



# OPERATING & CAPITAL BUDGET FOR FY2023

Version 1.0

*Draft Budget*  
*Fiscal Year 2023*

2023

Supporting  
Community  
Recovery &  
Preparing  
for the  
Future

ANN ARBOR AREA TRANSPORTATION AUTHORITY

The award, presented to TheRide for its *FY2021 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 communication device.



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**October 01, 2021**

*Christopher P. Morill*

**Executive Director**

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# 1. About TheRide

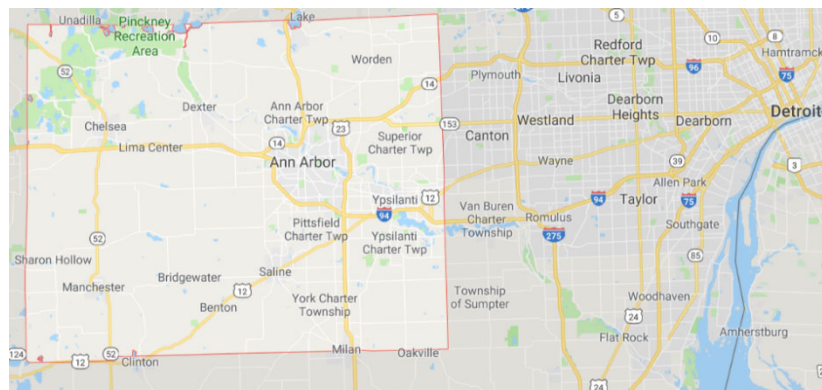


The Ann Arbor Area Transportation Authority (AAATA, or TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

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 of Ann Arbor, Pittsfield, Scio, Superior, Ypsilanti, which make up TheRide's service area. The service area covers 110 square miles, with a population of 228,574 people. TheRide delivers approximately 400,000 hours of revenue 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.



*Washtenaw County, Michigan*

TheRide operates fixed-route buses, A-Ride paratransit services, service to Detroit Downtown, FlexRide on-demand service, ridesharing, van pools, and other services.

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

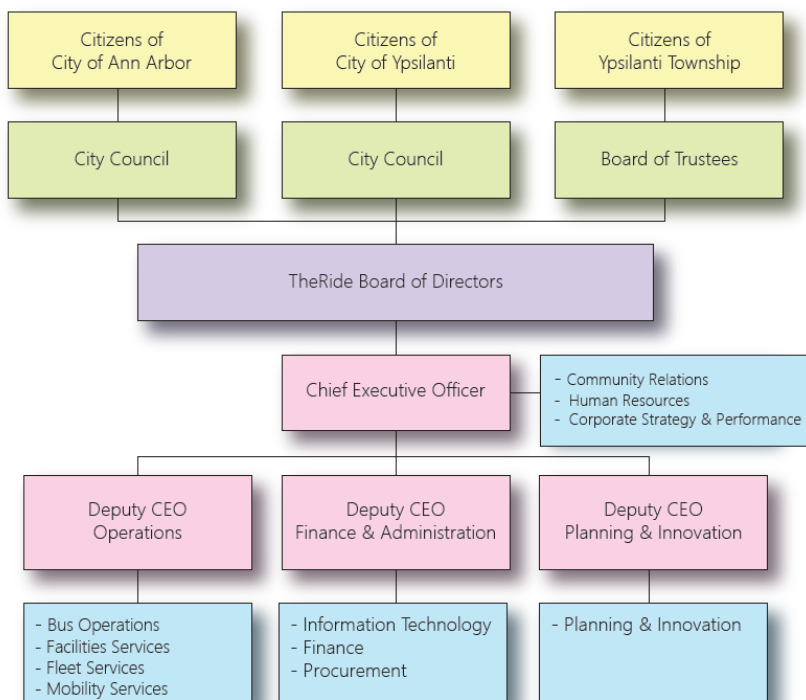
## Board of Directors

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

## 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



## Senior Management Staff

Mike Blackston, Manager of Information Technology	Mary Boonin, Manager of Community Relations
Troy Lundquist, Manager of Fleet Services	Gwyn Newsome, Manager of Human Resources
Gail Roose, Manager of Facilities Services	LaTasha Thompson, Manager of Finance
Michelle Whitlow, Manager of Procurement & DBE Liaison	Robert Williams, Manager of Mobility Services



## 2. Letter from the CEO and CFO



Dawn Gabay Operations Center  
2700 S. Industrial Highway  
Ann Arbor, MI 48104

734-973-6500 **Phone**  
734-973-6338 **Fax**  
TheRide.org **Online**

September 28, 2022

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to provide the Draft FY2023 Operating and Capital Budget (the budget).

In 2023, TheRide will continue focusing on helping our communities recover by providing a range of transportation services, with significant assistance of federal relief funding. The budget supports the strategic priorities of attracting and retaining ridership, implementing the long-range plan and agency wide continuous improvement.

