

## Board of Director's Meeting Agenda

**Meeting Date/Time: February 18, 2021, 6:30-9:00pm**

**Location:** REMOTE – Via Zoom

**To join by computer: (You will be able to use your computer audio.)**

1. Click on this link: [Zoom](#) (If you are using an Ipad, you must download Zoom first.)
2. You will be prompted to register with your name and e-mail address, then go directly into the meeting.

**To join by phone:**

1. Dial any of these numbers: (For higher quality, dial a number based on your current location): 301-715-8592 or 312-626-6799 or 929-205-6099 or 253-215-8782 or 346-248-7799 or 669-900-6833.  
International numbers available: <https://theride-org.zoom.us/j/abLySiaLyM>
2. Enter the Webinar ID: 957 3382 5027

**Meeting Chair:** Eric Mahler

Agenda Item	Info Type	Details	Page #
<b>1. OPENING ITEMS</b>			
1.1 Approve Agenda	D		
1.2 Public Comment	O		
1.3 General Announcements	O		
<b>2. CONSENT AGENDA</b>			
2.1 Minutes	D		3
2.2 Committee Meeting Reports	D		14
<b>3. BOARD EDUCATION</b>			
3.1 Speaker: Steven Higashide, Author (Better Buses, Better Cities)	O		
<b>4. POLICY MONITORING &amp; DEVELOPMENT</b>			
4.1 Committee Meeting Discussion	O	All	
4.2 FY2020 Audit Report (Decision)	D	Thompson/UHY	25
4.3 Monitoring: Financial Condition & Activities (2.5)	M	Metzinger	29
4.4 Monitoring Report (4.0-4.4)	M	Mahler	55
4.5 LAC Task Force Report (Verbal)	D	Mozak	
4.6 Board Retreat Feedback (Verbal)	O	Mahler	
<b>5. STRATEGY &amp; OPERATIONAL UPDATES: CEO</b>			
5.1 Federal Funding Update (Verbal)	O	Metzinger	
5.2 CEO Report	O	Carpenter	65
<b>6. EMERGENT BUSINESS</b>			
<b>7. CLOSING ITEMS</b>			
7.1 Board Retreat – Part II		Wed., Mar. 3, 2021	
7.2 Topics for Next Meeting: Investments (Policy 2.6) Communication & Support (Policy 2.10) Q1 Service Report Q1 Finance Report		Thurs., Mar. 18, 2021	

7.2 Public Comment			
7.3 Closed Session Briefing (as per OMA)	D	Carpenter	
<a href="#">7.4 Board Assessment of Meeting (Electronic)</a>			<a href="#">Link Here</a>
7.5 Adjournment			

\* M = Monitoring, D = Decision Preparation, O = Other

***If additional policy development is desired:***

Discuss in Board Agenda Item 3.0 Policy Monitoring and Development. It may be appropriate to assign a committee or task force to develop policy language options for board to consider at a later date.

**Emergent Topics**

Policy 3.13 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

1. What is the nature of the issue? Is the issue within the scope of the agency?
2. What is the value [principle] that drives the concern?
3. Whose issue is this? Is it the Board’s [Policy, 3.0 and 4.0] or the CEO’s [running the organization, 1.0 and 2.0]?
4. Is there already a Board policy that adequately covers the issue? If so, what has the Board already said on this subject and how is this issue related? Does the Board wish to change what it has already said?

## Board of Director's Meeting Summary

**Meeting Date/Time: January 21, 2020, 6:30-9:00pm**

**Location:** Remote via Zoom

**Board Member Attendees:** Raymond Hess, Jesse Miller, Kyra Sims, Roger Hewitt, Kathleen Mozak, Richard Chang, Mike Allemang, Ryan Hunter, Sue Gott, Eric Mahler (Chair)

**AAATA Staff Attendees:** Matt Carpenter (CEO), Bryan Smith, Forest Yang, John Metzinger

**Meeting Chair:** Eric Mahler

Chairman Eric Mahler called the meeting to order at 6:30 pm.

Discussion Items
<b>1. OPENING ITEMS</b>
<p>1.1 Approve Agenda            Mr. Roger Hewitt moved to approve the agenda, seconded by Mr. Ryan Hunter.</p> <p style="margin-left: 20px;">In support of the motion:            Mr. Mike Allemang: Yes            Mr. Rich Chang: Yes            Ms. Sue Gott: Yes            Mr. Raymond Hess: Yes            Mr. Hewitt: Yes            Mr. Hunter: Yes            Mr. Jesse Miller: Yes            Ms. Kathleen Mozak: Yes            Ms. Kyra Sims: Yes            Chairman Mahler: Yes</p> <p style="margin-left: 20px;">The motion passed unanimously.</p>
<p>1.2 Public Comment            Shaira Daya e-mailed the below letter to be shared:</p> <p style="margin-left: 20px;">RE: Public Comment on 2021 Service Restoration and Impacts to Food Access</p> <p style="margin-left: 20px;">Dear Board of Directors:</p> <p style="margin-left: 40px;">The Washtenaw County Food Policy Council encourages the AAATA to prioritize equitable food access in decision-making, as AAATA restores services and develops the August 2021 Service Restoration Plan. Given high rates of food insecurity in our community due to the COVID-19 pandemic, we emphasize the following to help ensure that our county's most vulnerable residents who rely on public transport do not experience additional hardship with regards to food access:</p> <ul style="list-style-type: none"> <li>▪ Fixed service routes to major grocery stores must be restored.</li> </ul>

- We recommend that AAATA restore transportation to food access sites beyond major grocery stores, such as farmers markets, food pantries, and free meal programs.
- The use of FlexRide to replace certain fixed-routes may impact low-income residents' ability to access food sites due to reduced hours of operations, frequency of services, and delays to same day service compared with standard fixed-route transportation.
- We continue to support GroceryRide Service and recommend that any service restoration plan ensures that our most vulnerable neighbors, including seniors, people with disabilities, non-English speakers, and low-income residents, have equitable access to food sites via public transit.

We look forward to providing more specific feedback as the August 2021 Restoration Plan becomes publicly available and open for comment.

Sincerely,  
 Washtenaw County Food Policy Council (WFPC)  
 WFPC Food Access and Nutrition Policy Action Team

Robert Pawlowski expressed his eagerness for service changes this year, complimented TheRide's performance through the pandemic, and asked the following questions:

- Might an expansion of FlexRide to parts of Western Wayne County (Wayne, Delvo, Canton, areas around Metro Airport, Downtown Romulus,) be possible this year?
- If there were service to the Detroit Greenfield RV Park on Bunton Rd., where would AAATA drop off passengers (at the gate or inside the campground)?
- Is there an app in place for FlexRide?
- Would AAATA consider starting to run Route 46 from the Detroit Greenfield RV Park?
- In regard to the Briarwood Mall, would AAATA consider having the buses go back to the bus stop shelter?

Mr. Pawlowski also expressed not being a big fan of Nova buses because his perspective is that it limits the majority of passengers to sitting in the back. He also asked if AAATA has started running that new fleet yet.

Jim Mogensen shared that he was involved in writing the letter from Shariah Daya (WFPC). He has reached out to Bryan Smith in regard to GroceryRide and sent him a link to the WATS public transit coordination plan. He described learning that the RTA has created a regional human services coordination plan and shared that he attended both the WATS Policy and Board meetings.

### 1.3 General Announcements

Mr. Metzinger announced that last month Congress passed additional Coronavirus relief funding which included money for public transportation. The good news is that AAATA is expecting more federal funding for the pandemic. Staff are working to unpack more information about what this means and how much is being talked about. More details will be brought forward soon to the Board and public. Meanwhile, AAATA would like to thank their US Congressional Delegation for their support.

Ms. Gott announced that before the holiday, UofM released a document in draft form - the President's Commission on Carbon Neutrality. It is being pretty widely circulated. The City had a representative participating on that. She expressed that she brought

this up because there are some references to transit to remote parking and other mobility initiatives, electric vehicles, the use of dedicated bike lanes, things that AAATA Board members and listeners might be interested in reading. She described that there is a [portal](#) available for public comments; anyone is invited to give comments on the document. She stressed that it is a draft, so there is nothing that is approved yet, but it is certainly available if people are interested in reviewing it and offering their input.

CEO Carpenter recommended that Mr. Pawlowski (who posed several questions during the public comment section) could visit the AAATA website. Under the Leadership column there is a [web form](#) where he can submit any question that he would like at any length, and staff will respond to him.

Chairman Mahler shared that he met with CEO Carpenter on Friday, January 15<sup>th</sup> where he went over the CEO Evaluation. He thanked the Board members for turning those in. This process is now complete.

## **2. CONSENT AGENDA**

### 2.1 Minutes, Committee Meeting Reports, & FY2022 State Application Resolution

Mr. Hewitt moved to approve the consent agenda, seconded by Mr. Miller.

In support of the motion:

Mr. Allemang: Yes

Mr. Chang: Yes

Ms. Gott: Yes

Mr. Hess: Yes

Mr. Hewitt: Yes

Mr. Hunter: Yes

Mr. Miller: Yes

Ms. Mozak: Yes

Ms. Sims: Yes

Chairman Mahler: Yes

The motion passed unanimously.

Attachment 1

Resolution 01/2021

**RESOLUTION OF INTENT TO APPLY FOR FINANCIAL ASSISTANCE FOR FISCAL YEAR 2022 UNDER ACT 51 OF THE PUBLIC ACTS OF 1951, AS AMENDED**

WHEREAS, pursuant to Act 51 of the Public Acts of 1951, as amended (Act 51), it is necessary for the Ann Arbor Area Transportation Authority (AAATA) established under Act 55 of 1955 to provide a local transportation program for the state fiscal year of 2022 and, therefore, apply for state financial assistance under provisions of Act 51; and

WHEREAS, it is necessary for the AAATA, to name an official representative for all public transportation matters, who is authorized to provide such information as deemed necessary by the State Transportation Commission or department for its administration of Act 51; and

WHEREAS, it is necessary to certify that no changes in eligibility documentation have occurred during the past state fiscal year; and

WHEREAS, the performance indicators for this agency have been reviewed and approved by the AAATA; and

WHEREAS, the AAATA, has reviewed and approved the proposed balanced budget and funding sources of estimated federal funds \$19,149,885, estimated state funds \$15,799,935, estimated local funds \$16,668,984, estimated farebox funds \$5,925,604, and estimated other funds \$1,796,268, with total estimated expenses of \$59,340,676.

NOW THEREFORE, be it resolved that the AAATA hereby makes its intentions known to provide public transportation services and to apply for state financial assistance with this annual plan, in accordance with Act 51; and

HEREBY, appoints Matthew Carpenter as the Transportation Coordinator, for all public transportation matters, who is authorized to provide such information as deemed necessary by the State Transportation Commission or department for its administration of Act 51 for 2022.

*Eric A Mahler*

Eric A. Mahler, Chair

January 21, 2021

*Kyra Sims*

Kyra Sims, Secretary

January 21, 2021

**3. POLICY MONITORING & DEVELOPMENT**

3.1 Committee Meeting Discussion

Ms. Mozak pointed out that the Service Committee Meeting Summary should indicate that CEO Carpenter was present. He was mistakenly not listed as an attendee on the summary.

3.2 Board Retreat Update (Verbal)

Chairman Mahler shared that the remote retreat dates have been confirmed:

- Part I: Friday, February 12, 9am-12pm
- Part II: Wednesday, March 3, 9am-12pm

Chairman Mahler noted that as many as possible of the topic ideas presented by the Board members will be incorporated. He shared that the approach will be to let the staff explain their long-term process and substance of their planning, and then generally have the Board react to it. CEO Carpenter and Chairman Mahler had a discussion about this, and the staff would come up with a strategic vision and spend a good part of

the first session on February 12<sup>th</sup> discussing the staff's ideas for long-term vision and planning, giving the Board something to react to. Among the topics that were talked about were process substance, resources, millage, mode sharing, capital projects, regionalism, ridership vs. coverage, and timing. He explained that he wants to give the staff a wide latitude to present their vision to the Board. He noted that it is not too late if any Board members have certain other ideas that they did not get around to sharing with Chairman Mahler before. They can send him an e-mail with those ideas, and he will make sure they get into CEO Carpenter's hands.

He described that Part II of the retreat will be mostly brainstorming and reshaping. It is not expected to have the next 5-year or 10-year plan worked out in one retreat. But it is expected to at least have a good idea of where AAATA can head and the process that it may take to get there. Chairman Mahler expressed hoping to get some timing down and general guidelines about when the Board would like to see the process fully completed in terms of its development.

### 3.3 LAC Task Force Report (Verbal)

Ms. Mozak reported that the LAC Task Force met in December. They reviewed all of the excellent recommendations from Policy Governance Coach Rose Mercier. Based on those recommendations, the Task Force came up with some ideas of how they would like to proceed in terms of policy language. That will be presented to the Governance Committee at the end of this month. From there, if there is nothing further to do, the recommendation will be brought to the Board.

### 3.4 Monitoring Report (Policy 2.0)

CEO Carpenter noted that it was brought to his attention by a Board member via the survey done of the monitoring report that there were some inconsistencies between the monitoring report and what was on the AAATA website. For this Board meeting, CEO Carpenter went back through the monitoring report with tracked changes and fixed the errors. He noted that it came down to the timing and completeness of some of the other monitoring reports that were done over the last year.

CEO Carpenter shared that otherwise, there were good responses to the monitoring report. He noted that several of the monitoring reports were delayed over the last year, and a couple of them were not submitted at all. This was due to the pandemic. During discussions with one of the Committees, CEO Carpenter described that the question was raised if staff had the deferrals authorized. He explained that there really were not specific actions taken. Rolling through the early days of the pandemic, there was a decision made that staff could delay some of these things, if they need to, if their time and energy were better spent addressing the pandemic. CEO Carpenter expressed that staff did that in an ad hoc fashion, not pre-approved.

CEO Carpenter also pointed out that the monitoring schedule was changed and accepted by the Board in November. This had the unintended effect of moving some of the monitoring reports around. He described Committee discussions of the CEO's interpretation, an interpretation that indicates the CEO's compliance with this policy if the Board has found him compliant with all the other the policies within it. CEO Carpenter welcomed further discussion of this interpretation.

Mr. Hess posed the question that if someone on the team were found guilty of breaking the law, how would the Board be informed of it? Does the mechanism need to be explicit in the policy? He also shared that he was happy to accept the report and could even move as such.

Chairman Mahler noted that the Board does have policies that state the CEO shall not allow the Board to go uninformed about major developments, nor will he allow the Board to be surprised.

CEO Carpenter shared that policy 2.10.1.2 requires him to inform the Board of any anticipated or actual non-compliance, regardless of the monitoring schedule.

Mr. Allemang expressed how difficult it is to prove a negative.

