



DRAFT OPERATING & CAPITAL BUDGET FOR FY2022

Version 1.0

*Staff Recommended Budget for
TheRide's Fiscal Year 2022*

2022

*Dedicated
to
Supporting
Community
Recovery*

ANN ARBOR AREA TRANSPORTATION AUTHORITY



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Ann Arbor Area Transportation Authority
Michigan**

For the fiscal year beginning October 1, 2019

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

The award, presented to TheRide for its *FY2020 Operating and Capital Budgets*, is a significant achievement which reflects the commitment of the Board of Directors and staff to meeting the highest principles of governmental budgeting. TheRide's budget satisfied nationally recognized guidelines for effective budget presentation, including how the document serves as a policy document, a financial plan, an operations guide, and a communications device.

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About TheRide

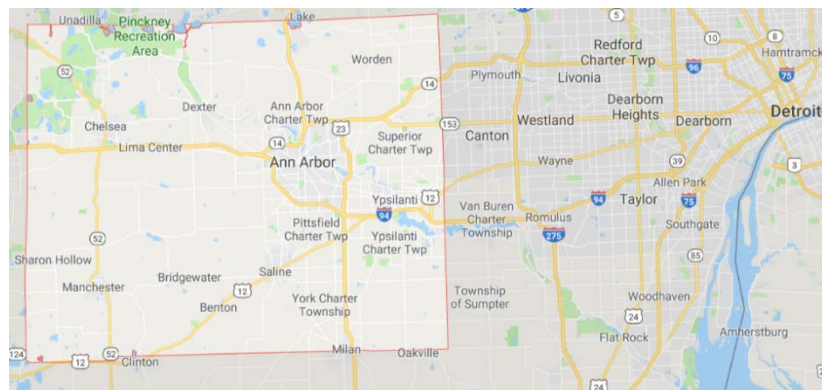


The Ann Arbor Area Transportation Authority (TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

TheRide operates public transportation services for the greater Ann Arbor-Ypsilanti area, enabling the area's residents to reach their destinations at a reasonable cost, and offers the region efficient, environmentally-sound transportation alternatives.

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

Ann Arbor is the county seat for Washtenaw County, which also includes the city of Ypsilanti and the townships (Ann Arbor, Pittsfield, Scio, Superior, Ypsilanti) which make up TheRide's service area. The service area covers 110 square miles, with a service area population of 228,574 people. TheRide delivers approximately 400,000 hours of revenue



Washtenaw County, Michigan

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

TheRide operates fixed-route buses, A-Ride paratransit services, service to Detroit Downtown, FlexRide on-demand service, ridesharing, van pools, and other services (some services are suspended for the pandemic).

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

Board of Directors

Michael Allemang
Rich Chang
Raymond Hess
Roger Hewitt
Ryan Hunter
Eric Mahler, Chair
Jesse Miller
Kathleen Mozak
Susan Pollay
Kyra Sims, Secretary

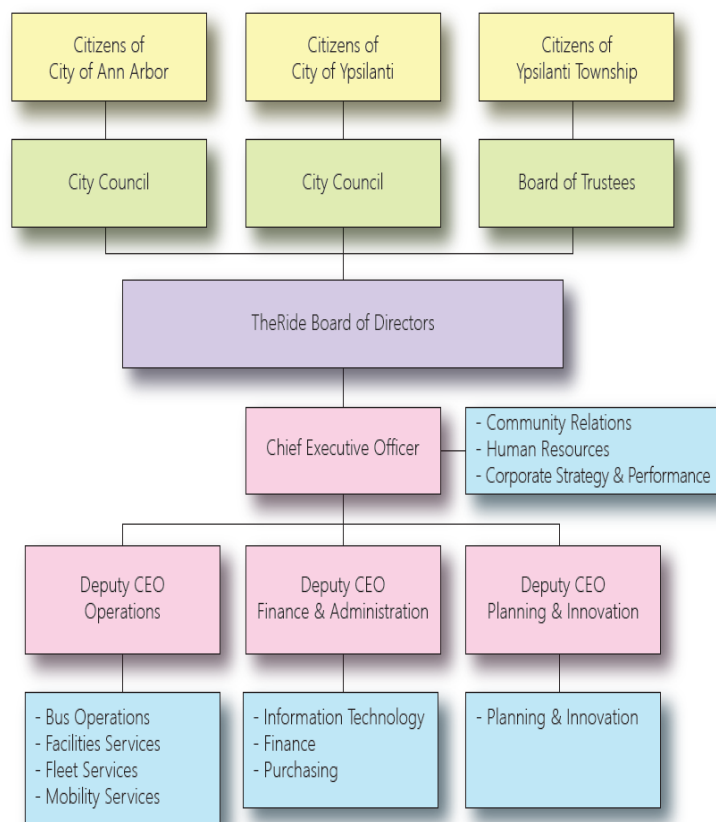
Senior Management Staff

Mike Blackston, Manager of Information Technology
Mary Boonin, Manager of Community Relations
Donald Bowlin, Manager of Bus Operations
Sue Fickau, Manager of Mobility Services
Gwyn Newsome, Manager of Human Resources
Gail Roose, Manager of Facilities Services
James Spangler, Acting Manager of Fleet Services
LaTasha Thompson, Manager of Finance
Michelle Whitlow, Manager of Purchasing

Executive Team

Matt Carpenter, Chief Executive Officer
Dina Reed, Deputy CEO/Finance & Administration
Bryan Smith, Deputy CEO/Operations
Forest Yang, Deputy CEO/Planning & Innovation

Organization Chart



2022

*Dedicated to
Supporting
Community
Recovery*



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September 23, 2021

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to submit this 2022 Recommended Budget for review by our riders, stakeholders, and Board of Directors.

In 2022, TheRide will continue focusing on helping our communities recover by increasing transportation services to pre-pandemic levels, with significant assistance of federal relief funding. The recommended budget supports the strategic priorities of supporting community recovery, planning for the future, serving customers and rebuilding ridership, and modernizing the organization.

The 2022 recommended budget has been prepared in accordance with the Michigan Uniform Budgeting and Accounting Act of 1968, Generally Accepted Accounting Principles (GAAP), and Board Governance Policies. The Board has delegated to the Chief Executive Officer (CEO) the responsibility to prepare a balanced budget which achieves the Board's objectives ("Ends") and avoids deficit spending and fiscal jeopardy. The budget achieves both requirements while positioning TheRide to continue providing excellent service to our communities and constituents. This recommended budget is presented to the Board of Directors for consideration of adoption.

Handwritten signature of Matt Carpenter in black ink.

Matt Carpenter
Chief Executive Office

Handwritten signature of Dina Reed in black ink.

Dina Reed
Deputy CEO, Finance & Administration

Executive Summary

The Fiscal Year 2022 (FY2022) Budget was developed with alignment to the business plan and Board objectives of supporting community recovery, planning for the future, serving customers, and modernizing TheRide. The coronavirus pandemic significantly impacted the world, our state and communities directly beginning in March 2020. Financial and operating impacts were unparalleled and uncertain, with fare revenues and transit ridership losses in the millions. Throughout 2021 federal relief funding has stabilized and provided millions of dollars to transit agencies to recover financial losses due to the pandemic. Additionally, the broad acceptance of public safety measures, including the wide availability of coronavirus vaccinations has restored much public confidence in the ability to return to normal societal behaviors. As a result, the FY2022 Corporate Business Plan focuses on supporting this recovery and the draft FY2022 Budget has been prepared to carry out the priorities represented in this new plan.

The FY2022 Budget is a balanced budget that supports recovery efforts by providing funding to increase services to pre-pandemic levels, as well as restoring some services at a premium level. The budget is supplemented by reimbursable federal relief funding to restore lost revenues and additional expenses incurred due to the pandemic. Consequently, a portion of local revenues are anticipated to provide a surplus in FY2022, which will provide additional funding for previously unfunded capital infrastructure projects critically important for service to our communities.

Two years ago, forecasted budgets showed the emergence of deficits, with their eventual growth to unsustainable levels. Cost-cutting measures, such as staffing and service reductions due to the pandemic, and the utilization of federal aid provided by pandemic relief funds have provided short-term relief with respect to the operating budget. Service recovery, inflationary growth and other cost pressures are a reality and present challenges that will need to be addressed in the future, however, TheRide currently remains in a financially stable position.

As with previous budgets, this recommended budget is guided by a strategic business plan— [Supporting Community Recovery](#)—which outlines the strategic priorities. This plan is aligned with the Board of Directors' expectations—supporting community recovery from the pandemic, planning for the future, serving customers and rebuilding ridership and modernizing TheRide (See *Board's Ends Policies*, in the [Board Policy Manual](#)).

This FY2022 Recommended Budget presents a balanced financial plan to restore most of our core services and to follow the board approved strategy of dedicating local revenues to capital projects for service enhancement in the future.

Highlights of the recommended FY2022 Budget:

- Overall operating expenses are **\$55,772,101** and **\$11,690,000** in capital investments
- Avoids deficit spending while utilizing federal funding for COVID-19 recovery
- Restores GoldRide services
- Addresses the long-term financial picture by presenting 7-year operating plan

- A portion of local funds will be eligible to fund the capital reserve
- Funds the following priorities from the Supporting Community Recovery Plan:
 - Increasing services to pre-pandemic levels as part of helping our communities return to normal
 - Planning for the Future
 - Serving Customers
 - Modernizing TheRide
- Presents a 10-year capital plan, and programs federal and state funding for major projects:
 - Replacement and rehabilitation of fixed-route buses
 - Capital maintenance for the bus garage
 - Planning and design work for future renovations of the Ypsilanti Transit Center and the Blake Transit Center

Introduction

Budget Document Orientation

This document contains five sections:

- The **Introduction** will orient the reader to the overall direction, strategic goals, and executive limitations established by TheRide's Board, as well as the budgeting schedule and process.
- **The State of TheRide** establishes financial context, discusses the challenges, opportunities, and priorities for developing the budget, and presents ridership performance.
- The **Budget** summarizes the operating and capital budgets for FY2022 and presents financial forecasts for subsequent years.
- **Impacts of the 2022 Budget** discusses how the budget will affect the fund balance and the reserve, as well as the impact of capital investments upon the operating budget.
- The **Appendices** include details on initiatives and capital projects, anticipated contracts, fare schedule, a grant funding primer, recommended Board resolution for adoption, and a glossary.

This document uses multiple-year forecasting. Although financial information is presented for years beyond 2022, it is important to note that forecasted years are provided *only for context*, do not represent a commitment, and are likely to change. Each year, the Board of Directors adopts a budget for a single year rather than a multiple-year budget.

Corporate Strategic Plans

The FY2022 Budget is the funding plan for achievement of goals established by TheRide's Board of Directors. Corporate strategic planning establishes the programs and initiatives to help the organization achieve these ends. As of mid-2021, the dominant issue is pandemic recovery. Society is still recovering from the pandemic and the next 12 months are not entirely clear. While vaccinations have reduced infections, it may take several more years to reach herd immunity, and virus variants continue to threaten global health. Nevertheless, our communities are reopening; normal economic and social activities are restarting and TheRide needs to support these activities. Consequently, the FY2022 Budget includes funding for service recovery as well as other initiatives referenced in the FY2022 Corporate Business Plan.

Financial Executive Limitations Policies

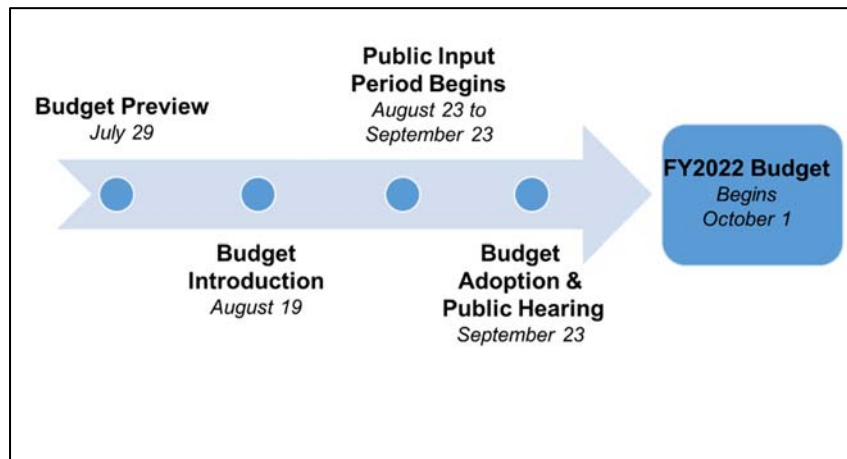
TheRide's Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on the [website](#). Many of the policies have a direct effect on shaping the annual budget. For example, the Board has set clear limitations upon Financial Planning and Budgeting (Policy 2.4), Financial Conditions and Activities (Policy 2.5), Cash and Investments (Policy 2.6), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.7).