The 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 draft budget is presented to the Board of Directors for consideration of adoption.

A handwritten signature in black ink, appearing to read "Matt Carpenter".

Matt Carpenter  
Chief Executive Office

A handwritten signature in black ink, appearing to read "Dina Reed".

Dina Reed  
Deputy CEO, Finance & Administration

### 3. Executive Summary

The FY2023 Operating and Capital Draft Budget (the budget) is the fiscal year's financial plan that supports activities to accomplish goals and objectives as defined in Board's Ends Policies and is aligned with TheRide's Corporate Business Plan. All policies and plans support the stated policy of providing public transportation options that contribute to the Ann Arbor-Ypsilanti Area's social, environmental, and economic vitality at a cost that demonstrates value and efficient stewardship of resources.

The budget process began by evaluating impacts of economic and industry conditions on financial and operational plans, collecting historical and current trend data, developing information-based assumptions, identifying opportunities, creating strategic themes, and having tactical discussions to develop prioritized initiatives for the next five years.

The coronavirus pandemic significantly impacted the world, our state, and communities directly beginning in March 2020. Financial and operating impacts were unparalleled, with fare revenue and transit ridership losses in the millions. Relief from the impacts of the virus began in 2021 with wide availability of coronavirus vaccinations. We began FY2022 by focusing on recovery, but significant financial and operational volatility and uncertainty is continuing. The labor market has been slow to recover and resulted in reduced service levels for a portion of the year as we endeavored to maintain adequate levels of staff for operations. Financial markets are seeing levels of inflation that haven't been realized in decades. However, the current presidential administration has acknowledged the impacts of these challenges in the transportation industry and has been providing new sources of operational funding in addition to stable and increased levels of funding for capital investment for transportation agencies that rely on public funding.

In the wake of the unpredictable impacts of the coronavirus pandemic, the additional funding provides stability for our agency and a sense of optimism in opportunities to continue restoration of ridership through growth in service opportunities and investing in organizational efficiencies. As a result, the FY2023 Corporate Business Plan (the Business Plan) focuses on initiatives focused on retaining and attracting ridership, implementing the Long-Range Plan, and agency-wide continuous improvements.

The budget is a balanced budget that supports recovery efforts by providing funding to maintain transportation services to the communities we serve. Development of the Budget considers impacts of economic and industry conditions and the impact on financial and operational plans. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and a five-year projection. The Budget will also support the priorities and initiatives represented in the Business Plan.

This presentation of the FY2023 Draft Budget illustrates initial assumptions of revenues and expenses needed to maintain current service levels and includes funding for initiatives to support the Business Plan. Approved Business Plan initiatives are approved in the context of organizational priorities and available resources as determined by staff evaluation and in consideration of Board discussion of the Business Plan. The budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses. Consequently, a portion of local property tax revenues is anticipated to provide a surplus in FY2023, which will provide additional funding for capital infrastructure projects approved in the capital

plan, as approved by the Board. As a result, any increases in future drafts of the budget that are not offset by additional revenues or expense savings will reduce the estimated funding available for the capital reserve. Without the use of pandemic relief funds, the budget as presented here would show a deficit that would need to be addressed to meet the balanced budget requirement.

While utilization of federal aid provided by pandemic relief funds have provided short-term relief with respect to the operating budget, restoration of services, inflationary growth and other cost pressures are a reality and still result in a structural deficit. This issue has been addressed with approval of the 2022 millage proposal. Impacts of the millage results are not largely impacting FY2023 as the funding will not be received until July 2024. FY2025 will be the first full year of all service expansion initiatives approved in the millage.

In summary, the budget provides reasonably conservative assumptions to maintain current services and fund initiatives important to advance the Board's Ends. Updated assumptions, updated funding for Business Plan initiatives and any additional impacts of advancing elements of the millage proposal may be incorporated into the proposed budget, which will be presented in September. The budget will be updated as staff recommendations are finalized, and information will be provided to the Board in accordance with the budget timeline. The FY2023 Draft Budget incorporates these elements comprehensively and is shared in the context of future projections. The outlook for the budget is stable, and is supported by the existing millage, in place until 2023, and the use of federal relief funds to see provide critical transportation services as our communities continue to recover.

As with previous budgets and noted above, the budget is guided by a strategic business plan— [Adopting the Long-Range Plan](#), which outlines the strategic priorities. This plan is aligned with the Board of Directors' expectations—attracting and retaining ridership, implementing the long-range plan, and agency-wide continuous improvement (See *Board's Ends Policies*, in the [Board Policy Manual](#)).