Mr. Hewitt somewhat echoed Mr. Allemang's comment. He described that unlawful is able to be defined, but imprudent or in violation of commonly accepted business practices or professional ethics is difficult to define. He asked how one proves not being imprudent and also asked what commonly accepted business practices and professional ethics are. He expressed that he would be interested to see what Rose Mercier has to say about that.

Chairman Mahler described that the adoption of these descriptors was done so knowing that it would be stressful for the staff and CEO to provide evidence, but the Board went forward with them because they convey certain values that are important to the organization. He would also be willing to see if Ms. Mercier has any suggestions about how to comply with the policy or provide evidence.

Mr. Miller expressed his concern that an entire calendar year will have elapsed since the Treatment of Staff policy was monitored. He asked what timespan will be included in the next monitoring report, as not to have a period of time go unmonitored.

CEO Carpenter expressed that the latest monitoring report refers back to as far as to the time of the last report. The next Treatment of Staff policy monitoring report in June of 2021 will monitor 16-18 months to compensate for the change in the schedule. He reported that an anonymous employer survey was conducted in October and the results are going to be a part of the next Treatment of Staff monitoring report.

CEO Carpenter responded to Mr. Miller's inquiry that the last 2.0 monitoring report was presented to the Board in October of 2019. He noted that the Treatment of Staff monitoring report was delayed in part because of the pandemic and not knowing what the value would be of asking staff how they think things are going at the lowest possible moment.

Ms. Mozak expressed that she appreciates the language of the policy, though they are difficult to prove. She noted that Ms. Mercier stresses that it is the responsibility of the CEO to interpret the policy, not the Board's, and that the Board's first consideration in writing a policy should not be to make it easier for the CEO to interpret.

Mr. Hewitt moved to approve the CEO as in compliance except for items noted (B), seconded by Ms. Gott.

In support of the motion:

Mr. Allemang: Yes

Mr. Chang: Yes

Ms. Gott: Yes

Mr. Hess: Yes

Mr. Hewitt: Yes

Mr. Hunter: Yes

Mr. Miller: Yes

Ms. Mozak: Yes

Ms. Sims: Yes

Chairman Mahler: Yes

The motion passed unanimously.

**3.5 Board Disclosure Statements Due (Policy 3.3.2.1)**

Mr. Metzinger confirmed that all Board members have completed this disclosure. The disclosures are on file and available for inspection if anyone would like to have a look.

**3.6 Audit Update (Verbal)**

Ms. Sims reported that the Audit Task Force met at the beginning of December for a preliminary kickoff with the auditors at UHY. Ms. Gott and Ms. Mozak are also on the Task Force with Ms. Sims and the Finance Team. The Task Force will meet again in February to go over the preliminary findings of the auditors. Then the report will be submitted to the full Board at the February Board meeting.

Ms. Sims explained that part of the audit process, aside from working with staff, is also to conduct an interview with a member of the Board, which has happened the past 3 years. Ms. Sims did this last year and again this year with UHY about a month ago. She described the interview as having gone well and that she does not think that there will be any findings from that interview. Otherwise, there was nothing else substantive to discuss at this time because the report has not been received yet. February will be the time when the report is reviewed in detail.

**4. STRATEGY & OPERATIONAL UPDATES: CEO**

**4.1 Service Restoration Plan (Conclusion)**

CEO Carpenter described how this topic has been discussed for a couple of months. He noted that unless the Board asks him to do otherwise at this meeting, staff are going to move forward with restoring most of AAATA's services in August of 2021, starting with public involvement and releasing the detailed plan. He noted that the biggest item to have come up over the passage of time during which this plan has been discussed has been the election of President Biden and the passage of additional relief funding. AAATA does know that they will be receiving more relief funding, which improves their financial position and makes it probably easier and less risky for them to move forward with the service restoration. He noted that if something negative happens in the future, the course can be changed at that time, if needed.

Mr. Allemang asked what the plan is for public involvement. Mr. Yang described that by late February, AAATA will communicate the details to Board members for feedback, then the key stakeholders (authority members, POSA members, university, DDA) for feedback, followed by a public release in the beginning of March. All of the details will be available for the public to review. Late in March, AAATA will conduct a public town house for public questions and feedback. That will be closed by the beginning of April. By June, there is a plan to come back with the recommended change for public and stakeholder feedback. The end of June will be the cutoff time for that.

Ms. Mozak thanked Mr. Yang for conducting two rounds of public comment and engagement. She described the importance of allowing the public to give feedback initially and then see what is being proposed and give feedback again.

**4.2 Long Range Plan Process (Discussion)**

CEO Carpenter described AAATA's proposed process for how the Board, public, and stakeholders will all be involved in long-range planning for services and programs. He described the steps by which AAATA hopes to reach its goal to have a long-term vision plan nailed down by March of 2022. He pointed out a timeline crunch in 2022 when the

finishing touches are going to still be in motion with the long-range plan while the initial planning for the millage must begin, but staff do think this will be manageable.

Mr. Miller asked about the hiring of consultants to lead the project. CEO Carpenter noted that staff will be leading the consultants. Consultants are being brought on to supplement staff capacity and provide specialized skills. Mr. Miller offered his support for hiring consultants. He asked when the consultant will be hired and from whom the Board should be expecting reports, from the consultant or staff.

CEO Carpenter shared that Board members may see or hear from the consultants. It will be coming through staff as well.

Mr. Yang noted that staff have a proposal to review right now. The approach being reviewed does have some direct contact with the Board members from the consultant. He noted that the public, Board members, key stakeholders, and riders will have an opportunity to get their feedback into the process.

#### 4.3 CEO Report

CEO Carpenter highlighted that over the last month it has become apparent to him that staff need a breather. It has been 10 months of not only keeping the lights on, but also modernizing the agency. There are signs of burn out, delayed material, and errors that normally would not occur. CEO Carpenter noted that he will begin slowing down a bit and giving staff some time to recuperate. He may suggest the deferral of some items in an effort to preserve the staff capacity. There are certain deadlines that cannot be moved, which will become the priority, like service restoration.

CEO Carpenter reported that employee vaccination has begun. Staff are identified as essential workers. The availability of the vaccines has become a bit of a start and stop problem. There are just not enough vaccine doses to go around. Office staff are trying to hold back a little so that the frontline staff can get in first. AAATA does not have any corporate control over how individual staff make their appointments. Staff are being encouraged to take the vaccine, but it is a voluntary opportunity, at least initially. It is being acknowledged that some staff may not agree with taking the vaccine. It is also being acknowledged that if a lot of staff do not get vaccinated, there could be a problem in the future.

CEO Carpenter thanked Reggie Whitlow for his many years of service. Mr. Whitlow has been an operations supervisor for decades and acting manager for a while as well. AAATA thanks him for his years of service and dedication and wishes him well in his next opportunities.

Ms. Gott asked that the Board echo CEO Carpenter's good wishes to Mr. Whitlow. She described Mr. Whitlow as a great ambassador and expressed her and the Board's gratitude. She and the Board extended their best wishes to Mr. Whitlow.

Chairman Mahler acknowledged Mr. Whitlow's service and what a great employee he has been for TheRide. He also thanked him for staying through this pandemic and helping provide the continuity of leadership through this very difficult time. Chairman Mahler expressed that employees like Mr. Whitlow are really the glue that has held the organization together for the last several months and many years prior to that.

Chairman Mahler asked about the Transit-orient Development Ordinance and how AAATA is collaborating with the City at this point. Mr. Yang described a meeting AAATA staff had with City staff where they got the City's proposal for this transit supportive development. CEO Carpenter and Mr. Yang had a chance to review them

and have feedback for the City staff. Another meeting is being set up to review AAATA's comments. Mr. Yang expressed that AAATA does not generally have a lot of concerns; the direction that the City is heading is kind of in line with AAATA's vision, but there are a couple of issues. City staff are working with AAATA to finalize the recommendation and will possibly invite AAATA staff to the planning commission presentation for AAATA to consider and give support. In the next week or so, Mr. Yang hopes to finalize AAATA's feedback and have a review and finalize the recommendation.

Mr. Allemang expressed his appreciation of CEO Carpenter's staff capacity comments and offered all his support. He shared that he trusts CEO Carpenter in making decisions that are wise in terms of giving consideration to the staff, considering they are the most important asset that TheRide has.

## 5. EMERGENT BUSINESS

None.

## 6. CLOSING ITEMS

### 6.1 Topics for Next Meetings:

6.1.1 Board Retreat – Part I – February 12, 2021.

6.1.2 February Board Meeting – February 18, 2021

- FY2020 Audit Report
- Financial Condition & Activities (Policy 2.5)
- Monitoring Report (4.0-4.4)

### 6.2 Public Comment

Jim Mogensen reminded the Board of his ADA regulations concerns in regard to the LAC. He shared that CEO Carpenter reached out to him. He described his understanding that ADA requires that agencies have an ongoing process for members of seniors of disability – to have an ongoing participation in both the planning and operations. He pointed to documentation that described FDA not requiring authorities to have Citizen Advisory Boards. Then he described the question of the role of Advisory Boards in the policy governance model. He noted that the concern he was having in November was because there has been discussion of changing who qualifies for paratransit and going back to just doing what the ADA requires; his concern is that those couple of things would come together at the same time as a change in paratransit. Mr. Mogensen expressed that he does not believe that people are trying to manipulate, but he is guessing that others may come to different conclusions.

In regard to the RTA, when he attended their meetings, he shared that he talked about Section 5311, which is the rural funding, part of which is the 5311 subpart F. He explained that is what funds the inner-city rural Greyhound Indian Trails, and there is some concern with what will happen with Michigan Flyer and how it applies.

In regard to the transit supported development, he expressed that the concern he had early on with transit supported development is not the height so much but how it is that transit supported development is paying for the transit.

In regard to the service changes, he described that in late February, AAATA is going to speak to the key stakeholders and then in the beginning of March the general public will know. He described that in June of 2020, people in Ypsilanti were spoken with, and the comment at the time was that things went well. Then there was a July meeting, where there was a lot of public comment. He emphasized that the public is the owner of the public transit authority.

Michelle Barney asked how the public will be notified of public comment in the Fall. CEO Carpenter shared that dates and times will be pushed out on the website, social media, and possibly via print media. CEO Carpenter extended the courtesy of giving Ms. Barney a call as well to notify her.

Ms. Barney asked if there is anything more CEO Carpenter could share about the additional relief funding from the federal government. She expressed some concern that Pete Buttigieg was nominated for US Secretary of Transportation, but she understands that he has little experience with public transportation.

CEO Carpenter described the CRRSA Act that will provide \$900M in relief, a portion of which is for public transit, that was passed in late December 2020. He compared the process of funding to that of the CARES Act, which flowed through established formulas and was clear pretty quickly. CRRSA funding is flowing through a new formula that has caused some confusion. AAATA has heard a range of numbers, but until it is certain, CEO Carpenter does not want to announce one number being received and then have to change it. He also noted that there are several pieces of legislation coming from Congress this year that could be relevant.

Ms. Barney asked if there is anything for transportation in the new American rescue proposal that President Biden is going to put before Congress. CEO Carpenter shared that he attended an APTA meeting prior to this Board meeting today, and it does sound like there could be some additional relief there, but that has a long way to go.

Ms. Barney expressed that it would be consistent with President Biden's climate statements to want to support mass transit.

### 6.3 Closed Session Briefing (as per OMA)

Ms. Sims motioned to go into closed session pursuant to section 8(c) of the Open Meetings Act for strategy connected with the negotiation of a collective bargaining agreement. This was seconded by Ms. Gott.

Chairman Mahler conducted a roll call vote for this.

In support of the closed session:

Mr. Allemang: Yes

Mr. Chang: Yes

Ms. Gott: Yes

Mr. Hess: Yes

Mr. Hewitt: Yes

Mr. Hunter: Yes

Mr. Miller: Yes

Ms. Mozak: Yes

Ms. Sims: Yes

Chairman Mahler: Yes

The Board went into the closed session at 8:00 pm.

Mr. Allemang motioned to go out of closed session, seconded by Mr. Hewitt. Chairman Mahler took a roll call vote.

In support of going out of closed session:

Mr. Allemang: Yes

Mr. Chang: Yes

Ms. Gott: Yes

Mr. Hess: Yes  
Mr. Hewitt: Yes  
Mr. Hunter: Yes  
Mr. Miller: Yes  
Ms. Mozak: Yes  
Ms. Sims: Yes  
Chairman Mahler: Yes

At 8:52pm, the Board voted unanimously to come out of the closed session.

#### 6.4 Board Assessment of Meeting (Electronic)

##### 6.5 Adjournment

Ms. Mozak moved to adjourn, seconded by Mr. Miller.

In support of the motion:

Mr. Allemang: Yes  
Mr. Chang: Yes  
Ms. Gott: Yes  
Mr. Hess: Yes  
Mr. Hewitt: Yes  
Mr. Hunter: Yes  
Mr. Miller: Yes  
Ms. Mozak: Yes  
Ms. Sims: Yes  
Chairman Mahler: Yes

The motion passed unanimously.

Chairman Mahler adjourned the meeting at 8:56pm.

Respectfully submitted by: Keith Everett Book

## Governance Committee Meeting Summary

**Meeting Date/Time: January 28, 2021, 9:00-10:30am**

**Location:** REMOTE – Via Zoom

**Meeting Chair:** Eric Mahler

**Committee Meeting Attendees:** Mike Allemang, Roger Hewitt, Kyra Sims

**AAATA Staff Attendees:** Matt Carpenter, Forest Yang, Bryan Smith, John Metzinger

**Guest Board Member Attendee:** Kathleen Mozak

Chairman Eric Mahler called the meeting to order at 9:00 am.

Discussion Items
<b>1. OPENING ITEMS</b>
<p>1.1 Agenda (Additions, Approval) Approved.</p>
<p>1.2 Communications CEO Carpenter announced that Governance Coach Rose Mercier may be joining the next Governance Committee meeting. He also shared that he has received the first recommendations from legal counsel on the Bylaws and is reviewing them. He will pass them along to the Governance Committee soon.</p> <p>Mr. Allemang noted that he had an interview about AAATA’s external communications a few days ago with GUD Marketing, consultants that are evaluating AAATA’s external communications and government affairs. The firm is in preliminary interviews. Chairman Mahler reported that he also spoke with the consultants.</p>
<b>2. POLICY MONITORING &amp; DEVELOPMENT</b>
<p>2.1 Committee Agendas</p> <p><u>Service Committee:</u> CEO Carpenter requested that the Q1 Service Report be deferred to March. This will be mentioned under Communications at the start of the meeting.</p> <p><u>Finance Committee:</u> CEO Carpenter requested that the Q1 Finance Report be deferred to March. This will be mentioned under Communications at the start of the meeting. Mr. Allemang pointed out that the meeting time has been changed to 2-3:30pm (rather than 3-5pm).</p> <p><u>Board of Directors:</u> CEO Carpenter requested that the Q1 Service and Finance Reports be deferred to March. This will be mentioned under Communications at the start of the meeting.</p> <p>Chairman Mahler may want to discuss the February 12<sup>th</sup> Board Retreat and any modifications that may need to be made to the March 3<sup>rd</sup> Board Retreat agenda – which will be new agenda item 4.4. The rest of the agenda will move down. It was also noted</p>

## Discussion Items

that the Closed Session period may not be needed at this meeting.

