipated for investment in parts inventory and training for the new style of buses.
- **Small/Medium Bus Replacement and Rehabilitation:** The FY2020 budget authorized procurement of small/medium buses for paratransit service. After pandemic delays, delivery is now scheduled in early FY2021 using prior-year capital funding. As fleet expands, so will the costs for maintenance, fuel, and insurance, costs formerly paid to a contractor. Operating expenses for paratransit will be posted in different budget lines as TheRide began directly operating the service in August 2020. Instead of purchased transportation expense, costs for direct operations will be posted to salaries, wages, fringes, fuel, parts, and insurance until a new paratransit contract begins in August 2021.
- **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 2023, 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 when completed.
- **Facility Expansions:** Expansion and replacement of the Ypsilanti Transit Center, expansion of the Blake Transit Center, and an expansion of garage space are all priorities in the capital planning. While there is little operating impact for 2021, additional costs for contract services (security, snow removal, janitorial), and utilities which will be necessary once facilities are constructed.

APPENDICES

1. FY2021 Initiatives

This section provides descriptions of operating initiatives and capital projects that will help to advance the priorities of the *COVID-19 Recovery Plan* and achieve the Board's *Ends Policies*. The recovery plan identifies timeline phases 2 through 5 which are planned to occur in FY2021, hinging upon the availability of a vaccine for COVID-19. These phases include disease containment, restoring services, vaccine deployment, and post-pandemic recovery work. Initiatives include:

- **Health and Safety:** Personal Protective Equipment (PPE) for staff, enhanced cleaning and sanitation, masks for drivers, shields/barriers in fleet and facilities, remote work for staff, ongoing work of our internal COVID-19 Task Force, and emergent projects. (Policies 2.1, 2.2).
- **Maintain and Restore Services:** Reopening passenger terminals while containing virus spread, gradually increasing levels of service, continued staff training, temporary operations of paratransit service in-house before procurement and onboarding of a new contractor. (Policies 2.1, 2.2, 2.4, 2.8, 2.10)
- **Preserve Financial Sustainability:** Board policy updates, ongoing financial planning and analysis, coordination with local, state, and federal funding authorities, utilization of CARES Act funding. (Policies 2.4, 2.5, 2.6).

Other notable initiatives in the **Operating Budget** include:

- **Fares Review:** Work on fares will continue in 2021 after the Board adopted new policy to guide fares (Policy 2.5.11.1). The CEO will develop interpretations of the policy to guide staff in the development of fares, public review process, and Title VI review, before any fare changes may be presented to the Board for authorization. (Policies 2.5.11.1, 3.2.9)
- **Paratransit:** Continued work to bring efficiencies in A-Ride paratransit and related services will take place in 2021. The service transitioned to in-house operations in late FY2020 after the contract with the previous provider expired. A new contract for provision of the service is planned for late FY2021 or early FY2022. (Policies 1.1, 2.1.2)
- **Long Range Planning:** Development of a new long-term vision for public transit in the Ann Arbor/Ypsilanti area is needed to guide TheRide's future. TheRide will continue planning with our communities, riders, and stakeholders to create a service plan. (Ends, Policies 2.4, 2.5, 3.1.4)
- **Mobile Ticketing Assessment:** TheRide launched a pilot project for mobile ticketing called EZfare at the end of 2020. For 2021, in coordination with work on fare strategy, staff will evaluate the pilot project's results, including effects on promoting safer, socially-distant fare payments, attracting new riders, equity impacts, and return on investment. (Policies 2.1, 2.2, 2.5.11, 3.2.9)
- **Timekeeping and Integrated HRIS and Payroll:** Staff initiated work to modernize and replace human capital management, timekeeping, and payroll systems in FY2020, and hired an outside expert to guide the project. The Operations Division began implementation of Trapeze OPS to streamline timekeeping-related functions, bidding, scheduling, and dispatching for Motor Coach

Operators. For the rest of the organization, TheRide is procuring a provider for both HRIS and payroll, with implementation expected by summer 2021. (Policies 2.2)