These policies require financial planning and budgeting to align with the Board's Ends, be developed using sound financial practices, and incorporate strategic and multi-year planning. The Board's policies

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

Budget Process and Timeline

The timeline for review and adoption of the FY2022 Budget:



- **May/June:** The Finance Manager and Deputy CEO of Finance and Administration drafted a budget with many inputs, including Board policies, budget reviews with department managers, staffing requests, collective bargaining agreement, fleet and facilities plans, and other plans.
- **July/August:** An early draft of the operating and capital budget with a multi-year forecast will be provided at Board Committee meetings. Both the capital program and operating budget preview will be made available for public review starting August 13th, through budget adoption on September 23rd.
- **August:** The draft budget will be formally introduced to the Board of Directors at its August 19th meeting and public input period begins August 23rd.
- **September:** The recommended budget is presented the Board of Directors for adoption and a public hearing, as required by state law, will be held during the September 23rd meeting. The Michigan Uniform Budgeting and Accounting Act of 1968 requires Board adoption prior to any expenditures being made in the fiscal year.
- **October:** Fiscal Year 2022 will begin October 1, 2021, with the newly adopted budget.

The State of TheRide

Financial Condition

TheRide is set to end FY2021 with revenue and costs significantly below the budget because of fare revenue losses and service reductions from the pandemic. The reserve balance was strengthened last year and will remain strong, as federal pandemic relief funds will support ongoing operations and service recovery. This aid will also support revenue losses, pandemic-related costs, and allow local funds to be dedicated to a capital reserve for future capital projects. While there is a great deal of uncertainty due to the pandemic, some financial strengths include:

- Continuing to operate within the budget
- Operating reserve funds at target levels
- Newly established capital and insurance reserves
- No indebtedness or significant liabilities
- No significant legacy costs such as unfunded pension liabilities

In addition, the agency has a track record of strong audit results, as was the case again with the 2020 financial statement audit. Working with the CFO, the Finance Manager is working to improve cost accounting and financial management practices, and modernization of timekeeping and payroll processes. Preserving and building on these strengths will be important going forward into the next fiscal year, particularly in dealing with financial challenges arising from the pandemic including economic recession and lower fare revenue.

Fund Description, Structure, and Balances

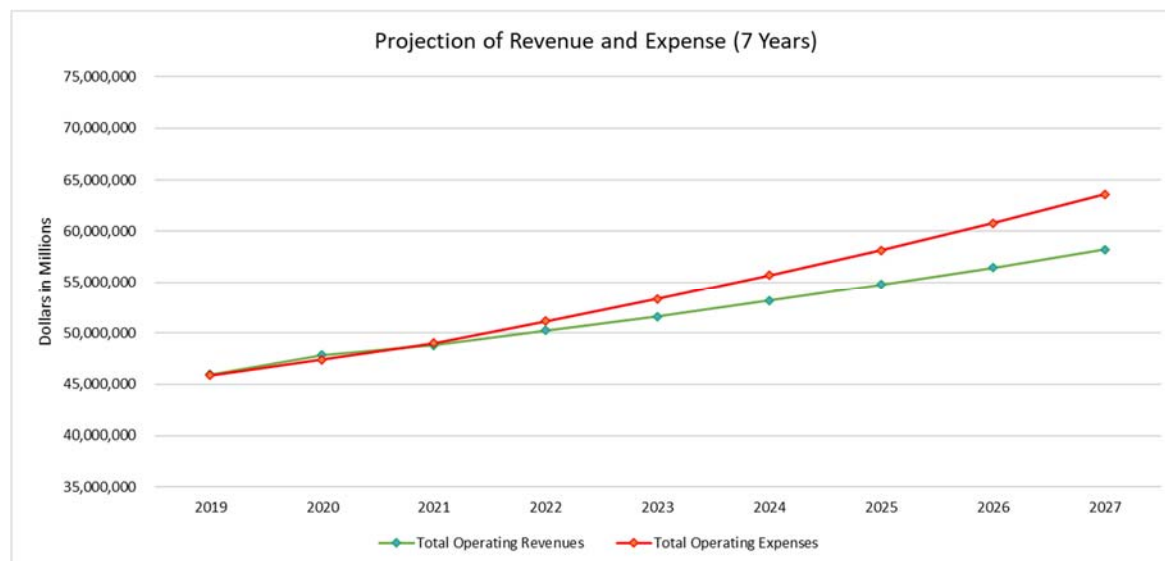
TheRide operates with one general fund through which operating, capital, and investing cash flows occur during the fiscal year. The term *fund balance* is used to describe the net position of the general fund as calculated by GAAP, presented at a particular point in time. It is the net position on the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

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2022 will bolster the organization against the risks of uncertain funding ahead. The expected effect of the FY2022 budget upon the fund balance is discussed in the [Impacts of the 2022 Budget](#).

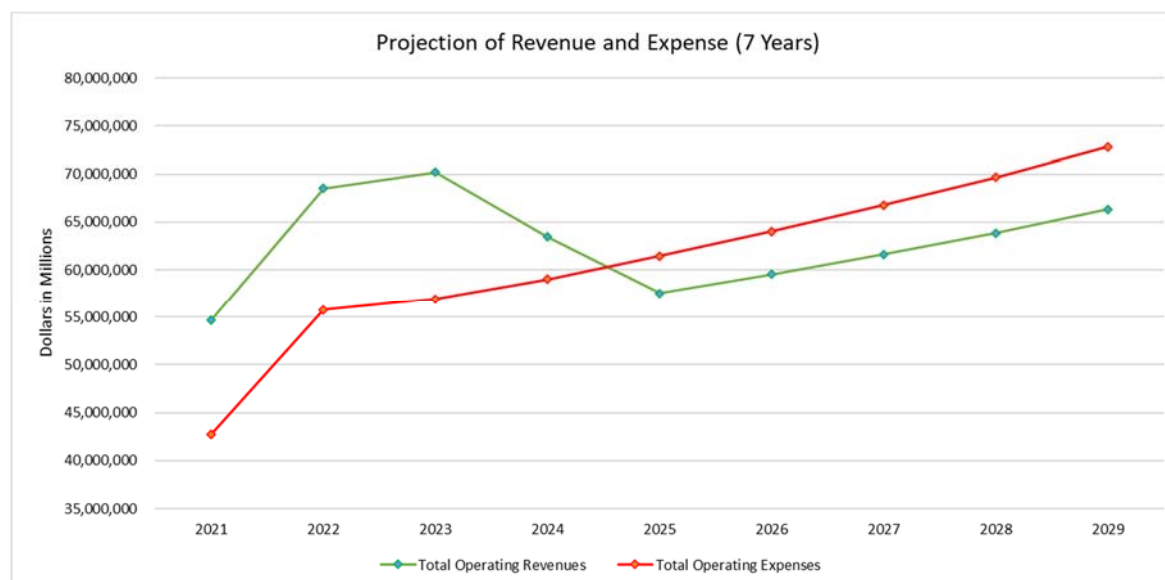
Financial Challenges: Operating Structural Deficit

Before the pandemic, TheRide was already anticipating financial challenges. Two years ago, budget forecasting showed deficits starting in FY2021 because expense growth was outpacing revenue growth. Audited financials from 2015-2019 revealed that costs grew on average 6.1% annually, while revenue growth averaged 4.8%. This audited data demonstrated that the property tax millage which funded service expansion in 2014 was insufficient to cover expansion costs as indicated in the Five-Year

Transportation Improvement Plan (5YTIP): [TheRide was operating beyond its means](#). Deficits were forecasted to grow from \$190,000 in FY2021, or 0.4% of budgeted expenses, to more than \$5.4 million in FY2027, 8.5% of total costs. The graph below illustrates the gap in revenues and expenses as projected through FY2027 at that time.



Once the pandemic emerged, immediate cost saving measures were taken including significant suspension of service and layoffs affecting 42 employees. Those immediate pandemic-related changes in combination with significant contributions of federal relief funding provided immediate relief for FY2021 and is anticipated to project a balanced budget through FY2024. However, one-time federal funding provides short-term relief but cannot offset ongoing operating costs for the long-term. It is important to acknowledge that as service recovers to pre-pandemic levels and federal relief funding is depleted, the underlying structural deficit problem still exists and will need to be addressed. In the seven-year forecast presented below, an emerging operating deficit is again predicted for FY2025, caused by slower revenue growth than expense growth. Deficits are forecasted to grow from \$3.9 million in FY2025 to \$6.5 million in FY2029. TheRide will need to consider a variety of solutions to address the projected operating deficit.



Financial Opportunities

TheRide's budget for fiscal year 2022 will ensure the continued delivery of high-quality services, demonstrate careful stewardship, and provide transparency of future challenges with the seven-year budget forecast. Development of the 2022 Budget was guided by the following principles:

- Budget for the priorities outlined in the *Supporting Community Recovery Plan*
- Reinforce budgeting policies adopted by the Board of Directors to ensure financial stability
- Support safe operation of transportation services
- Maximize value provided to riders/customers and taxpayers
- Ensure funding for ongoing operations remains stable
- Ensure TheRide's assets are maintained in a state of good repair and expansion efforts are planned for the future
- Continuously improve cost accounting and financial management

Ensuring adequate operating reserves, utilizing federal pandemic relief funding, and the capital investment focus for TheRide's assets are priorities which warrant additional brief discussion, as follows.

Ensuring Adequate Operating Reserves

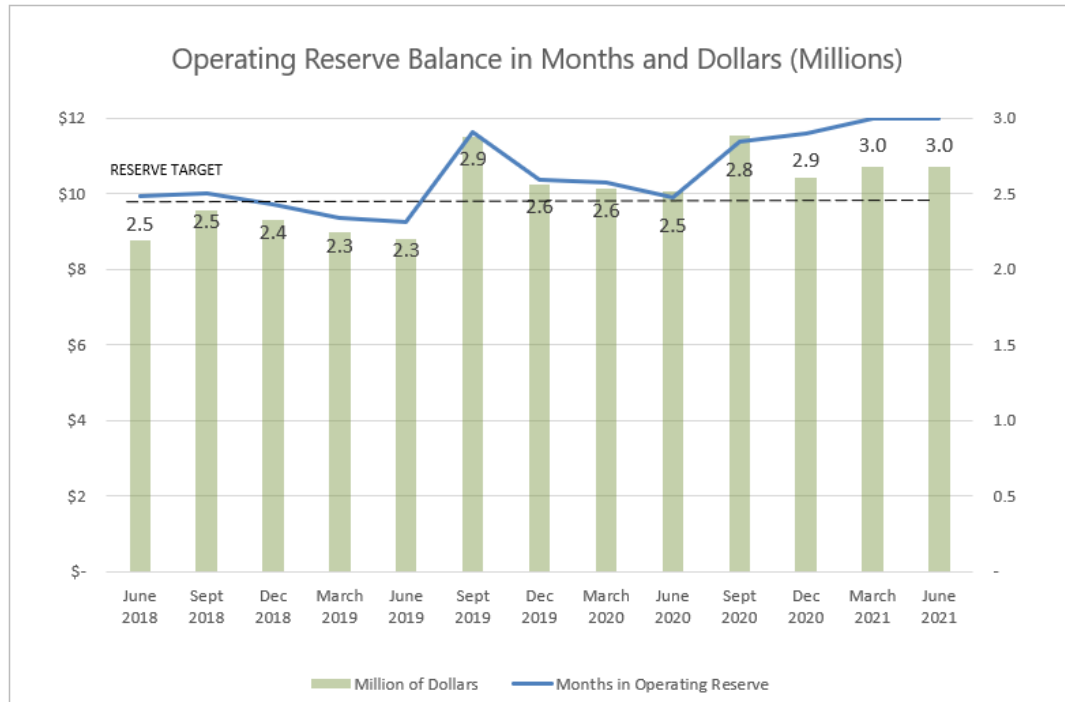
A reserve is an important part of a healthy agency budget. Its purpose is to buffer the agency from the risk of unexpected costs or disruptions to revenues. Without an adequate reserve, the agency would risk insolvency in an emergency, such as the COVID-19 pandemic.

Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Adopted in April 2021, TheRide established the following reserves and target levels:

- Operating reserve with the target level of 2.5 months
- Worker's compensation insurance reserve of \$500,000

Operating Reserve

Steps taken in recent years have strengthened the operating reserve after it had fallen below this target due to investing in expanded services. TheRide was able to gradually restore the reserve and consistently maintain the target level since the end of FY2019. Due to the pandemic and associated federal relief funds, the operating reserve cash position has improved in FY2021 as shown in the chart below. The projections for the operating reserve are included in the [Impacts of 2022 Budget](#) section.



Worker's Compensation Insurance Reserve

The worker's compensation insurance reserve was created to fund worker's compensation claims and manage budget risk. The worker's compensation insurance reserve is fully funded as of June 2021.

Utilizing Federal Pandemic Relief Funding

Since April 2021, TheRide has been apportioned the following federal pandemic relief funds totaling \$62.8 million for reimbursable eligible costs:

- \$20,704,090 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- \$15,771,805 in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- \$26,338,769 in American Rescue Plan (ARP) funding (Net of 5% programming to RTA)

This federal aid is provided to assist with coronavirus-related operating expenses such as replacement of lost revenue, purchase of Personal Protective Equipment (PPE), cleaning and sanitation supplies, increased janitorial services, paid employee leave, and other costs. New costing accounts have been added to the accounting system for pandemic-related services, materials, and supplies, as well as for the federal pandemic relief revenue.

This budget demonstrates that pandemic relief funds are being utilized to support reimbursable eligible costs throughout the pandemic and after, and through service recovery.