### 2.2 Other Governance Issues (as assigned)

#### 2.2.1 LAC Task Force Report

Ms. Mozak noted that the proposed LAC Executive Limitation language was recommended to be placed under Asset Protection by Governance Coach Rose Mercier. Chairman Mahler expressed not finding this to be the natural place for it. He suggested that it go under the new LAC Policy 3.9. Ms. Mozak agreed with this suggestion but pointed out that it is an Executive Limitation that should perhaps go with the other Executive Limitations under Section 2 of the Policy Manual. CEO Carpenter suggested putting it in the External Relations section in Policy 2.9. Mr. Hewitt agreed with CEO Carpenter's suggestion. Chairman Mahler expressed having read the language as describing a Board responsibility to make sure that the LAC stay relevant and exist, which is why he suggested it go in Policy 3.9, rather than in the CEO's Executive Limitations.

Mr. Allemang and Ms. Sims suggested it go in Policy 3.9 as well. Chairman Mahler will adjust the language to indicate the Board's responsibility and put it into Policy 3.9. He suggested that there could also be something in the External Relations section of Policy 2.9 describing the CEO's charge that the ownership linkage relationship must be maintained by the CEO.

Chairman Mahler expressed that the establishment or disestablishment of the LAC will be the Board's responsibility. The ownership linkage relationship is to be maintained by the CEO. Ms. Mozak agreed with Chairman Mahler's suggestion that the CEO cannot minimize the LAC without the Board's approval.

CEO Carpenter asked for more clarification as to what the CEO is not allowed to do in regard to the LAC without the Board's approval. Chairman Mahler suggested such language as the CEO shall not fail to consult the LAC on a regular basis.

Ms. Mozak described Board member Jesse Miller's concern with a Board member being allocated to attend the LAC meetings. She suggested that the Board member liaison should be there to listen and not intrude. Mr. Hewitt described understanding how the liaison could muddy the situation. Chairman Mahler expressed that he would lean toward keeping the liaison but making sure it would be strictly an advisory position.

CEO Carpenter asked to attend the next LAC Task Force meeting. He suggested finding a way to clarify how the LAC is supposed to function. Ms. Sims described being comfortable leaving the language as is, but she would only be interested in a Board member being removed from the LAC meetings if the reporting out of the LAC is done more than annually. CEO Carpenter expressed being completely fine with a Board member attending the LAC meetings.

Mr. Hewitt noted that perhaps the CEO interpretation could provide some clarity on how the LAC should function. Chairman Mahler described that the reason for new Policy 3.9 is to keep the linkage between the Board and the LAC. He suggested that the Board will make sure that legislature is not disbanded, followed up by the CEO not failing to consult with the LAC and report back to the Board about the LAC's activities. He described that the External Relations

## Discussion Items

Executive Limitation in regard to the LAC and CEO needs further language.

Ms. Mozak suggested that Rose Mercier be involved in another LAC Task Force meeting. It was agreed that this meeting will include CEO Carpenter as well.

Mr. Allemang expressed understanding how having a Board member attend the LAC meetings may be challenging for a CEO.

CEO Carpenter described that if his role is clear, he sees no problem with a Board member attending. He asked though, if there is a point of disagreement between the CEO and delegated Board member, how that gets resolved.

Ms. Sims described that 3.9.2.2 has the strongest language, indicating the disputes should be put to the full Board. Ms. Mozak described that the language there seems clear to her as well.

The LAC Task Force, along with CEO Carpenter and Rose Mercier, will meet again in preparation for more discussion of this matter at the next Governance Committee meeting.

### 2.2.2 Monitoring Report 4.0-4.4

Chairman Mahler described liking the format of the survey that was sent out to the Board. He requested that Keith Book send him a reminder on February 3rd with the survey link for Chairman Mahler to then send out as a reminder to the Board of the February 5<sup>th</sup> deadline for completing the survey.

### 2.2.3 Ownership Linkage Task Force

Chairman Mahler confirmed that the Ownership Linkage Task Force will be comprised of Mr. Allemang, Mr. Chang, Mr. Miller, and Ms. Sims. CEO Carpenter and Mr. Allemang will meet this week to discuss the previous actions of the Task Force and then CEO Carpenter will reach out to the other Task Force members to schedule a full Ownership Linkage Task Force meeting, hopefully prior to the February 12<sup>th</sup> Board Retreat.

Mr. Allemang clarified that the goal of the Task Force is bringing legal owners into the discussion of long-range planning, which perhaps should also be part of the Board Retreat discussions. Chairman Mahler described that the process for establishing ownership linkage will be an important part of the Board Retreat.

### 2.2.4 Audit Update

Mr. Metzinger shared that the final published report is due and should be received any day now. It will be shared with the Audit Task Force and then the Board.

### 2.2.5 Meeting Assessment (1/21)

Mr. Hewitt and Chairman Mahler shared their agreement that responses to operational issues and questions brought forth during public comment are best addressed outside of the Board meeting, not in real time.

## 3. STRATEGY & OPERATIONAL UPDATES: CEO

### 3.1 Federal Funding (Verbal)

Mr. Metzinger reported on CRRSAA funding coming to AAATA in addition to the

## Discussion Items

CARES Act funding and the potential for public transportation funding from President Biden's American Rescue Plan. Discussion ensued of a revised financial plan and budget amendment coming to the Board in the next couple of months.

### 3.2 Long Range Service Planning & Retreat (Verbal)

CEO Carpenter described the Board Retreat initial agenda for consideration. He noted that the suggested discussions are focused on fixed route and paratransit and will feed long range service planning consultant work.

Chairman Mahler suggested indication of how much time should be dedicated to each of the topics.

Mr. Hewitt expressed that he has a lot of interest and comments for the long-range plan. CEO Carpenter shared that there will be direct questions to the Board from staff on means. Ms. Sims asked if the consultants will be involved in day 1 of the Board Retreat. CEO Carpenter expressed that they may not be essential and not in attendance. Recordings and notes will be shared with the consultants afterwards.

Ms. Sims expressed wanting to have some discussion of future potential for public private partnerships and first mile/last mile considerations. She also expressed that the ridership vs. coverage discussion may need to have a little bit more consensus amongst Board members in order to discuss the long-term plan effectively.

CEO Carpenter shared that his interpretation of the goals for the process are the Ends policies; if those goals need further clarification, he suggests that they be clarified via policy. Ms. Sims described wanting to have someone really keep track of the limited time during the Board Retreats.

Chairman Mahler described his preference to move the needle on a few items rather than not move the needle on anything because there are too many topics. He noted that there is a lot that could be talked about that will not be. CEO Carpenter described that this is a starting point for the conversation that will likely span 12 months, not the only point for conversation.

Mr. Allemang asked what is meant in the draft Board Retreat agenda by presenting scenarios. CEO Carpenter described illustrating some of the financial tradeoffs involved and priorities that will need to be set through the process with different scenarios.

Mr. Yang described a Board wish list coming out of the first retreat, to which the staff will attach a dollar amount. This will be presented back to the Board for consideration and consultants will then provide scenarios for further consideration throughout the summer.

### 3.3 August Service Restoration (Verbal)

Mr. Yang described almost having the draft package, which will be shared at the next Governance Committee meeting. On Feb. 25<sup>th</sup>, this will be sent to the Board and the stakeholders for feedback, and then go to the public in March, to be finalized in April. Staff will then go back out in June to the public with the final plans.

### 3.4 Regional Transit (Verbal)

CEO Carpenter noted that the RTA still does not have a CEO and are not sure when

## Discussion Items

they will have one, perhaps after the November 2022 millage. There is no decision on the A2D2 at this point.

He described channeling discussion of the three-county plan through the recent WATS meeting and AAATA's ultimate goal of injecting financial reality. Mr. Hewitt described that the presentation on the commuter rail showed an astronomical cost that would not qualify for federal funds due to an expected low ridership. There may be further discussion of this at a future AAATA Board meeting.

### 4. CLOSING ITEMS

4.1 Topics for Next Meeting  
Board Retreat  
CEO Personal Expense Report  
Bylaws

4.2 Adjournment  
Chairman Mahler adjourned the meeting at 10:47am.

Respectfully submitted by: Keith Everett Book

## Service Committee Meeting Summary

**Meeting Date/Time: February 3, 2021, 3:00-5:00pm**

**Location:** REMOTE – Via Zoom

**Meeting Chair:** Roger Hewitt

**Committee Meeting Attendees:** Kathleen Mozak, Jesse Miller, Sue Gott

**AAATA Staff Attendees:** Matt Carpenter, Bryan Smith, John Metzinger, Forest Yang

**Meeting Chair:** Roger Hewitt

Chairman Hewitt called the meeting to order at 3:08pm.

Discussion Items
<b>1. OPENING ITEMS</b>
<p>1.1 Agenda (Additions, Approval) Approved.</p>
<p>1.2 Communications Ms. Mozak notified the Board that her name has been legally changed from Kathleen Mozak-Betts to Kathleen Mozak.</p> <p>CEO Carpenter announced that Ms. Rosa-Maria Njuki has returned from her maternity leave.</p>
<b>2. POLICY MONITORING &amp; DEVELOPMENT</b>
<p>2.1 LAC Task Force Update (Verbal) Ms. Mozak noted that the LAC Task Force met with the Governance Committee last week. She shared that the Task Force and Governance Committee are leaning toward the Board member liaison continuing. She also noted that the LAC Task Force will meet again on Monday, February 8 to continue constructing the policy language.</p> <p>Mr. Hewitt shared that the Committee was generally in favor of the language thus far and will look to the CEO’s interpretation of the finalized policy for details such as when the LAC will meet.</p> <p>Chairman Hewitt noted that policy language should be coming to the Board by March.</p>
<b>3. STRATEGY &amp; OPERATIONAL UPDATES: CEO</b>
<p>3.1 Federal Funding Update (Verbal) Mr. Metzinger reported on CRRSAA funding coming to AAATA in addition to the CARES Act funding and the potential for public transportation funding from President Biden’s American Rescue Plan. Discussion ensued of a revised financial plan and budget amendment coming to the Board in the next couple of months.</p>
<p>3.2 August Service Restoration Update (Verbal) Mr. Smith reported that staff are moving forward with scheduling public outreach in regard to the August service restoration. Operations is working to get buses ramped back up functionally and housed, as well as bringing back bus operators that were laid off. There is also an RFP out for paratransit to move away from in-house.</p>

<p>Mr. Yang described that the details of the plan will be shared at the February 26<sup>th</sup> Governance Committee meeting, then with staff and the rest of the Board. Stakeholder interviews will start at the beginning of March, with public feedback in late March.</p>
<p>3.3 Long-Range Planning Process (Verbal)  Mr. Yang described that the first meeting with the consultant will be this week and the overall process will be discussed at the February 12<sup>th</sup> Board Retreat. He noted that the recommended plan for the first 5 years of the plan is hoped to be completed by March 2022.</p>
<p><b>4. CLOSING ITEMS</b></p>
<p>4.1 Topics for Next Meetings  4.1.1 Board Retreat – Part I</p>
<p>4.1.2 Service Committee Meeting  Q1 Service Report</p>
<p>4.2 Adjournment  Ms. Gott motioned to adjourn, seconded by Ms. Mozak. Chairman Hewitt adjourned the meeting at 3:46pm.</p>

Respectfully submitted by: Keith Everett Book

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## Finance Committee Meeting Summary

**Meeting Date/Time: February 9, 2021, 2:00-3:30pm**

**Location:** REMOTE – Via Zoom

**Meeting Chair:** Mike Allemang

**Committee Meeting Attendees:** Raymond Hess, Kyra Sims

**AAATA Staff Attendees:** Matt Carpenter, John Metzinger, Rosa-Maria Njuki,  
LaTasha Thompson

**Guests:** Michael Santicchia (UHY), Marlene Beach (UHY), and Gen Mojares (UHY)

Chairman Mike Allemang called the meeting to order at 2:02pm.

Discussion Items
<b>1. OPENING ITEMS</b>
1.1 Agenda (Additions, Approval) Approved.
1.2 Communications Mr. Metzinger announced that CEO Carpenter will be joining a bit late. Chairman Allemang announced that he will need to leave the meeting by 3:30pm.
<b>2. POLICY MONITORING &amp; DEVELOPMENT</b>
2.1 FY2020 Audit Report Ms. Sims and Ms. Thompson introduced auditors from UHY - Marlene Beach, Gen Mojares, and Michael Santicchia, who presented on AAATA's audited financial statements as of and for the year ending September 30, 2020.  Chairman Allemang asked the UHY auditors if they have any comments about potential areas of risk financially. Ms. Beach pointed out a severe drop in revenue, but that TheRide reacted quickly to counteract that. She also noted that the biggest risk with federal money is making sure that it is spent according to the rules of the grant. She described that CARES Act funds have come out more quickly than the rules in some cases, so keeping up with the rules is important.  Ms. Beach noted that the financial statements are all created in-house by AAATA's Finance Manager, LaTasha Thompson, and her team. She expressed that this is highly unusual and impressive.  Chairman Allemang asked Mr. Metzinger how he feels about the issue of concern with the CARES Act rules. Mr. Metzinger noted that in this industry there has been a lot of strong support from the FTA and that staff have made significant efforts to make sure they know how to use the funds beforehand.  Chairman Allemang asked what significant leases AAATA has. Mr. Metzinger shared that copiers and storage space for the parking of buses and unused equipment are AAATA's significant leases.

## Discussion Items

Ms. Sims noted that the post-retirement health plan liability has decreased by almost half. She expressed that it is good to get a clean audit report and congratulated Ms. Thompson. Ms. Thompson noted that having to do the audit remotely was a different pace and challenge. Preparing information in different ways was a bit more time consuming.

Mr. Metzinger noted that UHY has been reported as being exceptionally detailed and that far more detail had to be provided than in years prior.

### 2.2 FY2020 Final Financial Statements

Ms. Thompson presented on the final close of the 2020 Q4 Financial Statements. She reported that AAATA operated below budget for YTD:

- \$58,395 net income for YTD
- Margin is about \$376,000 from adopted budget.
- TheRide operated below the budget:
  - Revenue was \$42 million YTD, \$7.22 million less than budget.
  - Expenses was \$41.9 million YTD, \$6.84 million less than budget.

Operating Revenue increased ~\$532,000.

- Significant Year End Close adjustments to:
  - Property Taxes
  - State Operating Calculation
  - Federal Grants
  - Advertising Revenue reconciliation
  - Offset to the CARES act revenue.

Operating Expense increased ~\$474,000.