- **Customer Communications and External Relations Strategy:** Started in 2020 and planned for completion in 2021, TheRide will conduct a review of its approach to customer communications and external relations including updating priorities, clarifying roles, improving effectiveness, and ensuring appropriate resourcing. Functional areas to be covered include brand management, business development, social media management, sales, demand management, the getDowntown program, and corporate communications. Budget: \$80,000. (Policies 2.1, 2.10)
- **FTA Triennial Review:** A three-year audit of TheRide's compliance with federal regulations is due in FY2021. See [FTA's website](#) for details. (Policies 2.0, 2.4, 2.7, 2.8.5)

Initiatives from the **Capital Budget** are:

State of Good Repair: 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 follows a comprehensive Transit Asset Management (TAM) Plan. 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. FY2021 projects:

- **Non-Revenue Vehicle Replacement:** A small fleet of utility vehicles (trucks, vans, etc.) is needed to support operations. Vehicles are used for a variety of functions such as shuttling drivers, snow clearing, on-road repairs, business meetings, etc. Budget: \$106,000. (Policies 2.2, 2.4, 2.8).
- **Facilities Rehabilitation:** Funding is budgeted to address priority maintenance issues at three facilities, The Dawn Gabay Operations Center (DGOC), the Blake Transit Center (BTC), and the Ypsilanti Transit Center (YTC). A backlog of preventative and corrective maintenance needs at the DGOC will continue to be addressed, funds will be set aside to replace HVAC systems and the roof over the maintenance facility in 2022. \$4.2 million in formula funds will be carried to future budgets for facility replacement/expansion. Budget: \$3.5 million. (Policies 2.1, 2.2, 2.4, 2.5, 2.8).
- **Architecture & Engineering:** Facility rehabilitation projects will be guided by architecture and engineering design consultants who will provide design, engineering, bidding support, and project management. Budget: \$150,000. (Policies 2.1, 2.2, 2.4, 2.5, 2.8).
- **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. Progress has been made, and furniture replacements will continue to modernize workspaces, improve ergonomic function, and enhance TheRide's objective to be a workplace of choice. Budget: \$40,000. (Policies 2.2, 2.8).
- **IT Hardware and Software Replacements:** 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. Budget: \$230,000. (Policies 2.1, 2.2, 2.8).
- **AOS System Replacement:** State funds are programmed to continue work begun in 2020 on Transit Signal Priority. Budget: \$670,000. (Policies 1.0, 2.1, 2.7, 2.8).

- **Shop Equipment:** A budget for replacement of maintenance equipment and tooling used by mechanics and service crew. Budget: \$100,000 (Policies 2.2, 2.8).
- **Communications Equipment:** The office phone system is outdated and needs to be replaced. Budget: \$30,000 (Policies 2.2, 2.8).

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

- **Rider Amenities and Accessibility:** The bus stop is where riders access 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 2021. Additional federal STP funding has been provided by WATS. Budget: \$327,880. (Policy 2.1, 2.8).

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

- **Land Acquisition:** TheRide may have the opportunity to acquire additional land needed for future facility expansions in FY2021. Budget: \$1 million. (Policies 1.0, 2.1, 2.2, 2.4, 2.5).
- **Garage Expansion A&E:** Continuing planning work on a future garage expansion will prepare TheRide to meet service growth needs down the line. This is a continuation of work completed in 2017; Phase II will include site analysis, preliminary environmental review, financial planning, and Board and stakeholder coordination. Budget: \$271,000. (Policies 1.0, 2.1, 2.2, 2.4, 2.5, 2.8).
- **Ypsilanti Transit Center and Blake Transit Center Planning:** Applications for discretionary federal and state funding to replace and expand the YTC were, unfortunately, not selected for funding by FTA in 2019 or 2020. TheRide will continue to work on replacement and expansion of this facility. The Construction Policy (2.12) adopted by the Board in 2020 will be followed for next steps which could include future grant applications. TheRide continues to work with the City of Ann Arbor, which owns the property adjacent to the Blake Transit Center, where expansion could occur. We are hopeful that these discussions will move toward allowing a small expansion of the BTC on this parcel. (Policies 1.0, 2.1, 2.2, 2.4, 2.5, 2.8)