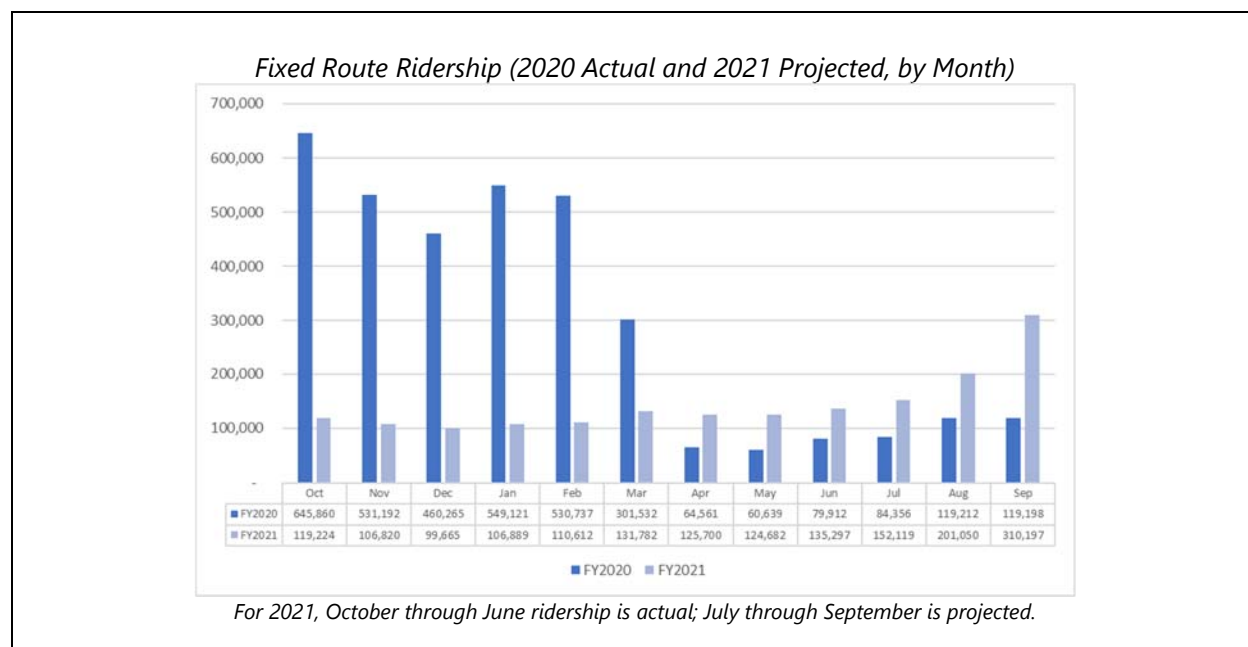
Capital Investment Focus

Maintaining facilities, vehicles, equipment, and other assets is a significant focus in the FY2022 budget. In alignment with federal regulation, the Transit Asset Management (TAM) Plan helps ensure assets are in good condition and ready to support TheRide's services. While TheRide's fleet and equipment are in a

good state of repair overall, facilities need attention. Additional resources are included in capital budgeting to address needs at the bus garage, including roof and HVAC replacement, and other needs. Planning is also scheduled to begin in FY2022 to replace and expand the Ypsilanti Transit Center as well as a Blake Transit Center (BTC) expansion. The BTC expansion will be a partnership with the City of Ann Arbor.

Fixed-Route Ridership

[Fixed-route bus service](#) operated by TheRide includes bus routes in Ann Arbor, Ypsilanti, nearby townships as shown on the [System Map](#) and [GroceryRide](#). Ridership growth peaked in 2018 then declined slightly in 2019 and early 2020 until coronavirus emerged mid-March. Ridership losses were then sudden and severe, dropping by nearly 90% and many fixed-route services were suspended due to lower demand and public safety. Services have gradually been restored to 60% of the full-service level and full-service levels are scheduled to begin August 29, 2021. Total annual fixed route ridership is projected to decline by 49% for 2021 vs. 2020, with 1.7 million passenger trips expected compared to 3.5 million passenger trips last year. Projections show gradual ridership growth as service is recovered.



[ExpressRide](#) commuter bus service from Canton, Chelsea, and Ypsilanti Township to Ann Arbor and the University of Michigan campuses was suspended in mid-March 2020 due to the pandemic. Annual ridership for 2020 was 12,479 passenger trips, down 57% from 29,070 passenger trips in 2019. Service is not budgeted to resume in 2022.

AirRide & D2A2

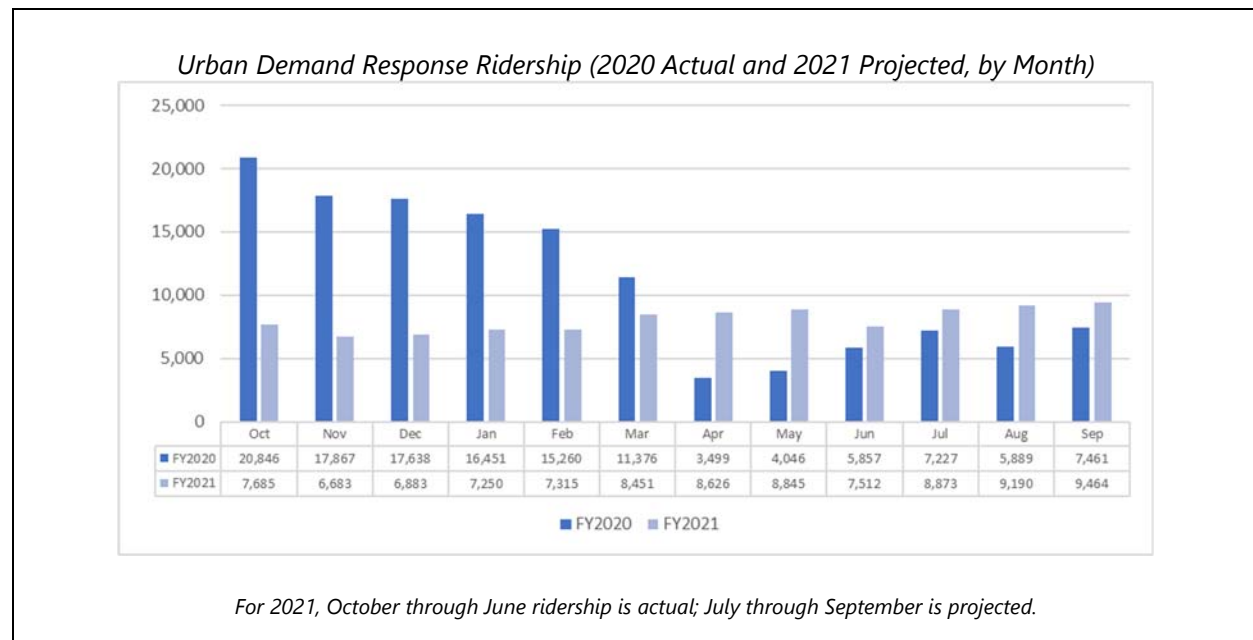
[AirRide](#) bus service from Ann Arbor to the Detroit Metro Airport was continuing its growth trend in 2020 with 5% ridership gains through February, before operations were suspended. TheRide launched [D2A2](#), Detroit-to-Ann Arbor commuter bus service, in partnership with and funded by the Regional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

AirRide is now being operated by Michigan Flyer who will now be tracking ridership and revenues on their financial records. D2A2 is budgeted to operate in FY2022 if possible and did not operate in FY2021. In FY2020, the ridership for D2A2 was 119 for the short operation period.

Urban Demand Response

Demand response services cover a range of accessible, flexible, on-demand services operated by TheRide, including A-Ride, GoldRide, [NightRide and HolidayRide](#), [FlexRide](#), and [MyRide](#). Service was reduced and ridership declined sharply in March 2020. A-Ride trips were limited to paratransit services minimally required by the Americans with Disabilities Act (ADA). NightRide and HolidayRide services were consolidated with FlexRide in August 2020. MyRide mobility management services were suspended upon the onset of the pandemic but anticipated for restoration in FY2022 if possible.

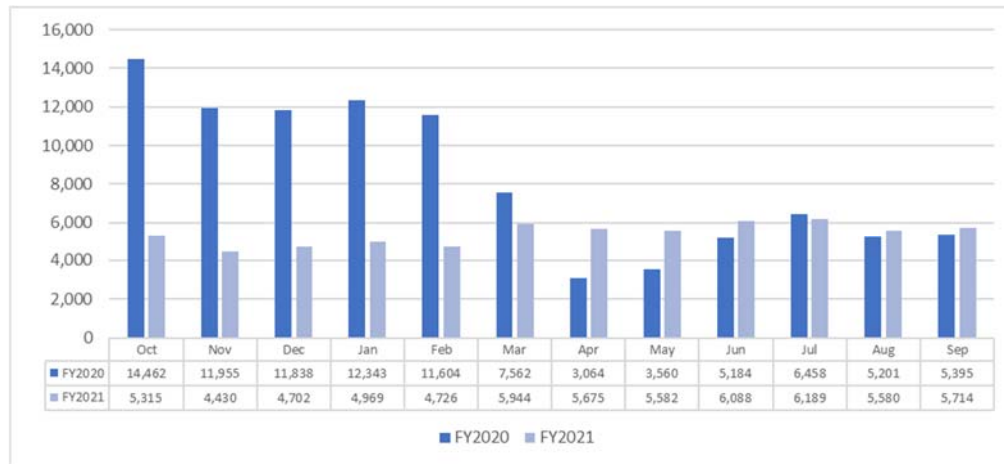
2021 Ridership is projected 28% lower, at 96,777 passenger trips compared to 133,417 in 2020. Ridership comparisons for all demand response services combined are shown in the chart below:



A-Ride is an ADA-required paratransit service, available for people with disabilities who are unable to use the fixed-route system. In prior years, A-Ride had also incorporated GoldRide, a shared-ride on-demand service for persons age 65 or older. Several changes were made in 2020 in response to the pandemic. GoldRide was suspended to ensure adequate capacity was available for ADA-required trips. (GoldRide

passengers are still provided free rides on fixed-route services.) GoldRide has been approved to be expanded in August 2021 and will be separated from A-Ride service. Ridership is projected at 64,914 trips for 2021, down 34% from 98,626 riders in 2020, as shown in the chart below.

A-Ride/GoldRide Ridership (2020 Actual and 2021 Projected, by Month)



For 2021, October through June ridership is actual; July through September is projected.

2022 Budget

Budget Overview

The following sections outline the FY2022 operating and capital budgets. The initiatives outlined in this budget help advance the priorities identified in the *Supporting Community Recovery Plan* (i.e. supporting community recovery, planning for the future). This budget also provides multi-year forecasts and context.

Highlights of the FY2022 Budget include:

- Balanced operating and capital budgets
- Fixed route service recovery
- GoldRide service expansion
- Funding for new A-Ride contractor
- Fare change proposal for daily and monthly passes along with removing the NightRide and Holiday surcharge
- Continuing work on a long-range service plan
- Leverages Federal pandemic relief funds for financial stability
- Leverages local revenue for capital investment

In addition, the budget continues to advance many of the capital initiatives that have been started in recent years. Examples of significant 2022 initiatives include:

- Replacement and rehabilitation of fixed-route buses and support fleet
- Ongoing investment in facility rehabilitation
- Ongoing investments in technology modernizations
- Planning and design for future renovation and/or expansion of transit centers

Operations Overview

Many of the TheRide's services were reduced or suspended upon the pandemic outbreak in 2020 and a *temporary service plan* was developed that will expire on August 28, 2021. At that time, the *Service Recovery Plan* will be implemented which increases services to pre-pandemic levels with a reorganized and simplified network of routes for essential travel. The plan will affect all routes, along with A-Ride, GoldRide, FlexRide, and Night/Holiday service.

It is important to note that the *Service Recovery Plan* was developed in compliance with federal regulations and Board's policy relative to service change and operating requirements. The process included extensive public review and input, and a board review to determine how resources would be best allocated during service recovery.

The following tables present vehicle revenue hours (hours of service) and ridership, with comparisons between FY2020 actual performance and the projected 2022 levels. FY2021 projected results is also presented.

Projected Vehicle Revenue Hours for 2022 vs. 2020, Actual, 2021 Projected

Service Hours:	Actual 2020	Projected 2021	Projected 2022	% Change (2022 vs. 2020)
Local Fixed Route	250,492	205,240	274,928	10%
ExpressRide	972	-	-	-100%
AirRide & D2A2**	5,010	-	7,540	50%
Urban Demand Response	73,522	52,900	111,849	52%
Total	329,996	258,140	394,317	19%

Projected Ridership for 2022 vs. 2020, Actual, 2021 Projected

Passenger Trips:	Actual 2020	Projected 2021	Projected 2022	% Change (2022 vs. 2020)
Local Fixed Route	3,546,585	1,722,549	4,379,800	23%
ExpressRide	12,479	-	-	-100%
AirRide & D2A2**	50,213	-	22,620	-55%
Urban Demand Response	133,417	96,928	168,465	26%
Total	3,742,694	1,819,477	4,570,885	22%

Note: Urban Demand Response includes A-Ride, GoldRide, HolidayRide, NightRide, FlexRide and MyRide. AirRide is currently not operated by TheRide, and no data is included in 2021 or 2022 for this Service Line.