- Year End Close adjustments included:
  - FY2020 invoices that were processed.
  - Subrecipient-Pass through vendors
  - Finalized accruals for employee-related expenses.
- Net income - \$58,000 surplus

In regard to the Balance Sheet and Reserve, comparing the first close and final close:

- Most assets were consistent aside from an increase in current assets due to grant receivables and prepaids. This took the first close of \$75.8M to the final close of \$78.4M.
- Liabilities increased about \$1M due to additional invoices that came in.
- Cash reserve maintained strong at \$2.8M.

Chairman Allemang asked how the reserve will be calculated going forward. Mr. Metzinger shared that the budget document that the Board reviewed back in August and September shared a narrative on this topic. At that time, staff were predicting that the reserve number of months may increase because of the additional federal relief funding and lower costs. In the longer-range, staff may want to discuss some new approaches to dealing with the reserve with the Board. Mr. Metzinger shared that more detail may be provided in March and April at the Finance Committee meetings.

### 2.3 Financial Condition & Activities (Policy 2.5)

## Discussion Items

Mr. Metzinger introduced the monitoring report to the Finance Committee, indicating compliance on almost all points of the policy.

On page 16 of the report in regard to the reserve, 2.5.7 prohibits the CEO from operating without a reserve policy in place that covers near-term operating expenses. The interpretation of that policy has been that 2.5 months-worth of funding should be maintained in reserve. If this target is reached for 12 consecutive months, compliance would be indicated for this policy. That objective was achieved in 2020.

On pages 12 & 13 of the report, is an area of partial compliance. There is some concern on cost overruns in the capital project. There are two projects with cost overruns. One was for communications equipment and the other for furniture replacement.

Mr. Metzinger and Ms. Thompson are discussing operational steps that can be taken to better track capital projects in the future. The overrun amounts are low, but they are still getting into the Board's policy requirement.

The communication equipment overrun was in the amount of about \$36,000. Mr. Metzinger described that quotes came in higher than had been budgeted, and in hindsight, the project should have been stopped at that point so that the staff could come back for further authorization.

The furniture replacement overrun is not a true overrun as it is due to a timing variance that was described by the chart below by Mr. Metzinger:

**Timing Variances in the Furnishings Replacement Capital Program**

	Capital Program Authorization	FTA Grant Award	Expenditures	Balance of Available Grant Funding
<b>FY2019</b>	150,000	150,000	(68,719)	81,281
<b>FY2020</b>	75,000	75,000	(82,023)	74,258

The Capital Program Authorization is how the Board authorizes capital projects, which leads to grant funds applied for and awarded for the project. At the end of FY2019 \$81,281 that had not yet been spent on the project was available. Going into FY2020, the Board authorized \$75K for the project. The FTA Grant award of \$75,000 was spent, in addition to \$7,023 above that. That may look like an overrun for FY2020, but the balance of \$81,281 from FY2019 more than covered that amount due to the timing variance and left a balance in FY2020 of \$74,258, which will be carried into FY2021.

Going forward, Mr. Metzinger described bringing forward the available budget dollars from prior year authorizations in the reporting in order to be clear about what the Board has authorized in prior years, and how that carries over into the current FY.

Chairman Allemang expressed that the interpretation of the policy might be done differently the next time. In regard to the communication equipment, his interpretation was that there was more capital and less expense, and the overrun was based on a classification issue, but the dollars in total was not an overrun. He noted that it might be worthwhile rethinking how capital is approved, perhaps more on a project basis. Mr.

## Discussion Items

Metzinger noted that this is an area needing clarification in process and policy interpretation.

Chairman Allemang noted that the Board approves an operating budget that has all kinds of stuff in it, including expense related to capital projects, and they really do not have visibility of that as a separate item.

Mr. Metzinger expressed that he would like to clarify the monitoring report for the full Board to describe the furniture replacement as a timing variance rather than a capital overrun.

Ms. Sims noted that she would support the CEO as being in compliance except where items noted. Mr. Hess and Chairman Allemang agreed.

### 3. STRATEGY & OPERATIONAL UPDATES: CEO

#### 3.1 Federal Funding Update (Verbal)

Mr. Metzinger reported on CRRSAA funding coming to AAATA in addition to the CARES Act funding and the potential for public transportation funding from President Biden's American Rescue Plan. Discussion ensued of a revised financial plan and budget amendment coming to the Board in the next couple of months.

### 4. CLOSING ITEMS

#### 4.1 Topics for Next Meeting

- Investments (Policy 2.6)
- Q1 Finance Report
- Reserve Discussion

#### 4.2 Adjournment

Chairman Allemang adjourned the meeting at 3:26pm.

Respectfully submitted by: Keith Everett Book

**ISSUE BRIEF: FY2020 AUDIT REPORT**

**Meeting: Board of Directors**

**Meeting Date: February 18, 2021**

<b>RECOMMENDED ACTION(S):</b>
Receive as staff support for the Audit Task Force/Board of Directors.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
<ul style="list-style-type: none"> <li>• Policy 2.5.3, “the CEO shall not ... receive, process, or disburse funds under controls that are insufficient to meet the Board-appointed auditor’s standards.”</li> <li>• Policy 2.5.4, “the CEO shall not ... compromise the independence of the Board’s audit ...”.</li> <li>• Policy 3.7.5 establishes the Audit Task Force to conduct the annual financial audit.</li> </ul>
<b>ISSUE SUMMARY:</b>
Representatives from UHY LLC will present the results of the FY2020 annual audit to the Board after presentation to the Audit Task Force and Finance Committee. This year the task force included Sue Gott, Kathleen Mozak-Betts, and Kyra Sims.
<b>BACKGROUND:</b>
<ul style="list-style-type: none"> <li>• To summarize from the independent Auditor’s Report:             <ul style="list-style-type: none"> <li>○ Financial statements present fairly, in all material respects, the financial position of AAATA as of September 30, 2020. (p. 2)</li> </ul> </li> <li>• Financial highlights (p. 5):             <ul style="list-style-type: none"> <li>○ AAATA’s assets increased from the prior year by \$1.3 million (1.7%)</li> <li>○ Total net position increased by \$0.9 million (1.2%)</li> <li>○ Operating revenues decreased by \$3.1 million (46%) due to the pandemic</li> <li>○ Operating expenses decreased \$3.7 million (7.1%) due to the pandemic</li> </ul> </li> <li>• Findings:             <ul style="list-style-type: none"> <li>○ No findings of material weaknesses (pp. 53-54)</li> <li>○ No findings of significant deficiency and noncompliance (pp. 53-54)</li> <li>○ “No findings” constitutes a “clean” audit</li> </ul> </li> </ul>
<b>IMPACTS OF RECOMMENDED ACTION(S):</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: Demonstrates financial performance for FY2020.</li> <li>• Governance: Supports Board in financial oversight/fiduciary responsibility</li> </ul>
<b>ATTACHMENTS:</b>
<ol style="list-style-type: none"> <li>1. Auditor’s Letter to the Board of Directors</li> <li>2. Audited Financial Statements as of September 30, 2020 (<a href="#">Link here</a>)</li> </ol>

**Communication with Those Charged with Governance at the Conclusion of the Audit**

January 29, 2021

Board of Directors  
Ann Arbor Area Transportation Authority  
Ann Arbor, MI

We have audited the financial statements of the Ann Arbor Area Transportation Authority (the "Authority") for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 9, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

Management's estimate of the liability for other postemployment benefits is based on the Authority's actuarial valuation provided by a third-party actuary. We evaluated the key factors and assumptions used to develop the other postemployment benefit liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of other postemployment benefit liability in Note 16 to the financial statements, which outlines the actuarial assumptions.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Corrected and Uncorrected Misstatements (continued)*

The schedule below summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Unadjusted Audit Differences**

Financial Statement Effect - Amount of Over (Under) Statement of:				9/30/20
Description of unadjusted audit differences	Total Assets	Total Liabilities	Net Position	Change in Net Position
<b>Known Misstatements (errors)</b>				
<b>1 Understatement of state accounts receivable</b>	(46,797)	0	(46,797)	(46,797)
<b>2</b>	0	0	0	0
<b>3</b>	0	0	0	0
	(46,797)	0	(46,797)	(46,797)
<b>Likely Misstatements (judgmental differences):</b>				
<b>4 None</b>	0	0	0	0
<b>5</b>	0	0	0	0
	0	0	0	0
Net Unadjusted Audit Differences - This Year	(46,797)	0	(46,797)	(46,797)
Effect of Unadjusted Audit Differences - Last Year				28,589
Known				0
Likely				
Net Unadjusted Audit Differences	(46,797)	0	(46,797)	(75,386)
Financial Totals	78,444,768	7,224,736	71,220,032	(5,920,024)
Percent of Financial Totals	-0.06%	0.00%	-0.07%	1.27%

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 29, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and the required GASB 75 supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were also engaged to report on the schedule of revenue, schedule of operating expenses, schedule of expenditures of federal awards, schedule of expenditures of state awards, schedule of operating and contract expenditures, schedule of urban regular service revenues, schedule of urban regular service expenses, schedule of nonurban regular service revenues, schedule of nonurban regular service expenses, schedule of urban and nonurban regular service nonfinancial information, the schedule of operating assistance calculation, and the notes to the schedule of operating assistance calculation which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Ann Arbor Area Transportation Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



UHY LLP

**ISSUE BRIEF:**  
**Monitoring Report for Policy 2.5 Financial Condition & Activities**

**Finance Committee Review Date: February 9, 2021**

**Board Meeting Review Date: February 18, 2021**

<b>INFORMATION TYPE:</b>
Decision
<b>RECOMMENDED ACTION(S):</b>
<p>That the Board consider accepting this monitoring report as either level:</p> <ul style="list-style-type: none"> <li>• B – In compliance, except for item(s) noted.</li> <li>• C – Making reasonable progress toward compliance.</li> </ul>
<b>ISSUE SUMMARY:</b>
<p>TheRide’s Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO’s interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board’s written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.</p>
<b>BACKGROUND:</b>
<p>Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:</p> <ol style="list-style-type: none"> <li>1. CEO sends Monitoring Report to all board members</li> <li>2. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)</li> </ol>
<b>IMPACTS OF RECOMMENDED ACTION(S):</b>
<ul style="list-style-type: none"> <li>• Governance: Perform key Policy Governance process</li> </ul>
<b>ATTACHMENTS:</b>
<ol style="list-style-type: none"> <li>1. Monitoring report for Policy 2.5 Financial Condition and Activities</li> </ol>

## Table of Contents

POLICY TITLE: ASSET PROTECTION:	Page #	Compliance
2.5 With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:	4	
2.5.1 Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.	5	
2.5.2 Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.	6	
2.5.3 Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.	7	
2.5.4 Compromise the independence the Board's audit or other external monitoring or advice.	8	
2.5.4.1 Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.	9	
2.5.4.2 Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.	10	
2.5.5 Allow expenditures that exceed the overall Board-approved budget.	11	
2.5.5.1 Allow cost overruns on capital projects.	12	
2.5.6 Authorize contracts not anticipated in the current budget with a value greater than \$250,000.	14	
2.5.6.1 Split purchases or contracts into smaller amounts in order to avoid the above limit.	15	
2.5.7 Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.	16	
2.5.8 Adjust tax rates assessed by the Authority.	17	
2.5.9 Acquire, encumber, or dispose of real estate.	18	
2.5.10 Encumber the agency with financial debt without previous authorization from the Board.	19	
2.5.11 Adjust passenger fares.	20	N/A
2.5.11.1 Request authorization to adjust passenger fares without (a) incorporating the request into a budget or budget amendment for board consideration, (b) providing data that demonstrates	21	N/A

<p>the fare adjustment is fiscally responsible and aligned with achievement of the board’s Ends, and (c) providing data that supports an informed decision by the board – including but not limited to clearly articulated information about the following:</p> <ul style="list-style-type: none"> <li>A. A clear listing of all proposed fare categories/types and prices, along with supporting information.</li> <li>B. The fare discounts to be provided for low-income residents and other vulnerable populations and rationale for how residents qualify for fare discounts.</li> <li>C. The impact of the proposed adjustment on equity among different fare categories.</li> <li>D. The implication of the proposed fare adjustment on ridership.</li> <li>E. The implications of the proposed adjustment on the authority’s budget and the financial trade-offs required (e.g. tax rate increase/decrease, increased/decreased services, impact on reserve or deficit, etc.).</li> <li>F. Opportunities that users, residents, Legal Owners, and stakeholders had to provide feedback on the proposed fare adjustment, the nature of their feedback, and how their feedback has been addressed.</li> </ul>		
<p>2.5.11.2 Let the traveling public, residents and businesses be without reasonable advance notice of approved changes to fares.</p>		<p>N/A</p>

 Compliant     
  Partially Compliant     
  Non-Compliant

## Preliminary CEO Interpretations and Evidence

### EXECUTIVE LIMITATIONS POLICY 2.5:

With respect to the actual, ongoing financial condition and activities, the CEO will not cause, allow or fail to address the development of fiscal jeopardy or deviation of actual expenditures from Board priorities established in Ends policies. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not:

**Degree of Compliance: Partial Compliance**

### EXECUTIVE LIMITATIONS POLICY 2.5: Interpretation

I interpret this policy to mean I am responsible for ensuring the implementation of the Board-approved budget and ensuring sufficient internal control and risk management for financial matters. In addition, I am responsible to address unforeseen events resulting in any significant deviations from budgeted expenditures, or requiring use of reserves to cover shortfalls, as well as those that disrupt service delivery or delay or cancel approved initiatives. I must take all reasonable precautions to prevent and/or mitigate financial risks (fiscal jeopardy) that result from human error, fraud, or external economic conditions that bear upon the Authority. Further, all of TheRide's activities and costs must be demonstrably related to accomplishing the Board's Ends. Compliance with this overall policy will be demonstrated by compliance with the following sub-policies.

### EXECUTIVE LIMITATIONS POLICY 2.5: Evidence

- See monitoring reports for sub-policies.

**EXECUTIVE LIMITATIONS POLICY 2.5.1:**

Operate without policies, processes and procedures that are necessary to meet generally accepted standards for financial management, cash handling, and accounting.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.1: Interpretation**

I interpret this policy to mean TheRide will meet Governmental Accounting Standards Board (GASB) and Internal Control (cash handling, fund handling, and financial management) standards. On an annual basis, an external audit firm will assess TheRide's policies, processes, and procedures for compliance and appropriateness. I will incorporate auditor's suggestions when appropriate.

**EXECUTIVE LIMITATIONS POLICY 2.5.1: Evidence**

Financial management, cash handling, and accounting policies and procedures are described in detail in TheRide's *Internal Control System Manual*, which was updated by Finance staff and adopted by the CEO in 2019. This manual was developed to ensure compliance with Federal standards and these Board policies.

GASB is the source of accounting reporting standards and generally accepted accounting principles used by local governments in the United States. Finance personnel follow the accounting standards established by GASB.