Research and Development: Capital funds are reserved for new projects that may develop in 2021. This is a budget placeholder for exploratory projects that could advance the organization’s Ends by leading to new services, infrastructure, or business relationships. Budget: \$25,000. (Policies 1.0, 2.1, 2.2, 2.4, 2.5, 2.8)

2. Contracts

The Board's Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to \$250,000 and disallows the splitting of purchases or contracts into smaller amounts to avoid this limitation. Listed below are the contracts that are anticipated to be awarded in FY2021. 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 FY2021 is for A-Ride purchased transportation.

CONTRACT DESCRIPTION	CURRENT PROVIDER	RENEWAL DATE	VALUE OF AWARD (ESTIMATED)	FY2021 BUDGETED EXPENSE
A-Ride Paratransit Services (New 5-Year Agreement)	New	10/1/2021	\$ 35,000,000	\$ 960,000
Gasoline and Diesel Fuel	Multiple Providers	10/1/2020	1,500,000	1,500,000
Janitorial Services	JNS Commercial Cleaning	2/29/2021	1,200,000	220,000
General Services A&E	CHMP	1/7/2021	750,000	150,000
Uniforms for Transit Employees	Superior Uniform Sales	7/31/2021	697,000	132,000
TSP Project	New	10/1/2020	670,000	670,000
Payroll & HRIS Service Provider	New	10/1/2021	400,000	80,000
Garage Expansion A&E	New	10/1/2020	386,000	271,000
Replace Privacy Wall at DGOC Parking Lot	New	4/1/2020	350,000	350,000
Electrical Services	A&N Electric	11/5/2020	300,000	55,000
Survey Research Services	CJI Research Group	8/25/2021	250,000	50,000
Bus Stop Shelters and Concrete Pads	Saladino	5/30/2022	-	328,000

3. Fares

The fare table presents current-year fares and proposed fares for the new fiscal year. No fare changes are planned for FY2021.

FIXED ROUTE FARES		
	Current FY2020	Proposed FY2021
Cash Fares		
Full Fare Cash	\$1.50	\$1.50
Transfer	Free	Free
Reduced Cash Fares		
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
Passes and Tokens		
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

SPECIAL SERVICES FARES		
	Current FY2020	Proposed FY2021
GroceryRide		
GroceryRide	\$0.75	\$0.75
NightRide		
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

SPECIAL SERVICES FARES (CONTINUED)		
HolidayRide		
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
FootballRide		
One-Way	\$1.50	\$1.50
Round Trip	\$3.00	\$3.00

EXPRESSRIDE FARES		
	Current FY2020	Proposed FY2021*
Cash Fares		
One-Way Cash	\$6.25	\$6.25
Transfer from Fixed Route	\$4.75	\$4.75
Passes and Tickets		
30 Day Commuter Pass	\$125.00	\$125.00
10-Ride Ticket	\$62.50	\$62.50
Reduced Passes		
Mride	\$62.50	\$62.50
go!Pass	\$62.50	\$62.50
*ExpressRide service has been suspended due to the pandemic.		

A-RIDE FARES		
	Current FY2019	Proposed FY2020
Cash Fares		
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
Companion Fare (Youth K-12)	\$1.50	\$1.50
Companion Fare (Age 5 & Under)	Free	Free
Personal Care Assistant	Free	Free
Scrip Coupons		
Booklet of 10	\$30.00	\$30.00
*Same day reservation has been suspended due to the pandemic.		