Operating Budget

The following tables and charts illustrate the elements of the 2022 Operating Budget, as well as how the recommended budget compares with the 2020 approved budget. The draft FY2022 budgeted expenses and revenues are presented below and compared to FY2020 as this is the latest budget year with full operating service levels.

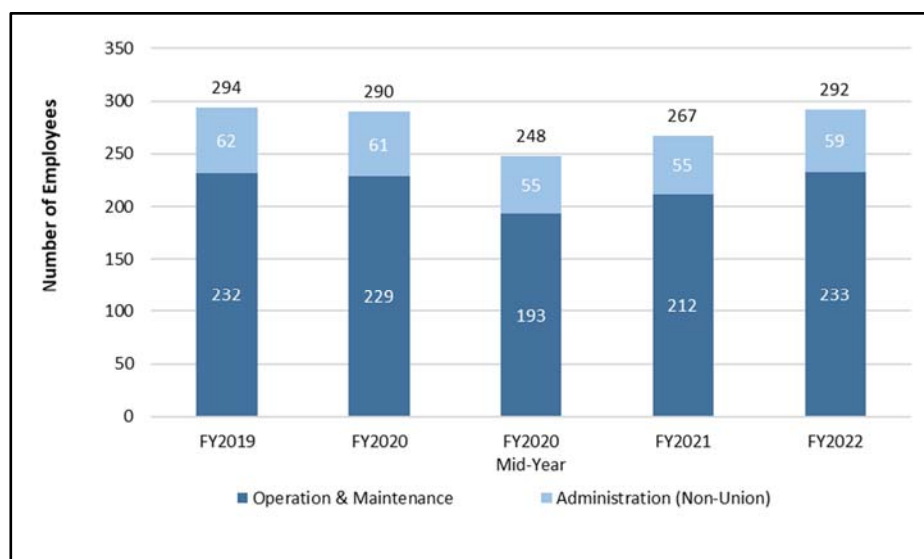
FY2022 Expenses (with FY2020 Comparison)

Budgeted Expenses	FY2020	FY2022	% Change	
Operating Expenses				
Salaries, Wages, Benefits	\$ 26,650,220	\$ 28,860,379	8%	
Purchased Transportation	12,097,267	14,579,680	21%	
Fuel, Material, Supplies	4,703,638	5,421,800	15%	
Contracted Services	2,730,795	3,487,874	28%	
Other Expenses	2,607,556	3,422,368	31%	
Total Operating Expenses	\$ 48,789,476	\$ 55,772,101	14%	

Expenses

Operating expenses are budgeted at **\$55,772,101**, 14% higher than FY2020. Key expense assumptions:

- Fixed route service will be restored to pre-pandemic levels based on the FY2022 Service Recovery Plan. A-Ride will be operated as a contracted service instead of in-house. FlexRide service will decrease from FY2021 levels but is expanded from FY2020 based on FY2022 service routes. GoldRide service restoration is also included in this draft budget.
- Salaries and wages include contractual pay rate increases for bargaining unit employees and a 3% annual increase for non-union employees. The rate for non-union employees has been benchmarked with the [American Society of Employers \(ASE\) Annual Salary Budget Survey](#). Budgeted employee headcount is restored to FY2020 levels: 290 in FY2020 vs. 292 in FY2022. See below for the headcount trend from FY2019 to FY2022:



- Fringe benefit costs were estimated based on historical actual costs and any expected inflation rate for certain fringe benefits from FY2021 costs. See below for a comparison of the detailed fringe expenses and key assumptions:

Type of Fringe	FY2020	FY2022	\$ Change	% Change
FICA	\$ 1,437,246	\$ 1,594,903	\$ 157,658	11%
Pension	1,589,905	1,886,648	296,743	19%
Healthcare	2,803,048	3,011,496	208,448	7%
Worker's Compensation	131,150	185,281	54,131	41%
Dental/Vision	321,128	289,106	(32,022)	-10%
Disability (Long-Term/Short-Term)	164,491	176,858	12,367	8%
Life Insurance	61,992	64,824	2,832	5%
Other*	618,776	674,196	55,420	9%
Total Fringe Benefits	\$ 7,127,736	\$ 7,883,312	\$ 755,577	11%

*Other includes Post-Retirement, EAP, Unemployment expenses

- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based statutory rates. For 2021, the rates were 7.65% for earnings up to \$142,800 and 1.45% afterward.
 - Pension expense is based contractual (union) or established rates (non-union) for eligible employees. For eligible employees, the pension expense is 9% of wages.
 - Healthcare expense is based on historical medical insurance premium cost and the assumption of 10% increase in premiums due to previous annual increase amounts.
 - TheRide is self-insured for worker's compensation. The cost is based on historical average cost per employee.
- Purchased transportation expenses are 21% higher than FY2020 due to the new A-Ride contract, restoring the GoldRide service and the expansion of FlexRide from FY2020.
 - Fuel, materials, and supplies are up 15%. Fuel is budgeted ~\$500,000 higher than FY2020 due to the new A-Ride contract arrangement. In the past, this cost was directly incurred by the contractor and then billed to TheRide. The remaining increase in fuel, materials and supplies is related to service recovery costs, pandemic-related costs, and normal cost inflation. One-time pandemic related costs total \$212,000.
 - Contracted services are increasing by 28%, primarily due to one-time and semi-annual costs in consulting, marketing efforts, and pandemic-related services. Variances in contractual services are illustrated in the table below with additional descriptions for primary impacts to the contractual services budget below the table.

Type of Contracted Services	FY2020	FY2022	\$ Change	% Change
Consulting	\$ 479,133	\$ 820,000	\$ 340,867	71%
Contracted Maintenance Service	907,266	766,500	(140,766)	-16%
Pandemic-Related Services	-	521,400	521,400	100%
Security Services	404,077	232,200	(171,877)	-43%
Legal & Auditing Fees	214,000	231,000	17,000	8%
Local Property Tax Collection Fees	175,126	221,734	46,608	27%
Custodial Service	192,402	205,000	12,598	7%
Agency Fees (Marketing Design)	80,700	158,340	77,640	96%
Internet Services & Other	278,091	331,700	53,609	19%
Total Contracted Services	\$ 2,730,795	\$3,487,874	\$ 757,079	28%

- Consulting costs are up 71% or \$340,867. This increase is related to additional planning efforts for the 2045 long term plan, semi-annual surveys due in FY2022, and one-time efforts for the following:
 - Millage renewal consulting - \$75,000
 - Electric bus study - \$100,000
 - Equity consulting - \$100,000
- Agency Fees are up 96% or \$77,640. This is due to one-time marketing efforts for the 2045 long term plan and millage renewal.
- Pandemic-related services include funding for cleaning, media, vehicle maintenance, mobile ticketing, etc. and are budgeted based on expenses incurred in FY2021. These expenses are reimbursed through federal pandemic relief funding and are not expected to be required at the same levels in FY2023.
- Other expenses are projected to increase by 31%, primarily from higher insurance premiums, utility charges, and equipment and parking lot rental fees. Variances in other expenses are illustrated in the table below with additional descriptions for primary impacts to the other expenses budget below the table.

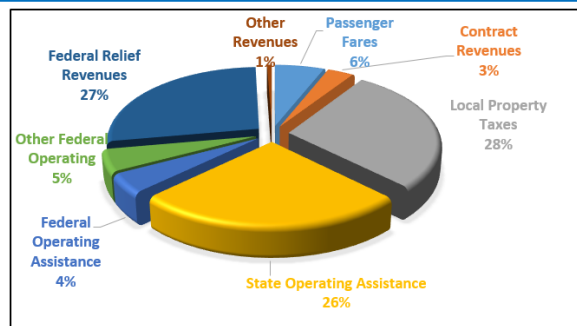
Type of Other Expenses	FY2020	FY2022	\$ Change	% Change
Casualty & Liability Insurance	\$ 958,365	\$1,450,000	\$ 491,635	51%
Utilities	537,648	699,500	161,852	30%
Media	366,500	331,088	(35,412)	-10%
Employee Training & Travel	280,519	309,250	28,731	10%
Equipment & Parking Lot Rental	96,724	207,560	110,836	115%
Uniforms	138,000	140,000	2,000	1%
Other	229,800	284,970	55,170	24%
Total Other Expenses	\$ 2,607,556	\$3,422,368	\$ 814,812	31%

- Higher casualty and liability insurance premiums are mainly due to 15-20% market increases per year since FY2020. These market increases are considered normal for the transportation industry.
- Utilities expenses have been increased to reflect consistency with actual expenditures related to seasonal fluctuations and a historical trending analysis spanning the past several years.
- Equipment & parking lot rental expenses are increased to reflect the assumption that D2A2 service will be restored. Expenses are fully recovered from federal and state funding and any changes in the projected expense will also decrease revenues directly associated with the reimbursement.

Revenues

FY2022 Revenues (with FY2020 Comparison)

Budgeted Revenues	FY2020	FY2022	% Change
Operating Revenues			
Passenger Fares	\$ 7,336,441	\$ 4,165,723	-43%
Contract Revenues	2,274,698	2,200,689	-3%
Local Property Taxes	17,512,610	19,258,842	10%
State Operating Assistance	16,998,848	17,505,274	3%
Federal Operating Assistance	3,331,250	3,000,000	-10%
Other Federal Operating	1,377,095	3,353,022	143%
Federal Relief Revenues	-	18,653,477	N/A
Other Revenues	393,506	391,000	-1%
Total Operating Revenues	\$ 49,224,448	\$ 68,528,026	39%



Operating revenues are budgeted at **\$68,528,026** a 39% increase from the FY2020 budget year. Key revenue assumptions are:

- Passenger fare revenue is expected to be 43% less than the FY2020 budget because of lower ridership than pre-pandemic levels. The proposed fare impact has been included in the passenger fare revenue.
- Contract revenue is expected to recover, only reduced by 3% from FY2020.
- Local property tax collections are expected to remain stable for FY2022 and increase for normal inflation of property tax values.
- State Operating Assistance revenue is increased by 2% due to higher eligible expenses than FY2020 offset by state grants that have ended since FY2020.
- Other federal operating assistance will increase due to funds passed through RTA for the D2A2 service if this service is restored, an increase of 143%.
- Other income is budgeted almost consistent to the FY2020 budget as it is expected that interest income and advertising sales will be restored.

Contingencies

There is still a fair amount of uncertainty regarding revenues and expenses, particularly regarding federal, state, and local funding and how quickly and the degree to which services can be fully recovered. The

FY2022 budget proposal may change before a recommended budget is presented to the Board for adoption. The following revenues and expenses are key areas to review during the budget process:

- The appointment of Federal pandemic relief funds could be higher or lower than anticipated.
- Fare revenue and contract revenue will vary based upon ridership and service restoration.
- Property tax collections could be higher or lower than anticipated.
- State operating and capital contributions will depend upon the state's budget adoption, which isn't likely to occur before early September.
- Purchased transportation costs could decline if D2A2 is unable to relaunch, or the expected ridership levels are not attained.
- Pandemic-related costs could be higher or lower than anticipated.

Budgets to be presented during the budget cycle represent the staff's best attempts to make financial projections using the economic inputs available to us from our industry, local, state, and federal leaders. State law allows adopted budgets to be amended, offering adequate flexibility to accommodate changing budgetary needs as the year progresses.