Financial auditors recently completed an audit for the FY2020 financial statements. Auditors test internal controls and accounting standards during the process of their audit. While they "do not express an opinion on the effectiveness of" internal controls (Audit 2020, p. 47), they do report upon any material weaknesses they find in accounting, financial reporting, and internal controls. No such material weaknesses in internal control were found in the 2020 audit.

**EXECUTIVE LIMITATIONS POLICY 2.5.2**

Operate in a manner that would jeopardize federal and state funding, including an up-to-date procurement manual.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.2: Interpretation**

AAATA will operate in compliance with regulations, master agreements, federal circulars, and state manuals associated with funding. AAATA will take care in its administration of grants. Federal compliance will be tested annually by an independent audit firm, and federal compliance every three years by a Federal Transit Administration auditor (this last occurred in 2018; the 2021 review was deferred by FTA due to the pandemic). AAATA will utilize a procurement manual that includes the latest requirements.

**EXECUTIVE LIMITATIONS POLICY 2.5.2: Evidence**

*Federal Compliance:* The auditors stated that AAATA “complied, in all material respects, with the types of compliance requirements ... that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020” (p. 50).

*FTA Triennial Review:* The FY2018 Triennial Review found that AAATA was fully compliant in 15 of 20 areas reviewed. Findings of non-compliance resulted in 5 areas of review, including financial management, grants management, oversight of subrecipients, procurement, and the Disadvantaged Business Enterprise (DBE) program. Findings were for outdated procedures, policies and procedures missing required elements, late or missing reports, and missing clauses in contracts. All findings have been corrected, corrections have been accepted by FTA, and no jeopardy to federal funding has resulted.

*State Compliance:* Grant agreements from the Michigan Department of Transportation are fully awarded and executed for FY2020 and for FY2021, with no findings of non-compliance reported by MDOT.

*Procurement Manual:* TheRide’s Procurement Manual was updated and adopted by the CEO in FY2019. Procurement thresholds established in federal regulations and Board policy were updated along with the DBE policy, in correction of findings from the 2018 FTA Triennial Review, again, with no jeopardy to federal funding.

**EXECUTIVE LIMITATIONS POLICY 2.5.3:**

Receive, process or disburse funds under controls that are insufficient to meet the Board-appointed auditor's standards.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.3: Interpretation**

I understand this policy to mean that staff are prohibited from handling the AAATA's funds while using internal controls that are insufficient to meet the Board's auditor's standards. Internal controls are defined as processes designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. This is the most widely accepted definition and comes from the Committee of Sponsoring Organizations (COSO). It focuses upon the fiduciary responsibilities of the Board of Directors, management, and other personnel, given that AAATA is a local government entity that handles public funds.

**EXECUTIVE LIMITATIONS POLICY 2.5.3: Evidence**

Receipt, processing, and disbursement of funds is controlled by procedures identified in TheRide's *Internal Control System Manual*, which was updated and adopted by the CEO as an administrative policy in FY2019. It includes three types of internal controls:

1. **Environmental Controls:** the set of policies, standards and procedures that provide the Board's expectations for carrying out the internal control system. Board policies, executive and management leadership, the organization structure, personnel policies and practices, insured risks to cover losses, and monitoring for "red flags" are all examples of environmental controls.
2. **Administrative Controls:** are managerial policies, standards, and procedures that interpret and put into practice internal controls. Examples are internal control standards that cover the authorization of transactions, separation of duties, access to software and records, procedures to run trial balances and reconcile accounts, physical audits, documentation, record retention, and security of sensitive information.
3. **Other Administrative Controls:** Several other documents exist which inform internal controls including employee handbooks and the collective bargaining agreement, the Purchasing Manual, IT Policies, the Award Management Procedure (for managing federal and state grants), the Transit Asset Management Plan, and the Public Transportation Agency Safety Plan (PTASP).

Internal controls were reviewed and tested by the auditing firm and no findings resulted.

**EXECUTIVE LIMITATIONS POLICY 2.5.4:**

Compromise the independence the Board's audit or other external monitoring or advice.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.4: Interpretation**

I understand this policy to mean that staff should in no way hinder any Board inspection of financial information. The Board's audit, and other inquiries, should be truly independent opinions free of staff influence. The CEO shall not engage the auditing firm to be advisors or consultants. CEO and staff are resources to the auditor, not supervisors or authors of audit opinions. The Board shall have direct and unfettered access to the auditing firm through the firm's pre-audit communication and a post-audit communication as required by U.S. Generally Accepted Auditing Standards, in addition to an auditor's presentation to the Board at a public meeting.

**EXECUTIVE LIMITATIONS POLICY 2.5.4: Evidence**

Financial auditors recently completed an audit on FY2020 Financial Statements and Federal Programs, following Generally Accepted Auditing Standards, which include stringent independence standards. The Auditors held a Pre-Audit kick-off meeting with the Board's Audit Task Force on December 2, 2020. The Draft Independent Auditor's Report has been provided to the Audit Task Force, and the auditor will present the final audit results to the Board of Directors in February, 2021. The auditing firm, UHY LLC, does no consulting or advising with AAATA.

From the Auditor's Management Letter (pp. 1-2):

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Disagreements with Management***

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**EXECUTIVE LIMITATIONS POLICY 2.5.4.1:**

Fail to provide the Board with timely information regarding fraud, suspected fraud or financial mismanagement.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.4.1: Interpretation**

I interpret this policy to mean that I am to inform the Board in a timely manner upon becoming aware of fraud, suspected fraud, or financial mismanagement. Fraud is defined as “wrongful or criminal deception intended to result in financial or personal gain.” Financial mismanagement refers to manners of handling AAATA’s finances that could be characterized as without due regard for future implications, as well as “wrong, bad, careless, inefficient or incompetent,” whether deliberate or not.

**EXECUTIVE LIMITATIONS POLICY 2.5.4.1: Evidence**

An effective internal control system is in place to guard against fraud, recognizing that it is easier to prevent fraud than it can be to detect it. Internal controls identify and mitigate risks of fraud through policies and procedures that act as checks and balances to make it difficult for a person to commit fraud without detection. The internal control system also establishes the responsibility for employees to report fraud when it is suspected or detected, and clarifies the reporting and investigation procedure.

The CEO is required by this policy and also by the Internal Control System to brief the Board about any instances of fraud. Further, fraud is required to be reported to auditors, and to other regulatory bodies such as FTA and the U.S. Department of Transportation’s Office of Inspector General.

The primary means of avoiding financial mismanagement is the fiduciary oversight provided by the Board of Directors and the Finance Committee, who review financial statements quarterly. The CEO, Deputy CEOs, department managers, and others hold accountability for financial performance within the costing centers/business units they manage, with close fiduciary oversight provided by the CEO, CFO, and Manager of Finance.

I attest that neither I, nor the CFO, nor the Manager of Finance are aware of any occurrences of fraud, suspected fraud, or financial mismanagement during the monitoring period, or since I began my work as CEO.

**EXECUTIVE LIMITATIONS POLICY 2.5.4.2:**

Fail to provide the Board with information and access to internal controls that allows Board review of fraud, suspected fraud or financial mismanagement.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.4.2: Interpretation**

I interpret this policy to mean that I must make available any financial information the Board and its auditors request, including internal controls.

**EXECUTIVE LIMITATIONS POLICY 2.5.4.2: Evidence**

The Board's primary mechanism to review for fraud and financial mismanagement is the annual financial audit governed by the Audit Task Force. Per the evidence provided previously, in monitoring for Policy 2.5.4, the CEO and staff cooperated by making available financial information and internal controls requested by the auditor.

There have been no other times when the Board, as a whole, has requested access to this information. There are no motions or resolutions on-record requesting such information.

**EXECUTIVE LIMITATIONS POLICY 2.5.5:**

Allow expenditures that exceed the overall Board-approved budget.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.5: Interpretation**

I interpret the phrase “Board-approved budget” to refer to the operating budget for the fiscal year. I interpret the word “overall” to mean that the Board is most concerned that the bottom line of the budget is not exceeded, and I am allowed some discretion in permitting variances among the contributing categories of expenses that comprise the total budget. For example, I have latitude to allow overruns in some line items, or shift resources between types of expenses within the budget, as long as total expenditures do not exceed the approved amount. Non-compliance would therefore be indicated if total expenses exceed the overall budgeted amount.

**EXECUTIVE LIMITATIONS POLICY 2.5.5: Evidence**

- For FY2020, the board approved operating expenditures of \$48,789,476 (Resolution 02/2020), an amendment to the budget originally adopted (Resolution 06/2019). The amendment was for additional revenues and expenses for D2A2, a new commuter express bus service jointly launched by AAATA and the Regional Transit Authority.
- FY2020 final operating expenses (before depreciation) are shown in the audited financials to be \$41,140,041, which is substantially less than FY2020 budgeted expense after service reductions and employee layoffs were necessary due to financial impacts of the coronavirus pandemic. Please see page 36 of the FY2020 audit. (Total operating expenses were \$47,927,283, including \$6,787,242 in depreciation expense. The adopted operating budget does not include depreciation.)

**EXECUTIVE LIMITATIONS POLICY 2.5.5.1:**

Allow cost overruns on capital projects.

**Degree of Compliance: Partial Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.5.1: Interpretation**

I interpret this policy to mean that I cannot spend more money on improvements to capital assets than the amount approved by the Board in annual budgets or budget amendments. Additional expenditures may be approved by the Board, if they see fit.

A capital asset is a significant piece of property typically having a one-time purchase price or ongoing leasing cost, and is distinct from ongoing operating costs such as labor, fuel, services, office supplies, training, etc. Examples of capital assets include land, buildings and their major mechanical components, vehicles and buses, sidewalks and bus pads, bus ways and changes to streets, bus shelters and street furniture, office furniture, tools, computers and in-field technologies, printers, etc. having a value greater than \$5,000. This does not include financial capital, such as money held in a bank account, which are covered under other policies.

I define an *improvement* to a capital asset as substantial change such as initial acquisition, construction, expansion, renovation, or replacement of facilities, vehicles, or equipment. I believe that the emphasis of this policy is on reducing the financial risk from overruns on large projects, such as bus purchases or facility construction, rather than smaller overages on routine purchases, such as replacing computers.

Capital projects, especially larger ones, often take multiple years to deliver after they are approved. Natural cash flow variances within the course of implementing a project can cause costs to occur earlier or later than originally expected without jeopardizing the final cost of the project. Such low-risk fluctuations are called “timing variances” and must be noted in this report.

I will also note that policy 2.11, adopted in 2020, establishes additional executive limitations that apply to certain capital construction projects, including construction of a new building or facility or a major renovation to an existing facility.

**EXECUTIVE LIMITATIONS POLICY 2.5.5.1: Evidence**

For FY2020, the Board adopted an amended capital budget with a program of projects totaling \$18,787,928 (Resolution 03/2020), adding \$800,000 in expenditures to install driver shields on the bus fleet as a mitigation to the pandemic. This was an addition to the capital budget originally adopted (See *FY2020 Operating and Capital Budget*, p. 24, Resolution 06/2019, and Resolution 07/2019, which established additional executive limitations upon major construction projects).

Following are actual expenditures and variances from the approved capital budget for FY2020:

### FY2020 Capital Budget and Expenditures

Category	Capital Program	Budget	Expenditure	Variance from Budget	Cost Overruns?
State of Good Repair	Large Bus Replacement	4,200,000	3,843,326	(356,674)	No
	Facilities Rehabilitation	2,360,000	1,049,781	(1,310,219)	No
	Small/Medium Bus Replacement	2,140,000	505,674	(1,634,326)	No
	IT Hardware and Software	1,542,777	901,279	(641,498)	No
	Bus Components, Tools, Equipment	820,000	56,423	(763,577)	No
	Architecture and Engineering	580,000	19,657	(560,343)	No
	Non-Revenue Vehicle Replacement	100,000	-	(100,000)	No
	Furniture Replacement	75,000	82,023	7,023	Yes
	Communications Equipment	19,000	54,948	35,948	Yes
Value Added	Rider Amenities/Accessibility	155,000	40,063	(114,937)	No
	IT Hardware and Software	199,550	150,667	(48,883)	No
Expansion	Ypsilanti Transfer Center Replacement	5,299,601	-	(5,299,601)	No
	Mobility Innovations	445,000	-	(445,000)	No
Research and Development	R&D Projects	52,000	-	(52,000)	No
COVID-19 Emergency	Driver Shields	800,000	402,646	(397,354)	No
<b>Total</b>		<b>18,787,928</b>	<b>7,106,487</b>	<b>(11,681,441)</b>	<b>No</b>

Expenditures were far lower than budgeted as many projects were deferred due to the pandemic, and funding was not secured for the Ypsilanti Transit Center.

This report is labeled as partial compliance because minor cost overruns occurred in two areas: furnishings and communications equipment. These overruns were immaterial to the overall capital budget and financial statements.

- **Furnishings:** This overrun is classified as a timing variance. With most administrative staff working remotely, the Facilities Manager was able to make progress on replacing furnishings that had been in use since the 1980s. Adequate grant funding from prior year authorizations was available to cover the expenditures.
- **Communications Equipment:** An Emergency Alert System was installed in the facility to enhance safety of personnel and alert police in the case of a significant threat, such as an active shooter. The overage for this project was due to the capitalization of project management and set-up costs which were anticipated as operating expenditures in the budget. As such, this doesn't represent a true overage on project costs, rather a variance in the accounting method.

**EXECUTIVE LIMITATIONS POLICY 2.5.6:**

Authorize contracts not anticipated in the current budget with a value greater than \$250,000.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.6: Interpretation**

I interpret this policy to mean that I must obtain Board approval for expenditures with a value greater than \$250,000 that are not specifically listed in the budget document. A list of authorized contractual expenditures was included in the FY2020 budget's appendices on page 39. I can authorize unbudgeted contracts valued at \$250,000 or below without additional approval by the Board. I can also accept revenue contracts (incoming funds) at any value without Board approval.

**EXECUTIVE LIMITATIONS POLICY 2.5.6: Evidence**

The following budgeted contracts valued at greater than \$250,000 were awarded in FY2020:

<b>CONTRACT DESCRIPTION</b>	<b>DATE AWARDED</b>	<b>VENDOR</b>	<b>AWARDED AMOUNT</b>	<b>BOARD APPROVAL OBTAINED</b>
Express Bus Service (D2A2)	January 1, 2020	Indian Trails, Inc., dba Michigan Flyer, LLC	\$1,710,000	Yes, adopted with budget
Snow Removal Services	November 8, 2020	Margolis Companies and RNA Facilities	\$545,000*	Yes, adopted with budget
Paratransit Fleet Upgrade	May 25, 2018 (State Contract)	Hoekstra Transportation and Mobility Works	\$1,030,058	Yes, adopted with budget
Communications and Marketing Services	April 1, 2020	Q+M and Gud Marketing	\$540,000*	Yes, adopted with budget
Insurance Brokerage and Consultant Services	March 1, 2020	Marsh USA	\$250,000*	Yes, adopted with budget
Unarmed Security Guard Services	April 1, 2020	Prudential Security, Inc.	\$978,751*	Yes, adopted with budget
Mobile Ticketing	July 2020	Masabi LLC	\$671,500**	Yes, adopted with budget

\*Amounts are based on 5-year contract term.