AIRRIDE FARES		
	Current FY2020	Proposed FY2021
Advance Reservation		
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
Walk-On Fares		
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

D2A2 FARES		
	Current FY2020	Proposed FY2021
Advance Reservation		
Standard One-Way Fare	\$6.00	\$6.00
Senior/Disability One-Way Fare	\$4.00	\$4.00
Book of 10 Rides (\$5 Each Trip)	\$50.00	\$50.00
Walk-On Fares		
Standard One-Way Fare	\$8.00	\$8.00
Senior/Disability One-Way Fare	\$4.00	\$4.00

FLEXRIDE FARES		
	Current FY2020	Proposed FY2021
FlexRide Fares		
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

4. State and Federal Grants Primer

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

Federal Funding

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

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 \$7.6 million in Sec. 5307 funds and \$986 thousand in Sec. 5339 funds in FY2021. 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 for capital asset procurement and general operating assistance. The federal share is 80% for most capital projects. Funds appropriated in one year are available for four additional years, which provides the AAATA with some flexibility to manage its capital program (e.g. funds may be held for up to four years and combined with other annual appropriations for a larger capital purchase).

Operating Assistance: The amount eligible for operating assistance is limited by law. AAATA is currently able 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 FY2021, a CMAQ grant for \$1.3 million for replacement buses has 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. The programs have since expired; however, New Freedom has been incorporated into the Section 5310 formula program. AAATA has one active grant, which is being used for mobility management services until the grant is ready for closeout in 2022.

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 use of formula grant funds (Section 5307) for planning was phased out in FY2020.

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. 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.

CARES Act

In April 2020, TheRide received an apportionment of \$20.7 million in federal funds from the *Coronavirus Aid, Relief and Economic Security Act*, known as the CARES Act. This federal aid was provided to assist with

coronavirus-related operating and capital expenses such as replacement of lost revenue, purchase of Personal Protective Equipment (PPE), cleaning and sanitation supplies, increased janitorial services, paid employee leave, and other costs. The funding was apportioned to TheRide through the Sec. 5307 program, and is available for 100% share of eligible capital and operating expenses.

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 applies 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.

5. Adopting Resolution

Resolution 7/2020

ADOPTION OF FY 2021 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 2021 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 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 2021 to the Federal Transit Administration (FTA) as part of the annual application for FY 2021 federal funding, and

WHEREAS, the AAATA is required to submit the capital program for FY 2021 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY 2021 state funding.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby approves the AAATA FY2021 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **\$43,150,941** for operations.
- **\$6,449,880** for capital investment.

BE IT ALSO RESOLVED, that the Ann Arbor Area Transportation Authority Board of Directors hereby adopts the capital projects listed herein as updates to the FY 2020-2023 TIP, of which FY 2022 and beyond are subject to amendment in future years.

Eric Mahler

Eric A. Mahler, Chair

September 24, 2020

Kyra Sims

Kyra Sims, Secretary

September 24, 2020

6. Glossary

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

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

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

ADA – See Americans with Disabilities Act.

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

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

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

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

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

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

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

Budget – A plan of financial operation comprised of an estimate of proposed expenditures for a fiscal year and the proposed means of financing those expenditures to fund services in accordance with 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 useful life of more than five years and a value of more than \$5,000 (such as a vehicle, equipment, or facility) is considered a capital outlay.

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

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

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

CEO – See Chief Executive Officer

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

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

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

Comprehensive Annual Financial Report (CAFR) – The official annual report of a government.

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

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

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

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

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

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

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

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

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

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

Disbursement – The expenditure of monies from an account.

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

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

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

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

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

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

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

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

Fiscal Year – Any yearly accounting period, regardless of its relationship to a calendar year. The fiscal year for the AAATA begins on October 1 of each year and ends on September 30 of the following year; it is designated by the calendar year in which it ends. For example, the fiscal year 2021 begins on October 1, 2020 and ends on September 30, 2021.

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

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

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

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

FTE – See Full-Time Equivalent.

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

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

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

FY – See Fiscal Year.

GAAP – See Generally Accepted Accounting Principles.

GASB – See Governmental Accounting Standards Board.

General Fund – The general operating fund that is used to account for all financial resources except for 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 to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.

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

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

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

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

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

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

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

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

MCO– See Motor Coach Operator.

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

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

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

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

Motor Coach Operator – A bus driver.

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

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

Operating Budget – See Budget.

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

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

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

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

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

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

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

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

Performance Measurements – See Management Indicators.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfer – See Revision.

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

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