2022 Operating Budget Detail (with Prior Year Comparisons)

	FY2020 Audited Actuals	FY2020 Adopted Budget	FY2021 Projected Actuals	FY2022 Draft Budget	2022 vs. 2020 Change		FY2021 Amended Budget
					\$	%	
OPERATING REVENUE							
Passenger Revenue	\$ 3,627,820	\$ 7,336,441	\$ 1,500,000	\$ 4,165,723	\$ (3,170,718)	-43%	\$ 2,088,234
Local Property Tax Revenue	17,841,235	17,512,610	18,387,071	19,258,842	1,746,232	10%	16,265,739
POSA & other Governmental Partners	1,622,806	2,274,698	1,750,000	2,200,689	(74,009)	-3%	1,806,389
State Operating Assistance	13,200,321	16,998,848	11,366,983	17,505,274	506,426	3%	12,062,516
Federal Operating Assistance	2,570,000	3,331,250	3,000,000	3,000,000	(331,250)	-10%	3,000,000
Other Federal Conditional Assistance	1,228,679	1,377,095	1,312,436	3,353,022	1,975,927	143%	2,075,700
CARES/CRRSAA/ARP	1,404,979	-	17,100,314	18,653,477	18,653,477	n/a	17,100,314
Advertising, Interest, and Other	511,414	393,506	303,000	391,000	(2,506)	-1%	303,000
TOTAL REVENUES	\$ 42,007,254	\$ 49,224,448	\$ 54,719,804	\$ 68,528,026	\$ 19,303,578	39%	\$54,701,892
OPERATING EXPENSES							
PERSONNEL							
Operations Salaries & Wages	\$ 11,772,569	\$ 10,952,286	\$ 11,416,502	\$ 11,958,963	\$ 1,006,677	9%	11,416,502
Other Salaries & Wages	2,923,462	3,090,623	2,838,455	3,390,836	300,213	10%	3,117,550
Administration Salaries & Wages	3,601,772	5,479,575	4,110,000	5,627,268	147,693	3%	5,341,657
Subtotal - Personnel	\$ 18,297,803	\$ 19,522,484	\$ 18,364,958	\$ 20,977,067	\$ 1,454,583	7%	\$19,875,709
Fringe Benefits	6,570,296	7,127,736	6,703,210	7,883,312	755,576	11%	6,882,543
Total Salaries & Wages	\$ 24,868,099	\$ 26,650,220	\$ 25,068,167	\$ 28,860,379	\$ 2,210,159	8%	\$26,758,252
OTHER EXPENSES							
Purchased Transportation	8,429,684	12,097,267	5,800,000	14,579,680	2,482,413	21%	5,722,139
Diesel Fuel and Gasoline	1,009,525	1,880,000	1,150,000	2,400,000	520,000	28%	1,500,000
Materials and Supplies	2,256,631	2,823,638	2,350,000	3,021,800	198,162	7%	2,981,434
Contracted Services	2,269,291	2,730,795	3,000,000	3,487,874	757,079	28%	3,116,121
Utilities	601,093	537,648	700,000	699,500	161,852	30%	608,344
Casualty & Liability Insurance	1,114,209	958,365	1,300,000	1,450,000	491,635	51%	1,300,000
Other Expenses	591,505	1,111,543	600,000	1,272,868	161,325	15%	777,001
Subtotal - Other Expenses	\$ 16,271,939	\$ 22,139,256	\$ 14,900,000	\$ 26,911,722	\$ 4,772,466	22%	\$16,005,040
TOTAL EXPENSES	\$ 41,140,038	\$ 48,789,476	\$ 39,968,167	\$ 55,772,101	\$ 6,982,625	14%	\$42,763,292
Surplus (Deficit)	867,217	434,972	14,751,637	12,755,926	12,320,954	2833%	11,938,600
Operating Reserve Transfer	(867,217)	(434,972)	(2,813,037)	-	-		
Capital Reserve Transfer			(11,938,600)	(12,755,926)	(12,320,954)		(11,938,600)
Operating Balance	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -

Basis of Budgeting

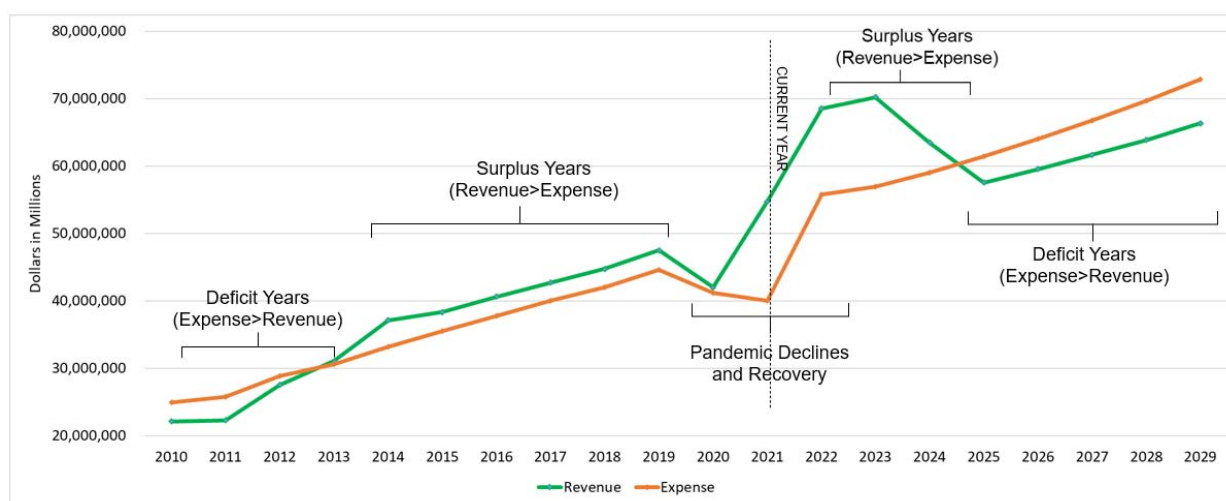
The 2022 operating and capital budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and for the production of the financial statements. The only difference between the financial statements and the budget is that depreciation expense is not included in the operating budget since it is a booked expense which does not affect the general fund balance, operating reserve, or capital budget. Depreciation expense is included in the annual audited financial statements.

Long-Term Financial Context: 2022-2029

The Board's policies require the annual budget to be contextualized within a multi-year forecast of costs and revenues (Policy 2.4). The FY2022 budget and 7-year forecast for subsequent years is detailed on the next page.

The graph below compares historic (10-year actuals), FY2021 projected actuals, and forecasted financials to provide context for the FY2022 budget. After historical operating deficits consumed much of TheRide's financial capacity prior to 2013 as the organization expanded, new funding helped restore fiscal strength until just before the pandemic outbreak. TheRide's reserve coffers were finally at the policy target in late FY2019 after experiencing low balances for several years.

TheRide's Financial Performance (Historic, Current, Forecast)



At the onset of the pandemic in 2020, revenues declined and cost-cutting measures including staff reductions and suspended transit service were enacted in response. Federal aid from the CARES Act helped to gradually restore service in late FY2020 continuing through FY2021, assuring long-term financial sustainability. By 2022, service recovery to pre-pandemic levels is planned and operating surpluses are projected from FY2021 to FY2024 with the local funds being rededicated to the established capital reserve for capital projects. Operating deficits are predicted from FY2025 to 2029 that will need to be addressed soon.

2022 Operating Budget (with 7 Year Forecast)

Operating Revenues	2021	2022	2023	2024	2025	2026	2027	2028	2029
Passenger Fares	2,088,234	\$ 4,165,723	\$ 5,811,855	\$ 6,120,552	\$ 6,313,699	\$ 6,515,267	\$ 6,725,730	\$ 6,945,599	7,175,415
Contract Revenues	1,806,389	2,200,689	2,329,374	2,467,200	2,614,955	2,773,537	2,943,791	3,126,631	3,323,044
Local Property Taxes**	16,265,739	19,258,842	19,932,902	20,630,553	21,352,623	22,099,964	22,873,463	23,674,034	24,502,625
State Operating Assistance	12,062,516	17,505,274	17,760,971	18,413,195	19,203,801	20,043,162	20,940,629	21,895,404	22,926,486
Federal Operating Assistance	3,000,000	3,000,000	3,000,000	3,500,000	4,050,364	4,050,434	4,050,507	4,050,582	4,172,099
Other Federal Operating	2,075,700	3,353,022	3,584,178	3,406,769	3,449,893	3,496,288	3,546,213	3,599,946	3,659,306
CARES/CRRSAA/ARP	17,100,314	18,653,477	17,277,770	8,378,125	-	-	-	-	-
Other Revenues	303,000	391,000	517,313	526,939	536,803	546,910	557,267	567,881	578,757
Total Operating Revenues	54,701,892	\$ 68,528,026	\$ 70,214,362	\$ 63,443,333	\$ 57,522,138	\$ 59,525,562	\$ 61,637,601	\$ 63,860,077	\$ 66,337,733
Operating Expenses	2021	2022	2023	2024	2025	2026	2027	2028	2029
Salaries, Wages, Benefits	26,758,252	28,860,379	29,263,745	30,099,460	30,957,098	31,840,788	32,750,300	33,684,808	34,658,252
Purchased Transportation	5,722,139	14,579,680	15,783,647	16,426,276	17,323,172	18,288,416	19,327,401	20,445,949	21,650,346
Fuel, Material, Supplies	4,481,434	5,421,800	5,421,692	5,638,420	5,863,816	6,098,229	6,342,018	6,595,559	6,859,241
Contracted Services	3,116,121	3,487,874	2,715,505	2,782,785	2,862,163	2,935,830	3,021,992	3,102,872	3,196,713
Other Expenses	2,685,346	3,422,368	3,716,991	4,051,149	4,426,984	4,850,331	5,327,881	5,867,303	6,477,397
Total Operating Expenses	42,763,292	\$ 55,772,101	\$ 56,901,581	\$ 58,998,089	\$ 61,433,232	\$ 64,013,595	\$ 66,769,591	\$ 69,696,491	\$ 72,841,948
Surplus (Deficit)	11,938,600	12,755,926	13,312,781	4,445,243	(3,911,095)	(4,488,032)	(5,131,990)	(5,836,414)	(6,504,215)
Capital Reserve Transfer	(11,938,600)	(12,755,926)	(13,312,781)	(4,445,243)	-	-	-	-	-
Operating Balance	-	-	-	-	-	-	-	-	-

10-year Capital Plan Summary

The table below summarizes the capital program for FY2022 and beyond until FY2031. While projects advance the *Supporting Community Recovery* priorities, here their purpose is further organized by priorities of State of Good Repair, Value Added, Expansion, or Research and Development. The priority for capital investments is to maintain State of Good Repair as the highest priority, and Value Added and Expansion as the second highest priorities.

CAPITAL PROJECTS	FY2022 Budget	FY2023-FY2031 Program
State of Good Repair	\$9,750,000	\$82,809,300
Value Added	\$665,000	\$37,553,980
Research & Development	\$25,000	\$225,000
Expansion	\$1,250,000	\$146,917,406
TOTAL EXPENSES	\$11,690,000	\$267,505,686

FUNDING SOURCES	FY2022 Budget	FY2023-FY2031 Program
State & Federal Grants	\$11,288,931	\$115,862,450
Local Capital Reserve/Share	\$401,069	\$42,176,833
Unidentified Funding	\$0	\$109,466,403
TOTAL REVENUE	\$11,690,000	\$267,505,686

UNIDENTIFIED FUNDING PORTION	FY2022 Budget	FY2023-FY2031 Program
Unidentified Funding %	0%	41%

2022 Capital Budget

The table below lists the detailed capital program for FY2022. Details for each project can be found in the [Appendix](#).

Category	Project Description	FY2022
State of Good Repair	Vehicles	\$4,820,000
	Equipment	\$405,000
	Existing Facilities	\$4,290,000
	IT Hardware and Software Replacement	\$235,000
	Sub-total	\$9,750,000
Value Added	Technology Upgrades	\$450,000
	Bus Stop Improvements	\$215,000
	Sub-total	\$665,000
Research and Development	Emergent R&D Projects	\$25,000
	Sub-total	\$25,000
Expansion	Ypsilanti Transit Center: Planning & Design	\$1,100,000
	Blake Transit Center: Planning & Design	\$150,000
	Sub-total	\$1,250,000
Capital Costs Total		\$11,690,000

Capital expenditures are defined as assets purchased with an initial cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets include land, buildings, vehicles, and equipment, which are recorded at historical cost. Improvements expected to extend the useful lives of existing assets are capitalized. The costs of normal maintenance and repairs are not capitalized.

10-Year Capital Plan

All figures in \$		FY22 Budget		FY23-31 Program								
Category	Project Description	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	Total
STATE OF GOOD REPAIR	Vehicles	4,820,000	4,942,000	5,090,260	5,242,968	5,400,257	5,562,265	5,729,132	5,901,006	6,078,037	6,260,378	55,026,302
	Equipment	405,000	345,000	321,000	409,000	412,000	425,000	501,000	516,030	531,511	547,456	4,412,997
	Existing Facilities	4,290,000	5,040,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	30,850,000
	Information Technology	235,000	435,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,270,000
	Category Total	9,750,000	10,762,000	8,301,260	8,541,968	8,702,257	8,877,265	9,120,132	9,307,036	9,499,548	9,697,834	92,559,300
VALUE ADDED	Technology Upgrades [ITS, TSP, Smart Card]	450,000	500,000	870,000	2,150,000	2,150,000	2,150,000	2,150,000	150,000	150,000	150,000	10,870,000
	Zero-Emission Vehicles [Costs Pending Study]	-	-	-	-	-	-	-	-	-	-	-
	Bus Stop Improvements	215,000	395,927	310,000	77,879	185,000	191,000	197,000	202,910	208,997	215,267	2,198,980
	Bus Lane Planning & Construction	-	50,000	50,000	50,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	-	25,150,000
	Category Total	665,000	945,927	1,230,000	2,277,879	7,335,000	7,341,000	7,347,000	5,352,910	5,358,997	365,267	38,218,980
RESEARCH & DEVELOPMENT		Emergent R&D	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
		Category Total	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
EXPANSION	Bus Garage	Land Acquisition	-	-	-	1,000,000	-	-	-	-	-	1,000,000
		Planning, NEPA, & Design	-	650,000	1,950,000	3,900,000	-	-	-	-	-	6,500,000
		Construction	-	-	-	-	43,333,333	21,666,667	-	-	-	65,000,000
		Garage Subtotal	-	650,000	1,950,000	4,900,000	43,333,333	21,666,667	-	-	-	72,500,000
	Ypsilanti Transit Center	Land Acquisition	-	1,000,000	-	-	-	-	-	-	-	1,000,000
		Planning, NEPA, & Design	1,100,000	772,622	-	-	-	-	-	-	-	1,872,622
		Construction	-	-	10,396,523	5,198,261	-	-	-	-	-	15,594,784
		YTC Subtotal	1,100,000	1,772,622	10,396,523	5,198,261	-	-	-	-	-	18,467,406
	Blake Transit Center	Planning, NEPA, & Design	150,000	150,000	-	-	-	-	-	-	-	300,000
		Construction Contribution	-	4,000,000	-	-	-	-	-	-	-	4,000,000
		BTC Subtotal	150,000	4,150,000	-	-	-	-	-	-	-	4,300,000
	Bus Rapid Transit	Planning, NEPA, & Design	-	-	-	-	-	2,000,000	8,000,000	6,000,000	-	16,000,000
		Construction & Vehicles	-	-	-	-	-	-	9,150,000	11,150,000	16,600,000	36,900,000
		BRT Subtotal	-	-	-	-	-	2,000,000	17,150,000	17,150,000	16,600,000	52,900,000
	Category Total		1,250,000	6,572,622	12,346,523	10,098,261	43,333,333	21,666,667	2,000,000	17,150,000	17,150,000	148,167,406
EXPENSE TOTAL			11,690,000	18,305,549	21,902,783	20,943,108	59,395,590	37,909,931	18,492,132	31,834,946	32,033,545	279,195,686