\*\*Amount is based on a 2-year contract term.

No unbudgeted contracts greater than \$250,000 were awarded in FY2020.

**EXECUTIVE LIMITATIONS POLICY 2.5.6.1:**

Split purchases or contracts into smaller amounts in order to avoid the above limit.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.6.1: Interpretation**

I interpret this policy to mean that the staff and I cannot attempt to avoid the requirements of Policy 2.5.6 by splitting expenditures into smaller amounts less than \$250,000.

**EXECUTIVE LIMITATIONS POLICY 2.5.6.1: Evidence**

The Purchasing Manager found no purchases or contracts were split to avoid the requirements of this policy in FY2020.

There are instances where staff authorized contracts with multiple vendors, however total expenditures for the fiscal year did not exceed \$250,000. Examples are snow removal services, painting services, and marketing and communications services.

**EXECUTIVE LIMITATIONS POLICY 2.5.7:**

Operate without a reserve policy that covers near-term core operating expenses in case of funding shortages.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.7: Interpretation**

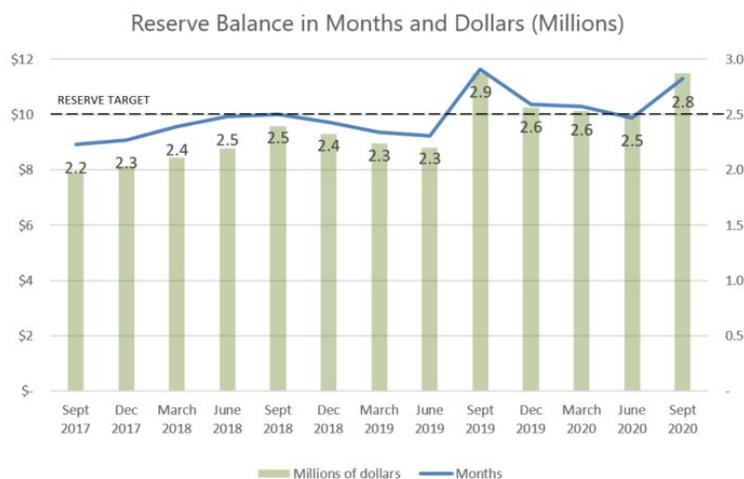
I understand this policy to mean that I must establish an administrative policy that identifies an appropriate level of operational reserve funding that would insulate the AAATA from financial disruptions or emergencies. Furthermore, this reserve fund must be fully funded and ready to be used if needed.

In the recent past, near-term core operating expenses was defined as unrestricted net assets available to support 2.5 months of normal operations. Retained “unrestricted net assets” comprise the “reserve fund.”

Staff and I have since determined that our reserve policy target should remain at 2.5 months of operating expenses available for operations. Research on public sector practices has confirmed that 2.5 months is a reasonable standard. It is my interpretation that we will be in compliance with this policy when AAATA’s quarterly financial statements demonstrate a reserve balance of at least 2.5 months of operating expenses quarterly for a period of one year.

**EXECUTIVE LIMITATIONS POLICY 2.5.7: Evidence**

According to the balance sheet as of September 30, 2020, AAATA ended FY2020 with a reserve balance of \$11.5 million, capital sufficient to support 2.8 months of operations. The reserve balance finished the year above the target of 2.5 months and has consistently been above this target for 12 continuous months for the first time in many years.



**EXECUTIVE LIMITATIONS POLICY 2.5.8:**

Adjust tax rates assessed by the Authority.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.8: Interpretation**

Tax rates refers to local property taxes levied upon property owners who live in our taxation districts. The CEO must bring any fare or tax adjustments to the Board for approval. In Michigan, taxes may be changed only with signature of the Board Chair and Secretary on Michigan Form L4029. Tax proposals and renewals must be approved by governance bodies and voters.

**EXECUTIVE LIMITATIONS POLICY 2.5.8: Evidence**

Property tax rates were not adjusted in FY2020. The Board of directors last approved a rate change when the restoration rate of 0.7 mills was authorized in April, 2018 (Resolution 8/2018).

**EXECUTIVE LIMITATIONS POLICY 2.5.9:**

Acquire, encumber, or dispose of real estate.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.9: Interpretation**

I understand this policy to mean that staff are prohibited from purchasing or selling land, buildings or any other fixed physical asset without prior Board authorization. Furthermore, prohibited encumbrances include saddling real estate with debt or mortgages, leasing or selling rights to AAATA-owned property, and making encumbrances to real estate which would limit or restrict its use by the AAATA.

Specifically, this Policy applies to three real estate properties owned by the AAATA:

1. Dawn Gabay Operations Center
2. Blake Transit Center
3. Ypsilanti Transit Center

Should the AAATA need to acquire, encumber, or dispose of real estate, I understand this Policy to mean that the Board's approval would be required first. This policy does not apply to renting property, buildings or facilities needed to facilitate AAATA operations or implementation of Board policies.

**EXECUTIVE LIMITATIONS POLICY 2.5.9: Evidence**

The FY2020 Statements of Net Position (Annual Audit, p. 8, also Note 7, p. 20) demonstrate that there has been no change in the valuation of land and improvements (\$2,270,821 for FY2020 compared to FY2019.) This is evidence that no real estate was acquired or disposed of in FY2020.

Mortgages, leases, and land contracts are recorded at the Washtenaw County Clerk's Office. A search of the online register will find no such records to date for the Ann Arbor Area Transportation Authority. No properties were encumbered through leasing, mortgaging, or transfer of rights to other parties. All AAATA-owned real estate is available for the Authority's use.

**EXECUTIVE LIMITATIONS POLICY 2.5.10:**

Encumber the agency with financial debt without previous authorization from the Board.

**Degree of Compliance: In Compliance**

**EXECUTIVE LIMITATIONS POLICY 2.5.10: Interpretation**

I understand this policy to mean that I am prohibited from issuing bonds, which is the only legal form of debt financing available to AAATA under Act 55, without Board approval, or acquiring any other means of indebtedness such as bank loans on behalf of the Authority. I understand that this policy does not apply to trade payables or credit card expenses which are necessary transactions resulting from day-to-day operations and do not encumber the AAATA with debt.

**EXECUTIVE LIMITATIONS POLICY 2.5.10: Evidence**

Revenue Bonds: AAATA did not issue any bonds in FY2020. No Board resolutions approving the issuance of bonds occurred in FY2020.

Annual Audit: As a regular task during the financial audit, the auditor requires local banks to confirm the balance of all bank accounts reconciles with AAATA's financial statements. This confirmation also inquires about the existence of bank debt. No debt was reported in the FY2020 audited financials.

**EXECUTIVE LIMITATIONS POLICY 2.5.11:**

Adjust passenger fares.

**EXECUTIVE LIMITATIONS POLICY 2.5.11.1:**

Request authorization to adjust passenger fares without (a) incorporating the request into a budget or budget amendment for board consideration, (b) providing data that demonstrates the fare adjustment is fiscally responsible and aligned with achievement of the board's Ends, and (c) providing data that supports an informed decision by the board – including but not limited to clearly articulated information about the following:

- A. A clear listing of all proposed fare categories/types and prices, along with supporting information.
- B. The fare discounts to be provided for low-income residents and other vulnerable populations and rationale for how residents qualify for fare discounts.
- C. The impact of the proposed adjustment on equity among different fare categories.
- D. The implication of the proposed fare adjustment on ridership.
- E. The implications of the proposed adjustment on the authority's budget and the financial trade-offs required (e.g. tax rate increase/decrease, increased/decreased services, impact on reserve or deficit, etc.).
- F. Opportunities that users, residents, Legal Owners, and stakeholders had to provide feedback on the proposed fare adjustment, the nature of their feedback, and how their feedback has been addressed.

**Degree of Compliance: N/A**

**EXECUTIVE LIMITATIONS POLICY 2.5.11 & 2.5.11.1: Interpretation**

CEO interpretations to fare policy are under development and will be presented at a later time.

**EXECUTIVE LIMITATIONS POLICY 2.5.11 & 2.5.11.1: Evidence**

Monitoring is N/A as the fare policy as this new policy is still being interpreted by the CEO.

Current and proposed fares for the FY2020 budget were included in the adopted budget in Appendix 4, pp. 40-42, and remained unchanged. All current fares are available [at this page on the website](#). They do not deviate from the fares listed in the FY2020 budget.

**EXECUTIVE LIMITATIONS POLICY 2.5.11.2:**

Let the traveling public, residents and businesses be without reasonable advance notice of approved changes to fares.

**Degree of Compliance: N/A**

**EXECUTIVE LIMITATIONS POLICY 2.5.11.2: Interpretation**

CEO interpretations to fare policy are under development and will be presented at a later time.

**EXECUTIVE LIMITATIONS POLICY 2.5.11.2: Evidence**

Monitoring is N/A as the fare policy as this new policy is still being interpreted by the CEO.

## Monitoring Policy 2.5 Financial Condition & Activities

### Guidance on Determining “Reasonableness” of CEO Interpretations

The International Policy Governance Association has developed the following guidance for Board members to use in deciding whether a CEO’s interpretation is “reasonable”:

*An interpretation is deemed to be reasonable when it provides an operational definition which includes defensible measures and standards against which policy achievement can be assessed...*

*Defensible measures and standards are those that:*

- *Are objectively verifiable (e.g., through research, testing, and/or credible confirmation of observable phenomena.)*
- *Are relevant and conceptually aligned with the policy criteria and the board’s policy set.*
- *Represent an appropriate level of fulfillment within the scope of the policy.*

- *“What makes an Interpretation Reasonable and What are the Expectations for the Operational Definition: Policy Governance Consistency Framework Report Number 2”.* International Policy Governance Association. June 11, 2016. Available on the IPGA website.

### Board’s conclusion on monitoring report

The Board has received and reviewed the CEO’s Monitoring Report references above. Following the Board’s review and discussion with the CEO, the Board makes the following conclusions:

**Executive Limitations Report (select one)**

The Board finds that the CEO:

- A. Is in compliance.
- B. Is in compliance, except for item(s) noted.
- C. Is making reasonable progress toward compliance.
- D. Is *not* in compliance or is *not* making reasonable progress toward compliance.
- E. Cannot be determined.

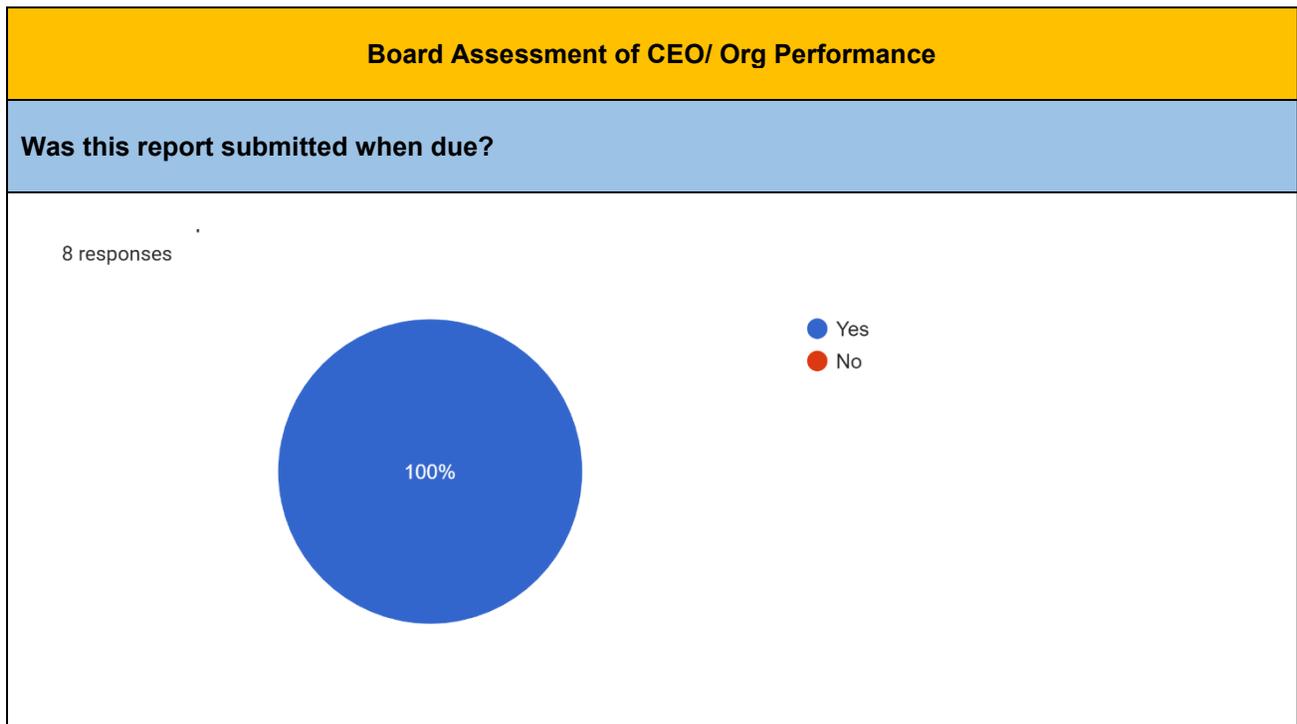
### Board notes: (If applicable)

## SURVEY RESULTS: Financial Condition & Activities (Policy 2.5)

**Finance Committee Review Date: February 9, 2021**  
**Board Meeting Review Date: February 18, 2021**

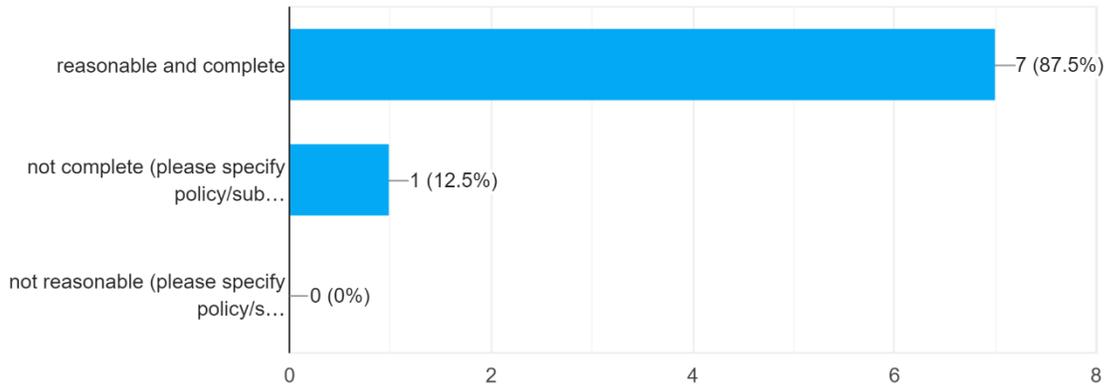
### Survey Participants: 8 Board Members

Note: Each bullet represents a comment by a different Board member.