Funding Sources	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	Total
FORECASTED:											
5307 Federal +State Match	6,161,713	9,786,770	17,722,114	7,675,182	7,770,698	7,431,189	7,691,469	7,916,342	9,355,050	9,629,479	91,140,004
5339 Federal + State Match	2,562,615	1,225,759	1,261,919	1,299,145	1,337,470	1,376,925	1,417,545	1,459,362	1,502,413	1,546,735	14,989,888
CMAQ Federal + State Match	2,089,604	1,667,790	1,716,990	1,767,641	1,819,786	1,873,470	1,928,737	1,985,635	2,044,211	2,104,516	18,998,381
5310 Federal + State Match	100,000	-	-	-	-	-	-	-	-	-	100,000
STBG Flex Federal + State Match	175,000	350,230	300,000	77,879	-	-	-	-	-	-	903,109
State Initiatives (TSP)	200,000	250,000	570,000	-	-	-	-	-	-	-	1,020,000
Local Capital Reserve/Share	401,069	5,025,000	331,760	10,123,261	26,571,811	25,000	25,000	25,000	25,000	25,000	42,577,902
UNIDENTIFIED:											
Other	-	-	-	-	21,895,825	27,203,347	7,429,382	20,448,607	19,106,870	13,382,372	109,466,402
REVENUE TOTAL	11,690,000	18,305,549	21,902,783	20,943,108	59,395,590	37,909,931	18,492,133	31,834,946	32,033,545	26,688,101	279,195,685



Sources of Capital Funding

The capital program is funded through a combination of local, state, and federal sources as listed at the bottom of the table on the previous page and summarized below for FY2022. Additional information is available in the *State and Federal Grants Primer*, see the [Appendix](#).

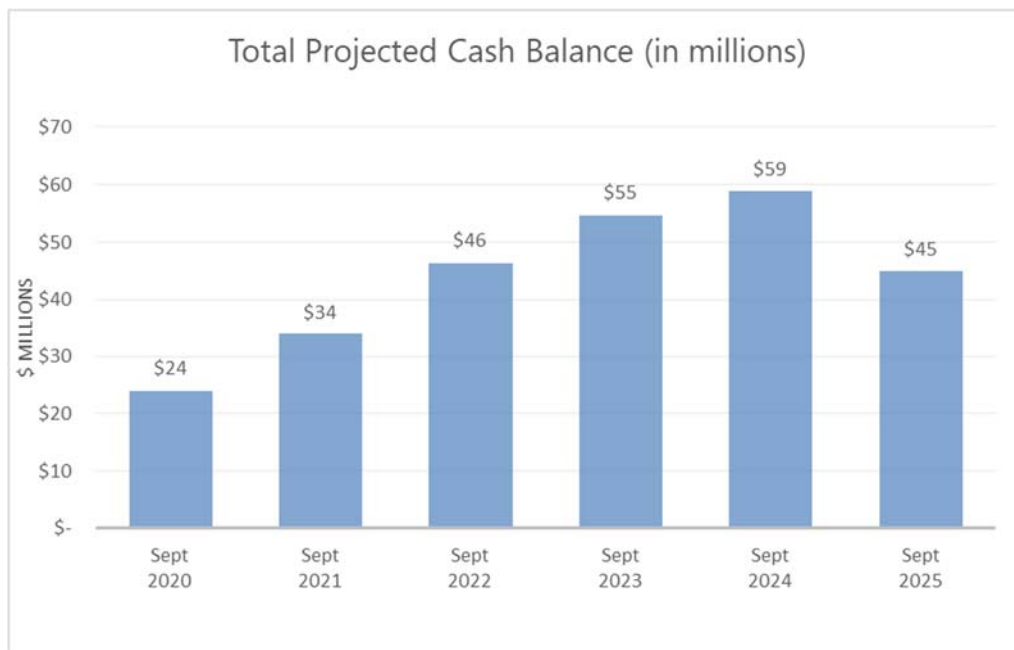
Sources of Capital Funds:	FY2022
Local Capital Reserve/Share TheRide's own cash and investments budgeted for YTC planning and research and development projects in FY2022. A capital reserve was established in FY2021 with local funds as a result of additional pandemic relief that has been and will be received.	\$401,069
Federal STBG Flex Federal Surface Transportation Block Grant (STBG) funding provided to states and localities for road projects. Washtenaw Area Transportation Study (WATS) has transferred a portion to FTA Section 5307 for pedestrian/bus stop improvements.	\$140,000
State Initiatives (TSP) State funding MDOT awarded for the Transit Signal Priority project, continuing work started last year. Project listed in the Technology Upgrades line.	\$200,000
State Capital Match State Comprehensive Transportation Fund (CTF) capital funding for 20% local share required by federally funded capital projects (STBG, 5307, 5310, 5339, CMAQ, Discretionary).	\$2,217,786
Federal 5307 Formula Federal urbanized formula support for transit capital projects. Supports state of good repair projects, technology upgrades, and YTC/BTC planning.	\$4,929,370
Federal 5310 Formula Federal formula for mobility of seniors and people with disabilities. Supports capital purchases and operating activities designed to serve these populations.	\$80,000
Federal 5339 Formula Federal formula for buses and bus facilities, will support state of good repair vehicle replacements and facility rehabilitations.	\$2,050,092
Federal CMAQ Federal highway funding for Congestion Mitigation/Air Quality (CMAQ) improvement, transferred by the Southeast Michigan Council of Governments (SEMCOG) for transit projects in Washtenaw County. Supports large bus replacements.	\$1,671,683
Unidentified/Discretionary A placeholder in the capital budget for federal discretionary awards, also known as competitive FTA grants, that will support capital projects.	\$0
Total:	\$11,690,000

Impacts of 2022 Budget

Projected General Fund and Cash Balances

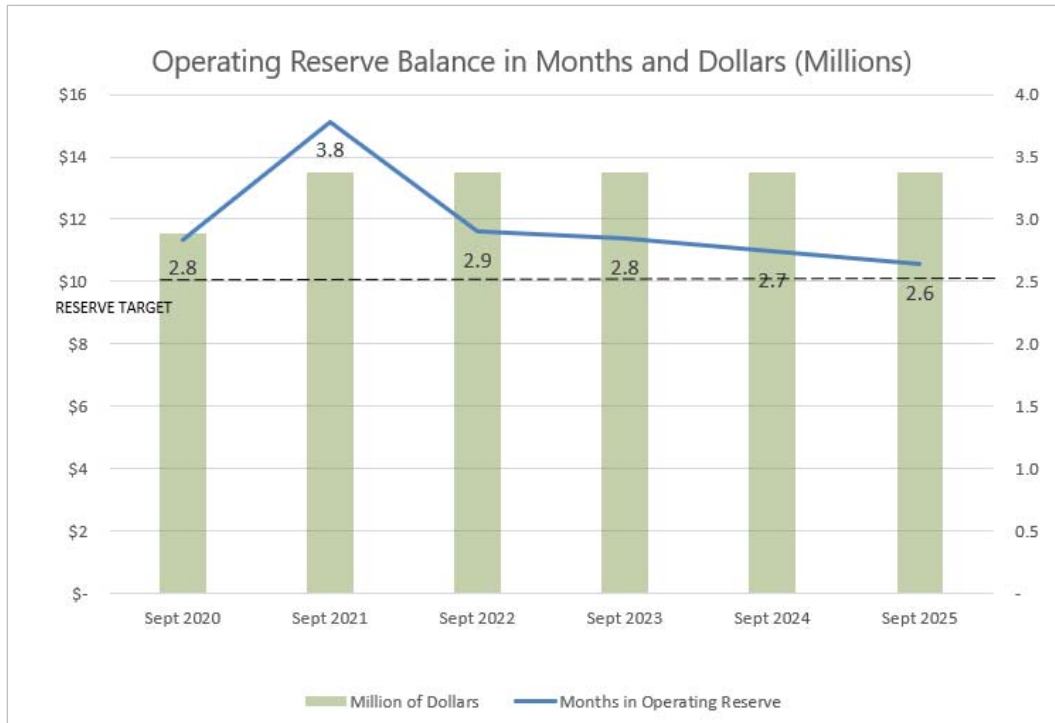
The fund balance will start the new fiscal year (October 1, 2021) near the net position of \$82 million with most assets in capital, cash, and investments. The FY2022 closing fund balance is expected to grow about \$13 million based on the projected FY2022 operating surplus amount and continuation of low liability balances. The growth in the fund balance is a direct result of the Board-approved strategy to establish a capital reserve with local funds as federal pandemic relief funds are utilized for operating purposes.

TheRide's cash balance will fluctuate through the year with the highest level in August and/or September and gradual spending over the fiscal year. See projected cash balances at the end of FY2021 to FY2025 (September) with the historical cash balance as of the end of FY2020.



Projected Operating Reserve Balance

The projected operating reserve is the cash and investment balance of the unrestricted net position on the statement of net position (balance sheet) that has been committed to operational use. TheRide expresses the reserve in terms of a dollar amount (balance) and the number of months of operations it can support. The Government Finance Officers Association (GFOA) recommends that reserve balances in the public sector should be able to support 2 to 3 months of operations. TheRide's target reserve balance is 2.5 months, which is \$11.6 million to support a \$55.8 million budget as recommended for FY2022. This target level is expected to be reached at the end of FY2021 with \$13.5 million projected as the operating reserve and is expected to be maintained until FY2025 to accommodate growing expenses through that time.



Projected Capital Reserve Balance

The projected capital reserve is the cash and investment balance of the unrestricted net position that has been committed to capital use. The capital reserve will be funded from local operating surplus dollars from FY2021 to FY2024 as federal pandemic relief funds are received for operating use. The below table represents the expected capital reserve funding timing, use of funds, and the remaining capital reserve balance from FY2021 to FY2026. See the 10-year Capital Plan for more details on the capital projects that will utilize these funds.

<i>In Thousands of Dollars</i>	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	Total
Capital Reserve Transfer (from Operating Surplus)	\$ 11,939	\$ 12,756	\$ 13,313	\$ 4,445	\$ -	\$ -	\$42,453
Capital Reserve Use	\$ -	\$ 401	\$ 5,025	\$ 332	\$ 10,123	\$26,572	\$42,453
Remaining Capital Reserve Amount	\$ 11,939	\$ 24,294	\$ 32,581	\$ 36,695	\$ 26,572	\$ -	\$ -

Impacts of Capital Investments on the Operating Budget

Capital investments can impose significant impacts upon the operating budget. These have been considered in development of the FY2022 budget and are summarized in this section.

- Large Bus Replacement:** TheRide awarded a contract to Nova Bus, a new vendor, in 2019 and 8 buses were ordered. These buses were delayed by the manufacturer due to the pandemic and the majority of the buses were received in August 2021, funded with prior-year capital dollars. For the FY2022 operating budget, higher costs were anticipated for investment in parts inventory and training for the new style of buses.

- **Bus Components:** Major bus components such as engines, transmissions, hybrid drives and batteries, and other major parts can be replaced as capital improvements to equipment. These capital investments are made to maintain a state of good repair in equipment, and result in lower maintenance costs.
- **Facilities Rehabilitations:** A backlog of preventive and corrective maintenance needs has resulted in increased operating expenses for service of HVAC systems and the roof. Replacement of these systems began in 2019 and will continue through 2023, resulting in lower ongoing maintenance costs when complete. Other facility rehabilitations, such as higher efficiency HVAC systems and lighting replacement campaigns will lower utility expenses when completed.
- **Facility Expansions:** Expansion and replacement of the Ypsilanti Transit Center, expansion of the Blake Transit Center, and an expansion of garage space are all priorities in the capital planning. While there is little operating impact for 2022, additional costs for contract services (security, snow removal, janitorial), and utilities which will be necessary once facilities are constructed.

APPENDICES

1. FY2022 Initiatives

This section provides descriptions of operating and capital initiatives that will help to advance the priorities of the *Supporting Community Recovery Plan* and achieve the Board's *Ends Policies*. Initiatives below are listed under the priorities of Supporting Community Recovery, Planning for the Future, Serving customers and Rebuilding Ridership and Modernizing TheRide.

Support community recovery: One of the major priorities of the TheRide in FY 2022 is to support the community recovery from the pandemic.