**Do you find the CEO Interpretation for each policy/sub policy to be:**

8 responses



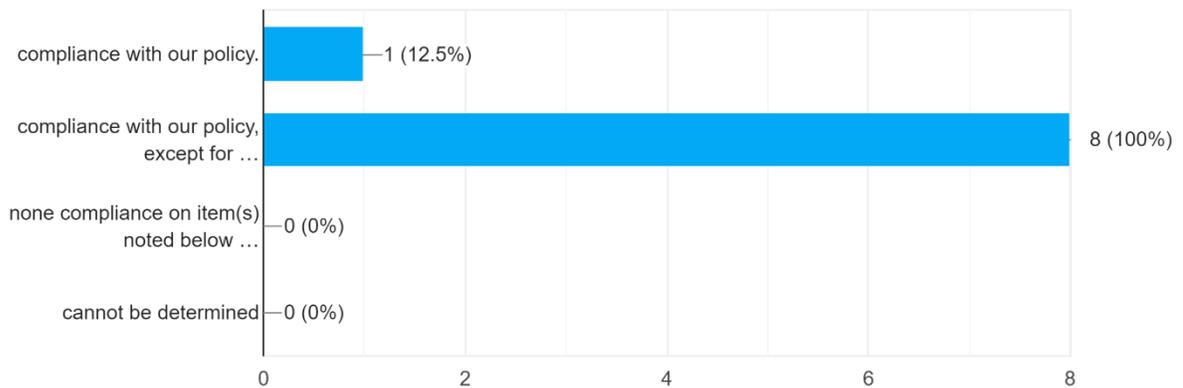
**Board Assessment of CEO/ Org Performance**

**CEO Interpretations that were incomplete or unreasonable (if any):**

- **2.5.11.1 Fare Policy not complete. CEO says it will come at a later date. Please specify the target date.**

**Do you find the CEO's evidence and data shows..?**

8 responses



**Items not in compliance (if any):**

- As noted in the report, 2.5.5.1 is partially compliant.
- 2.5.5.1 as noted
- 2.5.5.1 as noted.
- 2.5.5.1
- I don't think the 2 items mentioned in regarding 2.5.5.1 warrant an overall "not compliant". Sure, to the letter of the words there were cost overruns, but I think we are splitting hairs for those two cases.  
I selected both compliance and non-compliant because the "non-compliant" was in regards to the "N/A" items (such as fare policy interpretation).
- 2.2.5.1, as noted. Furniture replacement overrun is minor and justified under the unusual circumstances. Communications equipment overrun is merely a capital vs. expense issue. A better way to measure cost overruns may be to look at total project expenditures (capital and expense). I realize this would likely necessitate a change in our budgeting procedures, but capital project expense is not now visible to the board.
- Cost over runs, as noted by the CEO.

**Optional: Potential Policy Development**

**Is there any area associated with this policy that concerns you that is not clearly addressed in existing policy? What is the value that drives your concern?**

- 2.5.3. This language could be clearer. It suggests that the CEO might have to reject funds we might otherwise receive if the funds only partially met budgeted expenses. It's not what we intend.
- See previous comment.
- The cost over run policy. I don't think we should have non-compliance, simply because of the timing of payments on capital projects, if the capital project overall is not over budget.

**What policy language would you like to see incorporated to address your worry?**

- Board discussion to see if there is any wider concern on this point.
- Clarify that "cost overruns on capital projects include both capital and expense.
- I don't know how to address this issue, when we have annual budgets, and multi-year capital projects.

**Optional: Comments for the CEO**

**Commendations on this topic:**

- Adherence to this policy is right on target - even the cost overruns identified in 2.5.5.1 are relatively minor.
- Overall a great financial position and picture. Esp. the maintenance of the reserve over the past fiscal year.
- Good, thoughtful job.

**Potential Improvement(s):**

- **Capital overruns, as noted. Curious as to why project management and set up costs were initially tagged as operating instead of capital, and why then they became tagged as capital.**
- **Address capital improvements timing issues.**

**Comments on the report itself:**

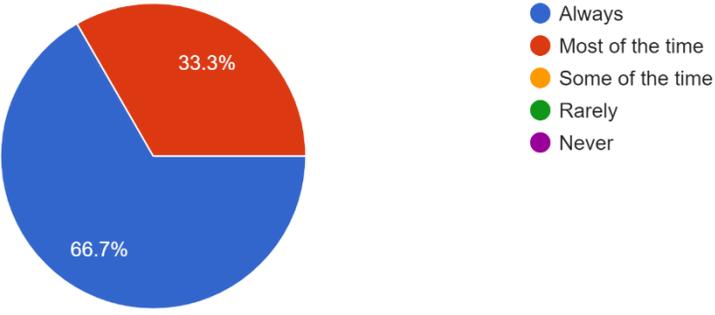
- **Well done.**
- **Very thorough. Would like elaboration and a summary of the most recent Triennial Review deficiencies and how they were dealt with.**
- **2.5.11.1 C. I believe the word "quality" should read "qualify."**
- **Pretty straightforward report.**
- **Thorough report.**
- **Looking forward to the retreat to continue Board discussions on capital priorities.**

## SURVEY RESULTS: Governance Policies (Policies 4.0-4.4)

Board Meeting Review Date: February 18, 2021

**Survey Participants: 9 Board Members**

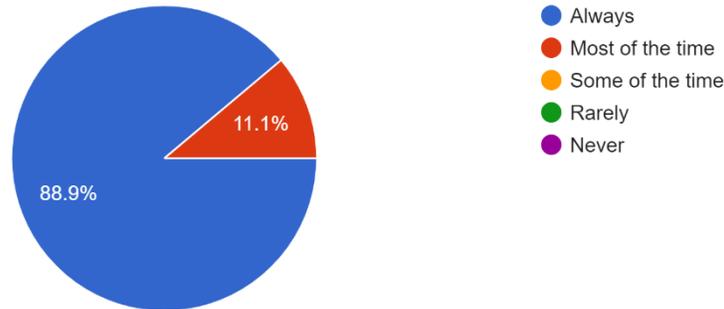
Note: Each bullet represents a comment by a different Board member.

<b>Board Assessment of CEO/ Org Performance</b>
<b>4.0 Global Board-Management Delegation</b>
<b>The Board's sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Office (CEO)?</b>
<p>9 responses</p> <div style="display: flex; align-items: center; justify-content: center;">  </div>
<b>Additional Context for Policy 4.0 (Optional)</b>
<ul style="list-style-type: none"> <li>Though the Board interacts with other staff, it is always with the authorization of the CEO.</li> <li>As mentioned previously, some Board Members intersect with TheRide staff in a professional capacity - Sue Gott and Raymond Hess (and possibly others) have jobs that require staff level coordination. I haven't observed this as problematic as we try to clarify which 'hat we are wearing' when communicating to staff.</li> <li>I have not seen any attempts by board members to circumvent the CEO.</li> </ul>

## 4.1 Unity of Control

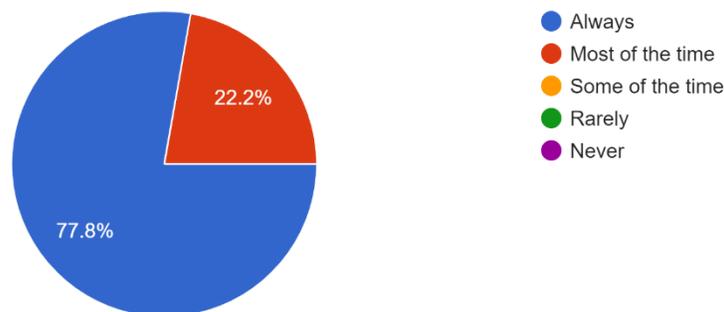
### 4.1.1 Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically authorized such exercise of authority.

9 responses



### 4.1.2 In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds or is disruptive.CEO Interpretations that were incomplete or unreasonable (if any):

9 responses



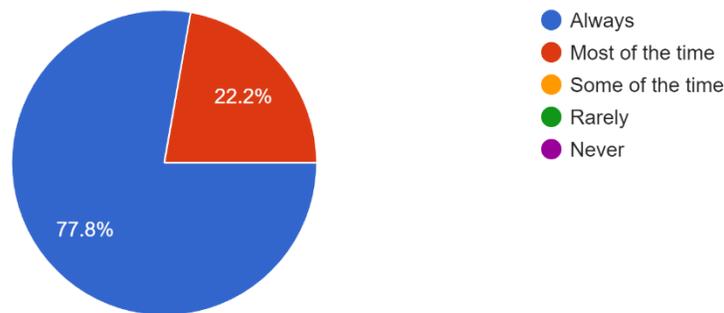
### Additional Context for Policy 4.1 (Optional)

- I have not heard of the CEO being constrained by a single Board member or group other than the full complement of Board members. While I believe the CEO has been approached on occasion, I think he exercises his discretion when needed.
- I'm not aware of any deviations away from Policy 4.1.
- I do not know of an instance where an individual board member, officer or committee has tried to give instruction or made a decision that has bound the CEO without full Board authorization.  
When individual members or committees have asked for information or assistance, the CEO has been effective in communicating staff availability so as to prevent overuse of staff time, funds and disruptiveness.
- The CEO might try to be too accommodating to requests for information.

### 4.2 Accountability of the CEO

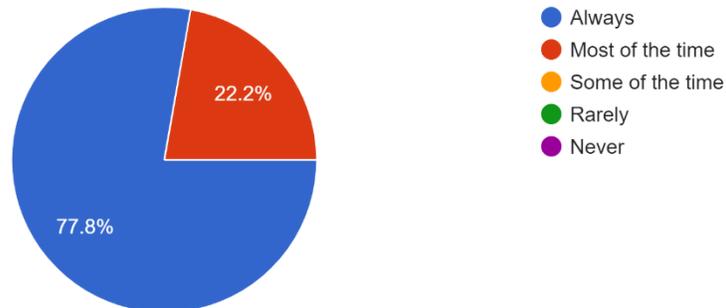
#### 4.2.1 The Board will never give instructions to persons who report directly or indirectly to the CEO.

9 responses



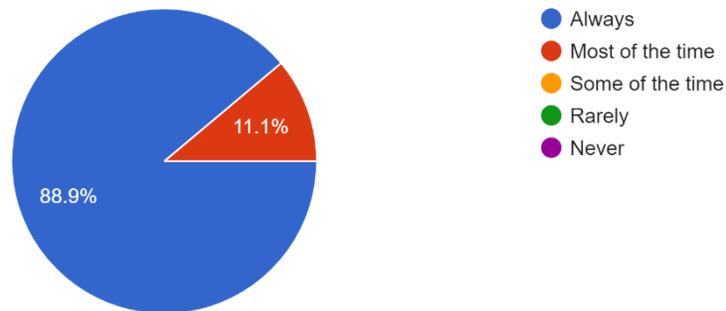
**4.2.2 The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO.**

9 responses



**4.2.3 The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance.**

9 responses



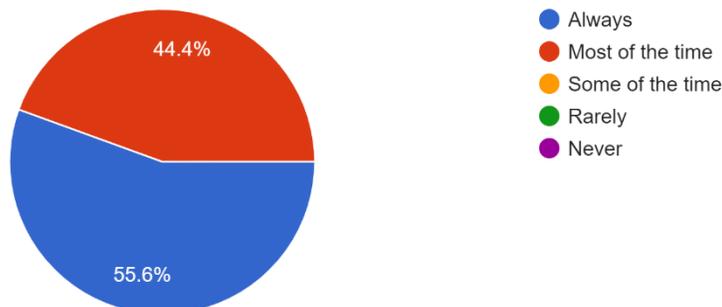
### Additional Context for Policy 4.2 (Optional)

- 4.2.3 is a difficult one to answer since we do not specifically evaluate this on the CEO's annual performance tool. We do evaluate it through our Ends and other policy monitoring.
- A strict interpretation of 4.2.2. would seem to indicate that commendations for staff at Board meetings would be out of line. However, the Board has been keen to positively acknowledge the hard work of staff (e.g. commendations to Metzinger for budget awards; commendations for Smith for operational achievements) - which feels appropriate to me. Our current practice seems reasonable.
- 4.2.2 The word "evaluate" has many interpretations and there are times when the Board has congratulated staff on a job "well done"]" such as when the CFO and his team received the Distinguished Budget Presentation Award. This may be seen as an informal evaluation.
- I think we are doing quite well in this area.

### 4.3 Delegation to the CEO

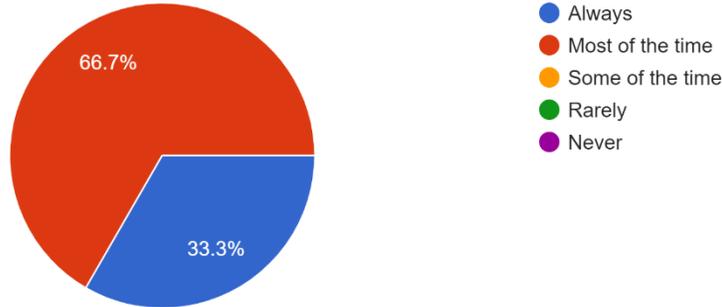
4.3.1 The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.

9 responses



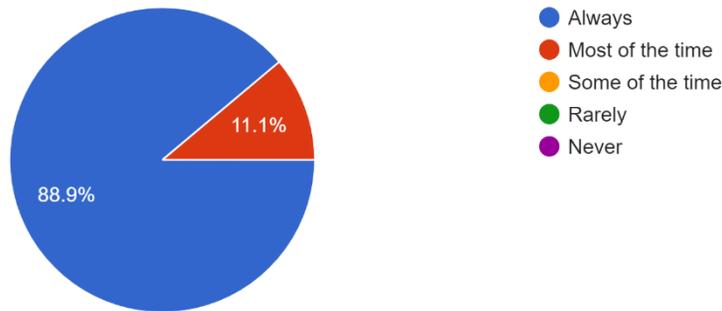
**4.3.2 The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.**

9 responses



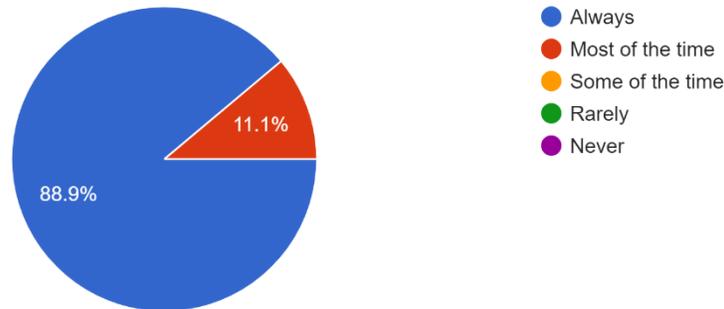
**4.3.3 As long as the CEO uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.**

9 responses



**4.3.4 The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO's choices with the boundaries described herein.**

9 responses



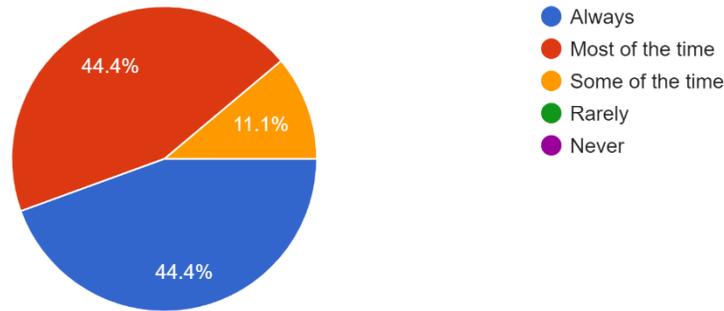
#### **Additional Context for Policy 4.3 (Optional)**

- **4.3 and its subpolicies is generally adhered to, though the Board may occasionally do workarounds with Executive Limitations policies that feel somewhat prescriptive.**
- **The Board seems to follow the Policy Governance framework to the best of its ability. The Board regularly discusses Ends and Executive Limitations.**
- **In this last year, the Board has been hard at work examining and re-examining the Ends Policies and Executive limitations. New policies have been meticulously crafted and older policies have been reworded or eliminated to perfect the Board's communication of expectation to the CEO.**
- **We have made huge progress with our policies, but there still needs to be some fine tuning.**

#### 4.4 Monitoring CEO Performance

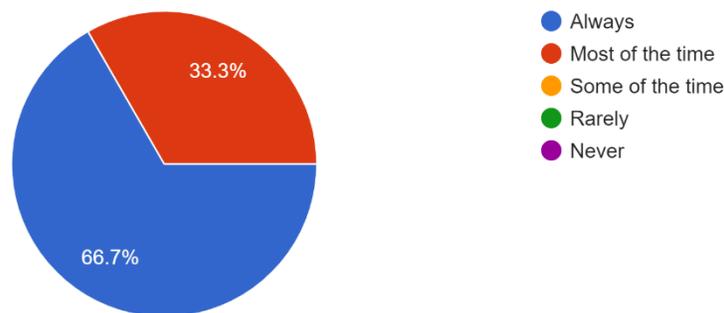
**4.4.1 Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be considered to be monitoring data.**

9 responses



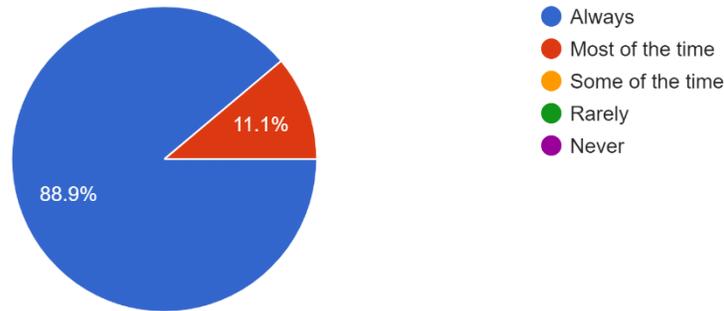
**4.4.2 The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.**

9 responses



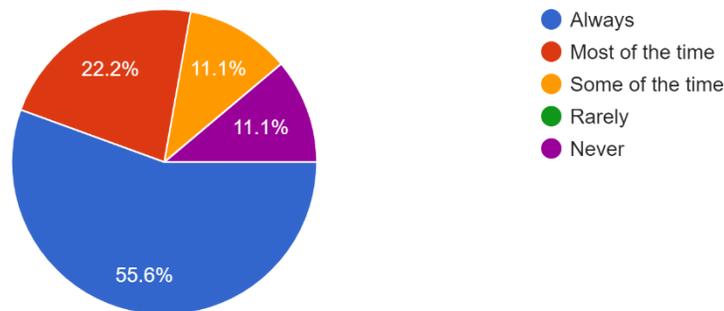
**4.4.3 In every case, the Board will judge the reasonableness of the CEO’s interpretation and whether data demonstrate accomplishment of the interpretation**

9 responses



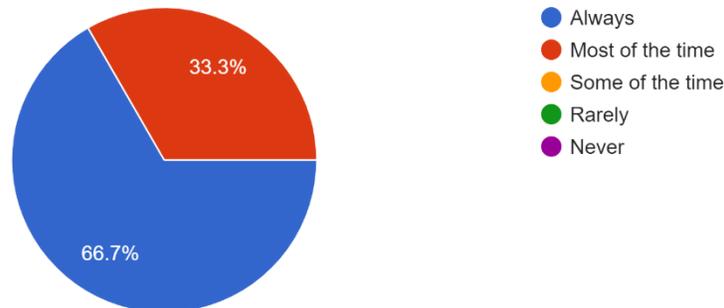
**4.4.4 The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a “reasonable person” test rather than with an interpretation favored by Board members or by the Board as a whole.**

9 responses



**4.4.5 All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).**

9 responses



**Additional Context for Policy 4.4 (Optional)**

- I do not believe we have ever invoked the "reasonable person" standard during an interpretive debate and generally each Board member, to the extent they wish to debate the CEO's interpretation, uses their own view - believing themselves to be "reasonable."
- As was discussed at the last Board meeting, not all monitoring reports were completed or completed on time. The Board found this reasonable, especially given the unprecedented nature of transit operations during the pandemic.
- With the Covid-19 pandemic, there was a workload influx to provide safe reliable transportation to the ridership. Some monitoring reports were late or not produced at all. As most of the 'heavy lifting' seems to have been done (figuring out how to keep staff and the public safe, provide safe travel on fixed route and para-transit, financial concerns etc...) we should see a return to following the newly updated monitoring schedule.
- With the exception of pandemic related disruptions, the monitoring is going well.

## ISSUE BRIEF: CEO Report

**Meeting: Board of Directors**

**Meeting Date: February 18, 2021**

**INFORMATION TYPE:**

Other

**OPERATIONAL & PROJECT UPDATES**

- **NEW FEDERAL MASK MANDATE**

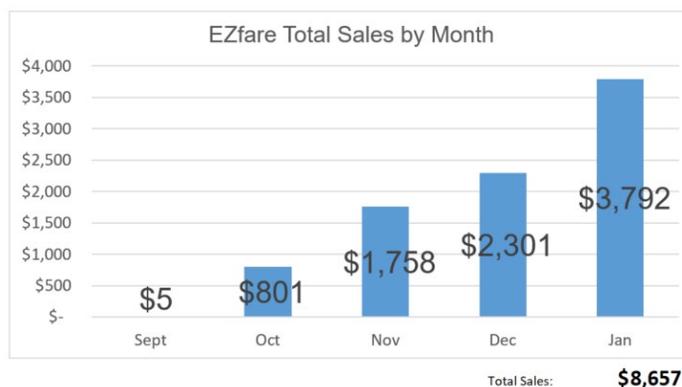
In addition to Michigan State law requiring customers using public transportation to wear masks, the Federal Government also implemented a similar mandate that includes the proper use of wearing a mask required when using public transportation at all times. Failure to comply will result in denial of boarding or removal, and may result in penalties.

- **VACCINATIONS FOR EMPLOYEES**

Washtenaw County has confirmed that transit agency staff are prioritized in phase 1B for vaccinations. Many staff have started to receive vaccinations. The agency is strongly encouraging staff to get vaccinated on a voluntary basis.

- **MOBILE TICKETING PILOT UPDATE**

Mobile ticket sales with EZfare continue to grow rapidly. Passengers purchased \$8,657 in fares with the app through January. 2,041 individual tickets were purchased, nearly all for fixed route bus service (14 trips on A-Ride were purchased with mobile tickets). Plans to increase use by A-Ride customers are being considered.



- **WINTER SERVICE IMPLEMENTATION**

The winter service schedule was implemented on January 18. Adjustments included restoring service in Ypsilanti where there was a gap in service and on several routes to improve on-time performance.

- **AIR QUALITY IMPROVEMENTS**

Ultraviolet lights have been installed to the HVAC systems at all buildings – DGOC, YTC and BTC – to improve air quality and sanitization.

- **CUSTOMER AMENITIES ADDED**

Tents and Heaters are being installed at the Ypsilanti Transit Center that allow for social distancing as well as shelter from inclement weather.

- **NEW A-RIDE VEHICLES**

TheRide took delivery of five Ford Transit vehicles to be used on A-Ride paratransit service.

- **RETIREMENT ANNOUNCEMENT**

After 30 years of dedicated service, Kathy Forts has announced her February retirement. Kathy dedication to supporting to the operations division will be missed. We sincerely appreciate her service and dedication.

- **TRANSIT ORIENTED DEVELOPMENT, ANN ARBOR PLANNING COMMISSION**

The CEO participated in a preliminary meeting of the Ann Arbor Planning Commission on 2/9. A [newspaper article](#) covered the discussion. City staff have been consulting with AAATA staff as part of the work.

- **TRANSPORTATION COMMISSION (ANN ARBOR)**

Deputy CEO, Bryan Smith attended the Transportation Commission and is preparing to present the August Service Recovery Proposal and public involvement plan to the Commission at the March meeting.

- **WATS POLICY COMMITTEE UPDATE**

The Washtenaw Area Transportation Study Policy Committee met January 20th. The committee approved allocations of Federal Highway Administration (FHWA) funds to urban areas in the county, including \$100,000 TheRide offered to reallocate to the City of Ypsilanti's Huron/Hamilton project. The Regional Transit Authority of Southeast Michigan (RTA) also presented on their 2021 Regional Master Transit Plan (RMTP) update and requested input on community priorities from Washtenaw County stakeholders.

- **REGIONAL TRANSIT**

The Regional Transit Authority is beginning discussions with local stakeholders as part of updating its regional transit plan in anticipation of a millage referendum in November 2022. As noted above, this discussion is happening via the WATS Policy Committee. While staff are still contemplating TheRide full response, the CEO did send a letter to the RTA (attached below) with his professional opinion on a few key elements of the plan. The letter is intended to expedite discussion at the next WATS meeting on February 17. Anyone can attend that meeting.

To: Alma Wheeler, Ned Stabler, Ben Stupka

Feb. 11, 2021

CC: WATS Policy Committee, AAATA Board

Ms. Wheeler, Mr. Stabler and Mr. Stupka,

Thank you for the opportunity to provide feedback on three elements of the RTA's regional transit plan update: 1) the commuter rail project, and other services in 2) rural and 3) urban areas of Washtenaw County. I hope to share some detailed perspective by submitting written comments.

I would suggest that the RTA describe rail as a long-term goal, but not include it in the updated 2022 plan. We can replace it with locally-driven ideas that produce more widespread benefits throughout the County and services build ridership so rail will be more viable in the future.

The commuter rail project (Ann Arbor-Detroit) appears to concentrate most of the RTA's investment into *one* mega-project that produces few riders at this time; and I fear there will not be enough money left for other services or projects. The RTA's credibility could be damaged by this result. The following are some key observations:

1. **Costs are High and Benefits are Low**

- a. **High Costs:** Capital costs have grown from \$130 million to \$222-\$364 million – an astonishing increase which may grow further. I understand that costs for a new station in Ann Arbor are not yet included. Operations costs are pegged at \$12-\$20 million/year. Even with these heavy costs, the amount of service planned is actually quite low; only eight roundtrips a day. In comparison, in early 2020 the D2A2 highway-coach service provided 16 roundtrips at a fraction of the cost.
- b. **Low Ridership:** The RTA estimates ridership at 1,150-1,800 trips per day. This is *extremely* low. By comparison before the pandemic the AAATA carried over 4,500 trips per day on *one* bus route (#4) between Ann Arbor and Ypsilanti.
- c. **Cost/Benefit:** The cost-per-new-rider appears to be a very high \$6,800- \$17,000 per trip (operating). For comparison, TheRide's cost per rider was \$4.65 in 2019, and the D2A2 service was expecting 500-800 daily trips for less than \$2.1 million per year (all operating).

After 20 years, the economic case for commuter rail appears to be getting worse. We are not obligated to follow well-intended ideas from 15 years ago. In light of this new information, I would be negligent for not advising the RTA and county leaders to consider a new course.

2. **Equity** – Commuter rail may raise class and racial equity issues:

- a. Commuter rail will consume most of the county's funding, leaving little to be spent elsewhere. Everyone in the County will pay but only a few communities will directly benefit. This project may not benefit the eastern or western parts of the

- County to any meaningful degree. With such low ridership any spin-off benefits near stations are unlikely. The chief beneficiary may be the University of Michigan which does not pay property taxes.
- b. By its nature, commuter rail is targeted at a professional audience which tends to be more affluent and whiter than other transit riders. Focusing so much money on such a small group may attract negative criticism.
  - c. Rail is too slow to connect the Ann Arbor and Ypsilanti areas.

Most of these concerns can be avoided by relying on smaller services that can be distributed more equitably and with greater local input. TheRide has won two referendums by wide margins with no rail projects, so rail may not be necessary politically.

3. **Will Anyone Help us Pay for Rail?** – I would ask that the RTA clarify who will pay for commuter rail *before* the 2022 plan is finalized. The proposed tri-county transit plan of 2019 would have had Washtenaw County taxpayers, not our regional partners, pay for almost all of the rail project. Similar assumptions may have existed the RTA's 2016 and 2018 plans. I'd ask the RTA to ensure the funding arrangements concerning commuter rail are shared with local decision makers. Federal stimulus may not help; we've known since 2007 that the feds won't pay for such an under-used project, and there are many worthier rail projects in line ahead of us for future infrastructure spending.
4. **There are Better Alternatives** – The RTA's resources can better serve the County with smaller, less costly and more flexible services that can be implemented quickly and spread across the County. By redirecting rail funding, we could triple the funding for WAVE and People's Express, build a proper bus rapid transit line between Ann Arbor and Ypsilanti, and start three more D2A2 services – and have a lot of funds left over. Back-of-the-envelope plans for such alternatives already exist and could be refined locally with the RTA before the 2022 referendum. The RTA's 1 to 2 mill tax levy will compete with other needs and so should provide as much local benefit as possible. Rail projects do not have a good track record in Michigan.

Many of us have been long-time supporters of regional transit and want to see it succeed. I would suggest that the RTA plan describe rail as a long-term goal but not fund it in the 2022 plan. Instead, we can develop locally-driven ideas that produce more widespread benefits throughout the County, and services that build ridership so rail is more viable in the future.

Again, thank you for the opportunity to provide feedback on the RTA's regional transit plan.

Sincerely,



Matt Carpenter, CEO TheRide