- **Service Recovery:** The recovery of pre-pandemic service will begin in August 2021 and should be complete in early FY 2022 (Policy 1.0).
- **Mobile Ticketing Assessment:** TheRide launched a pilot project for mobile ticketing called EZfare at the end of 2020. For 2022, in coordination with work on fare strategy, staff will evaluate the pilot project's results for adoption, including effects on promoting safer, socially distant fare payments, attracting new riders, equity impacts, and return on investment. (Policies 2.1, 2.2, 2.5.11, 3.2.9)

Planning for the Future:

- **2045 Long-Range Plan:** Development of a new long-term vision for public transit in the Ann Arbor/Ypsilanti area is needed to guide TheRide's future. TheRide will continue planning with our communities, riders, and stakeholders to create a service plan. (Policies 2.4, 2.5, 3.1.4)
- **Ypsilanti Transit Center and Blake Transit Center Planning:** TheRide will begin planning and design efforts for the replacement of the Ypsilanti Transit Center and expansion of the Blake Transit Center. See section 2 of the Appendix – FY2022 Capital Descriptions for further details. Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10, 2.12)

Serving Customers and Rebuilding Ridership: Providing safe, reliable services has been at the core of TheRide's mission. Most transit agencies lost most of their ridership during the pandemic. Rebuilding our ridership by providing genuinely attractive services and calming residual fears will be a key part of helping our communities. Key initiatives are:

- **Fare Change Proposal:** Based on the Fare Study and other strategic factors, the proposed fare changes have been included in this draft budget. The fare changes include reducing the daily and monthly bus passes, introducing a reduced day pass, and eliminating the NightRide and HolidayRide surcharge. See the proposed fare changes in the Fare Section (4) of the Appendices. (Policies 1.0, 2.5.12, 3.2.9)
- **GoldRide Service:** The premium GoldRide service will be restored as of August 2021 with a new fare structure as approved by the Board in 2021. See the fare structure in the Fare Section (4) of the Appendices. (Policies 1.0, 2.5.12, 3.2.9)

- **Customer Communications and External Relations Strategy:** Started in 2021 and planned for completion in 2022, TheRide will conduct a review of its approach to customer communications and external relations including updating priorities, clarifying roles, improving effectiveness, and ensuring appropriate resourcing. Functional areas to be covered include brand management, business development, social media management, sales, demand management, the GetDowntown program, and corporate communications. (Policies 2.1, 2.10)
- **Modernizing TheRide:** This priority ensures TheRide has a strong platform for delivering service in the community.
 - **Paratransit:** Continued work to bring efficiencies in A-Ride paratransit and related services will take place in 2022. The service transitioned from in-house operations to a third-party contractor in late FY2021. (Policies 1.1, 2.1.2)
 - **Timekeeping and Integrated HRIS and Payroll:** Staff initiated work to modernize and replace human capital management, timekeeping, and payroll systems in FY2020, and hired an outside expert to guide the project. The Operations Division began implementation of Trapeze OPS to streamline timekeeping-related functions, bidding, scheduling, and dispatching for Motor Coach Operators. For the rest of the organization, TheRide is procuring a provider for both HRIS and payroll, with implementation expected by the end FY2022. (Policies 2.2)
 - **Technology Upgrades:** State funds are programmed to continue work begun in 2022 on Transit Signal Priority along with technology upgrades (Policies 1.0, 2.1, 2.2, 2.4, 2.7).

Other notable initiatives in the Operating Budget:

- **FTA Triennial Review:** A three-year audit of TheRide's compliance with federal regulations is due in FY2022. See [FTA's website](#) for details. (Policies 2.0, 2.4, 2.7)

2. FY2022 Capital Descriptions

This section provides further details on the projects included in the **Capital Budget**. To be consistent with the Capital Budget, it is further organized by priorities of State of Good Repair, Value Added, Expansion, or Research and Development.

State of Good Repair: Board Policy 2.7 requires the CEO to ensure that the physical assets of TheRide are not risked or under-maintained. To meet this requirement and to comply with federal regulation, TheRide follows a comprehensive Transit Asset Management (TAM) Plan. Updated annually, this plan establishes performance targets to ensure state of good repair for the fleet, equipment, and facilities operated by TheRide and its grant subrecipients. FY2022 projects:

- **Vehicle Replacement:**
 - **Large Bus Replacement:** Eight large transit buses that have reached the end of their useful life will be replaced to maintain service levels and avoid additional maintenance costs. TheRide has resumed its fleet replacement schedule following a deferral in FY2021 due to the pandemic. The 8 clean-diesel replacement buses will be purchased under the current Nova Bus contract. Budget: \$4,400,000 (Policies, 2.1, 2.4, 2.7).
 - **Small/Medium Bus Replacement:** The purchase five small cutaway buses for the A-Ride paratransit service and one small bus for the GroceryRide shopping access service are planned to maintain TheRide's accessible mobility services fleet. The replacement vehicles will be procured in FY2022 in accordance with fleet replacement plans. Budget: \$420,000 (Policies 2.1, 2.4, 2.7).
- **Equipment:**
 - **Bus Components:** Vehicle refresh schedules call for replacement of bus components such as engines, transmissions, hybrid drives and batteries, seats, and other major parts needed to maintain the fleet in a state of good repair. Budget: \$305,000 (Policies 2.1, 2.4, 2.7).
 - **Shop Equipment:** A budget for replacement of maintenance equipment and tooling used by mechanics and service crew. Budget: \$100,000 (Policies 2.2, 2.4, 2.7).
- **Existing Facilities:**
 - **Facility Rehabilitation:** Funding is budgeted to address priority maintenance issues at The Dawn Gabay Operations Center (DGOC), the Blake Transit Center (BTC), the Ypsilanti Transit Center (YTC), and TheRide's park-and-ride lots. A backlog of maintenance needs at the DGOC will continue to be addressed, including administrative facility interior renovations and replacement of the HVAC systems and roof over the maintenance facility using funds set aside in 2020 and 2021. Budget: \$4,000,000 (Policies 2.1, 2.2, 2.4, 2.7).
 - **Architecture & Engineering:** Facility rehabilitation projects will be guided by architecture and engineering design consultants who will provide design, engineering, bidding support, and project management. Budget: \$250,000 (Policies 2.1, 2.2, 2.4, 2.7).

- **Furniture Replacement:** In the last several years, it has been a priority to replace outdated and poor condition furnishings at the DGOC. Significant progress has been made, and furniture replacements will continue to modernize workspaces, improve ergonomic function, and enhance TheRide's objective to be a workplace of choice. Budget: \$40,000 (Policies 2.2, 2.4, 2.7).
- **Information Technology:**
 - **IT Hardware and Software Replacements:** Capital funds are budgeted for the replacement of obsolete or at-risk computers, servers, software, fare collection equipment, and other technology infrastructure aboard buses and in facilities. Budget: \$235,000 (Policies 2.1, 2.2, 2.4, 2.7).

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

- **Technology Upgrades:** State funds are programmed for the Transit Signal Priority project, and additional IT infrastructure investments in switches, firewalls, storage systems, and network monitoring software are planned. Budget: \$450,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7).
- **Bus Stop Improvements:** Each year investment is needed for replacement and improvement of bus stop infrastructure such as concrete landing pads, safe pedestrian paths, shelters, and other amenities, all with an eye toward ensuring accessibility for riders with disabilities. Staff are coordinating with WATS and Washtenaw County staff to prioritize and plan enhancements along Washtenaw Avenue and throughout TheRide's service area. Budget: \$215,000 (Policies 2.1, 2.4, 2.7, 2.10).

Research and Development: Capital funds are reserved for new projects that may develop in 2022. This is a budget placeholder for exploratory projects that could advance the organization's Ends by leading to new services, infrastructure, or business relationships. Budget: \$25,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10).

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

- **Ypsilanti Transit Center and Blake Transit Center Planning:** Applications for discretionary federal and state funding to replace and expand the YTC were, unfortunately, not selected for funding by FTA in 2019 or 2021. TheRide will continue to work on replacement and expansion of this facility by conducting planning studies in FY2022 and utilizing local funds. The Construction Policy (2.12) adopted by the Board in 2020 will be followed for next steps, which could include future grant applications. TheRide also budgeted for Blake Transit Center planning in coordination with the City of Ann Arbor, which owns the property adjacent to the BTC. We are hopeful that these discussions will move toward allowing a small expansion of the BTC on this parcel. Budget: \$1,250,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10)

3. Contracts

The Board's Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to \$250,000 and disallows the splitting of purchases or contracts into smaller amounts to avoid this limitation. Listed below are the contracts that are anticipated to be awarded in FY2022. When adopting the budget, the Board may opt to accept all contracts with a value greater than \$250,000 as listed by including them in the budget adoption or may call out specific contracts that the Board wishes to consider for deliberation before acceptance. The largest contract to be awarded in FY2022 is for the maintenance roof replacement project.

CONTRACT DESCRIPTION	CURRENT PROVIDER	RENEWAL DATE	VALUE OF AWARD (ESTIMATED)	FY2022 BUDGETED EXPENSE
Maintenance Roof Replacement	New	10/1/2021	\$ 5,000,000	\$ 2,000,000
Vanpool Services (5 Year Agreement)	Enterprise	6/30/2022	4,035,000	725,000
D2A2 Express Bus Service	Indian Trails, Inc., dba Michigan Flyer, LLC	12/31/2021	2,500,000	2,110,000
Gasoline and Diesel Fuel	Multiple Providers	10/1/2021	2,400,000	2,400,000
Ypsilanti Transit Center Planning	New	10/1/2021	1,872,622	1,100,000
Blake Transit Center Planning	New	10/1/2021	300,000	150,000
Unarmed Security Guard Services	D.K. Security	4/1/2022	1,090,000	218,200
Transit Signal Priority Project	New	10/1/2021	1,020,000	200,000
Bus Engines and Installation	Cummins	10/1/2021	1,000,000	250,000
HVAC Services	Dunbar	9/13/2022	700,000	175,000
Uniforms for Transit Employees	Superior Uniform Sales	8/1/2022	697,000	140,000
Small/Medium Bus Replacement	New	10/1/2021	420,000	420,000
Bus Stop Shelters and Concrete Pads	Saladino	6/16/2022	328,000	40,000
Employee Benefits and Consulting Services	Gallagher Benefit Services	7/1/2022	300,000	60,000
Park& Ride Lot Repairs	New	10/1/2021	300,000	300,000
Retirement Investment Advising and Consulting	Action Point Retirement Group	12/1/2021	270,000	45,000
Survey Research Services	CJI Research Group	8/25/2022	250,000	140,000

4. Fares

The fare table presents current-year fares and proposed fares for the new fiscal year. The proposed fare changes that would be effective at the beginning of 2022 are highlighted below.

FIXED ROUTE FARES		
	Current FY2021	Proposed FY2022
Cash Fares		
Full Fare Cash	\$1.50	\$1.50
Transfer	Free	Free
Reduced Cash Fares		
Youth (Grades K-12)	\$0.75	\$0.75
Children (5yrs & Younger)	Free	Free
Fare Deal Card	\$0.75	\$0.75
A-Ride Card	Free	Free
GoldRide Card	Free	Free
Passes and Tokens		
Day Pass	\$4.50	\$3.00
Reduced Day Pass	N/A	\$1.50
30 Day Pass	\$58.00	\$45.00
30 Day Value Pass (Senior)	\$29.00	\$22.50
30 Day Value Pass (Income Elig.)	\$29.00	\$22.50
30 Day Value Pass (Disability)	\$29.00	\$22.50
30 Day Value Pass (Student)	\$29.00	\$22.50
Full Fare Token	\$1.50	\$1.50
Reduced Fare Token	\$0.75	\$0.75

SPECIAL SERVICES FARES		
	Current FY2021	Proposed FY2022
GroceryRide		
GroceryRide	\$0.75	\$0.75
NightRide		
NightRide (Full Fare)	\$5.00	\$5.00
NightRide (go!Pass)	\$3.00	\$3.00
NightRide (Reduced Fare)	\$2.50	\$2.50
NightRide (Surcharge/outside A2)	\$2.00	\$0.00
NightRide (Child age 5 & under)	Free	Free

SPECIAL SERVICES FARES (CONTINUED)		
HolidayRide		
HolidayRide (Full Fare)	\$5.00	\$5.00
HolidayRide (go!Pass)	\$3.00	\$3.00
HolidayRide (Reduced Fare)	\$2.50	\$2.50
HolidayRide (Surcharge/outside A2)	\$2.00	\$0.00
HolidayRide (Child age 5 & under)	Free	Free
FootballRide		
One-Way	\$1.50	\$1.50
Round Trip	\$3.00	\$3.00

EXPRESSRIDE FARES		
	Current FY2021	Proposed FY2022*
Cash Fares		
One-Way Cash	\$6.25	\$6.25
Transfer from Fixed Route	\$4.75	\$4.75
Passes and Tickets		
30 Day Commuter Pass	\$125.00	\$125.00
10-Ride Ticket	\$62.50	\$62.50
Reduced Passes		
Mride	\$62.50	\$62.50
go!Pass	\$62.50	\$62.50
*ExpressRide service has been suspended due to the pandemic.		

A-RIDE FARES		
	Current FY2019	Proposed FY2021
Cash Fares		
Advance Reservation	\$3.00	\$3.00
Same Day Reservation	\$4.00	*\$4.00
Will Call return Trip	\$3.00	\$3.00
Companion Fare	\$3.00	\$3.00
Companion Fare (Youth K-12)	\$1.50	\$1.50
Companion Fare (Age 5 & Under)	Free	Free
Personal Care Assistant	Free	Free
Scrip Coupons		
Booklet of 10	\$30.00	\$30.00
*Same day reservation has been suspended due to the pandemic.		

AIRRIDE FARES		
	Current FY2021	Proposed FY2022
Advance Reservation		
Standard One-Way Fare	\$12.00	\$12.00
Standard Round Trip	\$22.00	\$22.00
Seniors One-Way	\$6.00	\$6.00
Seniors Round Trip	\$11.00	\$11.00
Disabled One-Way	\$6.00	\$6.00
Disabled Round Trip	\$11.00	\$11.00
Youth (Ages 2-17) One Way	\$6.00	\$6.00
Youth (Ages 2-17) Round Trip	\$11.00	\$11.00
Walk-On Fares		
Standard One-Way Fare	\$15.00	\$15.00
Seniors	\$7.50	\$7.50
Disabled	\$7.50	\$7.50
Youth (Ages 2-17)	\$7.50	\$7.50

D2A2 FARES		
	Current FY2021	Proposed FY2022
Advance Reservation		
Standard One-Way Fare	\$6.00	\$6.00
Senior/Disability One-Way Fare	\$4.00	\$4.00
Book of 10 Rides (\$5 Each Trip)	\$50.00	\$50.00
Walk-On Fares		
Standard One-Way Fare	\$8.00	\$8.00
Senior/Disability One-Way Fare	\$4.00	\$4.00

FLEXRIDE FARES		
	Current FY2021	Proposed FY2022
FlexRide Fares		
Standard Adult One-Way	\$1.00	\$1.00
Students (K-12, ages 6-18)	\$0.50	\$0.50
Children (Age 5 & Under)	Free	Free
Fare Deal Card	\$0.50	\$0.50
A-Ride Card	Free	Free
GoldRide Card	Free	Free
30-Day Value Pass (Fare Deal)	Free	Free

5. State and Federal Grants Primer

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

Federal Funding

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

Funding for Urban Service

Section 5307 and 5339 Formula Funds: Urbanized area formula funds are appropriated annually by Congress to the FTA, which apportions Sec. 5307/5339 funding to the Ann Arbor urbanized area. The apportionment of FY2021 funds available for budgeted activities in FY2022 and subsequent years is about \$7.9 million in Sec. 5307 funds and \$0.9 million in Sec. 5339 funds. The Regional Transit Authority (RTA) is the Designated Recipient of formula funds and has the authority to approve AAATA applications for these funds (as the Direct Recipient). By law, the funds can only be spent in the Ann Arbor urbanized area.

- **Capital Funding:** Sec. 5307 and 5339 funds are primarily available for capital asset procurement. The federal share is 80% for most capital projects. Funds apportioned in one year are available for three (Sec. 5339) or five (Sec. 5307) additional years, which provides the AAATA with some flexibility to manage its capital program (e.g., funds may be held and combined with other annual appropriations for a larger capital purchase).
- **Operating Assistance:** The amount of Sec. 5307 funding eligible for operating assistance is limited by law. AAATA is currently able to use up to about \$4.3 million in federal formula 5307 funds for urban operating assistance per year at a 50% federal share. If the full amount of eligible funding is not utilized for operating budget, the remaining amount is able to be used for capital purposes. In addition, there are other limited categories of operating expenses which are eligible for grant funding—preventive maintenance, capital cost of contracting, and planning—at 80% federal funding.

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

- **Capital Investment Grants (Section 5309):** Discretionary funds awarded in a competitive application process to fund major transit investments for rail projects and bus rapid transit.

- Buses and Bus Facilities and Low or No Emission Grants (Section 5339 Discretionary): The Sec. 5339 program includes two competitive grant opportunities. 5339(b) funds are awarded for the purchase of buses and related equipment, and to rehabilitate or build bus-related facilities. 5339(c) grants support low and zero-emission vehicle projects.
- RAISE (Rebuilding American Infrastructure with Sustainability and Equity): This USDOT program, formerly known as BUILD and TIGER, awards funds on a competitive basis for investment in transportation infrastructure. Funding can support roads, bridges, transit, rail, ports, and intermodal transportation for projects that have significant local or regional impact.
- CMAQ (Congestion Mitigation and Air Quality Improvement): Southeast Michigan receives an annual allocation of CMAQ funds authorized by the Clean Air Act, for which SEMCOG conducts a competitive application process. AAATA is an eligible applicant. If successful, funds are transferred to FTA from the Federal Highway Administration (FHWA) for administration. For FY2022, a CMAQ grant for \$1.6 million for replacement buses has been programmed.
- JARC (Job Access/Reverse Commute) and New Freedom: These two programs provided formula funds for work transportation and transportation for people with disabilities beyond the requirements of the Americans with Disabilities Act (ADA) from 2006-2012. The programs have since expired; however, New Freedom has been incorporated into the Section 5310 formula program. AAATA has one active grant, which is being used for mobility management services until the grant is ready for closeout in 2022.

Planning: Planning activities in the AAATA planning work program are eligible for grant funding. SEMCOG and WATS each pass through to AAATA about \$50,000 per year. As access to regional planning funds increased, the use of formula grant funds (Section 5307) for planning was phased out in FY2020 to focus investment of these funds into capital assets

Section 5310: Formula funds for “Enhanced Mobility for Seniors and People with Disabilities” are apportioned annually to the Ann Arbor urbanized area, which the RTA allocates through a competitive call for projects and AAATA is responsible for administering. Funds are eligible to be used for traditional purposes such as replacement of vans and buses, and for non-traditional purposes such as operating assistance and mobility management. AAATA works with the RTA, WATS, and local non-profit agencies through the Washtenaw Transportation Coordinating Council (TCC) to coordinate the use of funds.

Funding for Nonurban Service

Operating Assistance (Section 5311): AAATA passes through federal operating assistance funds for service outside of the urbanized area that is allocated by the Michigan Department of Transportation (MDOT). MDOT receives a single statewide federal grant and distributes it to eligible agencies. For the last several years, the Sec. 5311 rate has been about 18% of nonurban operating expenses, with an additional 18% provided from pandemic relief funding for FY2020-2022. AAATA passes these funds to Western Washtenaw Area Value Express (WAVE) and People’s Express to fund their service in the nonurban area.

Capital Assistance: Federal, nonurban capital assistance comes through MDOT which submits a single statewide application to the FTA. WAVE and People’s Express are eligible to apply directly and have

received and managed their own grants for buses and equipment. AAATA has not received federal non-urban capital assistance.

Federal Pandemic Relief Funds

A total of \$62.8 million in reimbursable federal relief funding is available to the AAATA from the CARES Act, CRRSAA, and ARP as follows:

- \$20,704,090 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- \$15,771,805 in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- \$26,338,769 in American Rescue Plan (ARP) funding (anticipated after RTA split – 5%)

This federal aid was provided to help agencies respond to the pandemic and maintain transit services while facing lost revenue and increased expenses for Personal Protective Equipment (PPE), cleaning and sanitation supplies, increased janitorial services, paid employee leave, and other costs. The funding was apportioned to TheRide through the Sec. 5307 program and is available for 100% share of eligible operating expenses.

State Funding

Requirements: AAATA is required to submit an annual application for operating and capital assistance by February each year for the next fiscal year (beginning in October). At some point the RTA may submit a combined application including AAATA, but so far, the AAATA application is submitted separately to RTA and MDOT at the same time.

Statutory Operating Assistance – Urban: Each year, MDOT provides urban operating assistance equal to a fixed percent of eligible expenses. The maximum authorized level is 50% of eligible expenses. The actual amount is much lower, about 32%. The percentage depends first on the amount of funding appropriated by the legislature. It also depends on the eligible expenses of all the transit systems in the state because the funds are distributed among them at the same percent of eligible operating expenses. These funds for all southeast Michigan, including Ann Arbor, may go to the RTA for distribution in the future, and they could change the distribution formula.

Statutory Operating Assistance – Nonurban: For service outside of the urban area, state operating assistance works the same way, but the percentage is different. The maximum authorized level is 60% of eligible expenses; the actual amount has been about 38%. The AAATA applies for and receive funds to pass through to WAVE and People's Express for their service in the nonurban area.

Matching Funds for Capital Grants: MDOT provides all or part of the match for federal capital grants (e.g., Sec. 5307, 5339, 5310, CMAQ, discretionary). Historically, MDOT has always provided the entire 20% local (non-federal) share for capital grants, so no local funds were required. By law, MDOT is only required to provide 2/3 of the non-federal share.

Specialized Service: MDOT provides limited funds for service for seniors and people with disabilities. The Washtenaw County allocation has remained at about \$200,000 per year since 2020. About \$110,000 per year pays a portion of the cost for eligible demand response trips in the AAATA service area. The AAATA also administers or passes these funds through to private, non-profit service providers in the County.

6. Adopting Resolution

Resolution 11/2021

ADOPTION OF FY 2022 OPERATING AND CAPITAL BUDGET

RESOLUTION OF THE BOARD OF DIRECTORS OF THE ANN ARBOR AREA TRANSPORTATION AUTHORITY

WHEREAS, the Ann Arbor Area Transportation Authority (AAATA) Board of Directors (Board) is required by the Michigan Uniform Budgeting and Accounting Act of 1968 to adopt a balanced operating budget on or before September 30 for its next fiscal year, which begins on October 1, and

WHEREAS, AAATA staff have developed a 2022 Operating and Capital Budget that furthers Board Ends Policies within Executive Limitations and provides multi-year context;

WHEREAS, the AAATA is required to develop a fiscally constrained four-year program of projects for inclusion in the Transportation Improvement Program (TIP) to be submitted to the Washtenaw Area Transportation Study (WATS) in order to be eligible for federal funds, and

WHEREAS, the AAATA is required to submit the capital program for FY 2022 to the Federal Transit Administration (FTA) as part of the annual application for FY 2022 federal funding, and

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

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby approves the AAATA FY2022 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **\$55,772,101** for operations.
- **\$11,690,000** for capital investment.

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

Eric A. Mahler, Chair

September 23, 2021

Kyra Sims, Secretary

September 23, 2021

7. Glossary

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

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

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

ADA – See Americans with Disabilities Act.

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

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

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

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

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

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

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

Budget – A plan of financial operation comprised of an estimate of proposed expenditures for a fiscal year and the proposed means of financing those expenditures to fund services in accordance with adopted policy.

Budget Year – The fiscal year for which the budget is being considered, that is, the fiscal year following the current year. TheRide's fiscal year is October 1 through September 30.

CAFR – See Comprehensive Annual Financial Report.

Capital – Wealth in the form of money or other assets owned by TheRide, or available or contributed for a particular purpose.

Capital Budget – The annual plan of appropriations for the amount necessary to carry out capital project expenditures during the year budgeted.

Capital Outlay – Expenditures which result in the acquisition of, or addition to, fixed assets. Any item with an expected useful life of more than five years and a value of more than \$5,000 (such as a vehicle, equipment, or facility) is considered a capital outlay.

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

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

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

CEO – See Chief Executive Officer

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

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

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

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

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

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

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

CRRSA – A secondary stimulus federal law enacted by Congress on December 27, 2020, to provide economic relief in response to the COVID-19 pandemic. CRRSA is an acronym for the Coronavirus Response and Relief Supplemental Appropriations Act.

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

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

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

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

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

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

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

Disbursement – The expenditure of monies from an account.

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

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

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

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

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

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

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

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

Fiscal Year – Any yearly accounting period, regardless of its relationship to a calendar year. The fiscal year for the AAATA begins on October 1 of each year and ends on September 30 of the following year; it is designated by the calendar year in which it ends. For example, the fiscal year 2022 begins on October 1, 2021 and ends on September 30, 2022.

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

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

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

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

FTE – See Full-Time Equivalent.

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

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

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

FY – See Fiscal Year.

GAAP – See Generally Accepted Accounting Principles.

GASB – See Governmental Accounting Standards Board.

General Fund – The general operating fund that is used to account for all financial resources except for these required to be accounted for in another fund.

Generally Accepted Accounting Principles (GAAP) – Uniform minimum standards for financial accounting and recording encompassing the conventions, rules, and procedures that define accepted accounting principles as determined through common practice or as promulgated by the Governmental Accounting Standards Board, Financial Accounting Standards Board, or various other accounting standard-setting bodies.

GFOA – An abbreviation for Government Finance Officers Association.

GoldRide – A service provided to non-disabled people age 65 and older which allows free travel on fixed route buses and shared-ride trips in sedans and small buses.

Governmental Accounting Standards Board (GASB) – An organization established to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local governmental entities.

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

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

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

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

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

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

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

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

MCO– See Motor Coach Operator.

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

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

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

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

Motor Coach Operator – A bus driver.

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

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

Operating Budget – See Budget.

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

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

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

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

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

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

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

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

Performance Measurements – See Management Indicators.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Transfer – See Revision.

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

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