The 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 adopted FY2023 Draft Operating and Capital Budget are:

- Overall operating expenses are **\$55,409,900** and **\$16,776,000** in capital investments
- Avoids deficit spending while utilizing federal funding for pandemic recovery
- 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 priorities from the Corporate Business Plan, *Adopting the Long-Range Plan, Designing for a vibrant community*
- 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



# 4. 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 FY2023 and presents financial forecasts for subsequent years.
- **Impacts of the 2023 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, adopted Board resolution for adoption, and a glossary.
- This document includes multi-year forecasting. Although financial information is presented for years beyond 2023, it is important to note that forecasted years are provided *only for context*, do not represent a commitment, and are expected to change. Each year, the Board of Directors (the Board) adopts a budget for a single year rather than a multi-year budget. The operating budget must be balanced (revenues must meet or exceed expenses) and the Board approves total budgeted expenditures. As necessary, budget amendments may be brought to the Board for consideration during any fiscal year.

## Corporate Strategic Plans

The FY2023 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-2022, the dominant issues are pandemic recovery impacts on ridership, labor shortages and record levels of economic inflation. Society is experiencing new waves of COVID variants and impacts of the pandemic over the next year are still uncertain. 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 have largely been restored and TheRide needs to support these activities. Consequently, the budget includes funding for full schedules of transportation services as well as other initiatives referenced in the FY2023 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

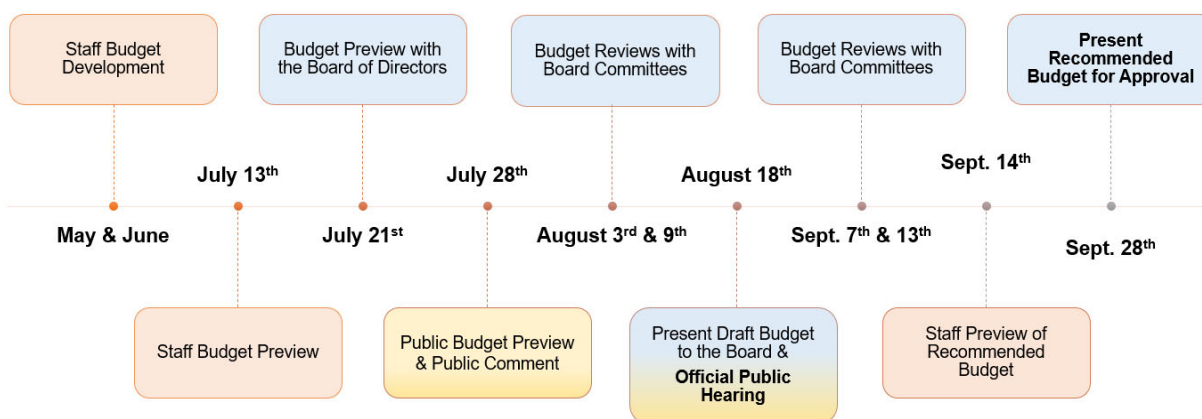
budget. For example, the Board has set clear limitations upon Financial Planning and Budgeting (Policy 2.4), Financial Conditions and Activities (Policy 2.5), Cash and Investments (Policy 2.6), Compensation and Benefits (Policy 2.3), and Asset Protection (Policy 2.7).

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 budget process is a collaborative process that includes interactive communications with staff, stakeholders, the public and the Board. Public review and comment opportunities provide transparency of the process and the budget and are valuable opportunities to listen to our stakeholders. As such, communications to the public exceed minimum federal and state budgeting requirements. The timeline for review and adoption of the budget is shown below.

**Figure 1 Budget Timeline:**



- May/June:** In partnership with staff, the Finance led development of the baseline budget, which is defined as the base budget required to provide transportation services that aligns with Board policies. The budget is developed in context with current economic conditions and operations and business plans and includes many activities, such as, evaluating budget performance and projections with department managers, reviewing staffing levels, analyzing impacts of current collective bargaining agreements, reviewing asset maintenance plan documents, analyzing historical trends of key drivers, and forecasting revenues and expenses.
- July/August:** An early draft of the operating and capital budget with a multi-year forecast was provided at Board meetings and committee meetings. Both the capital program and operating budget previews were made available for public review starting July 21st, through budget adoption on September 28th.

- **August:** An updated draft budget will be provided to the Board of Directors at its August 18<sup>th</sup> meeting. The public input period began on July 28<sup>th</sup>, and an official public hearing, as required by state law, will be held in conjunction with the August 18<sup>th</sup> Board meeting.
- **September:** The recommended budget will be presented to the Board of Directors for adoption and The Michigan Uniform Budgeting and Accounting Act of 1968 requires Board adoption prior to any expenditures be incurred on October 1, the first day of the new fiscal year.
- **October:** Fiscal Year 2023 will begin October 1, 2022, with the newly adopted budget.

## 5. The State of TheRide

### Financial Condition

TheRide is financially stable and is expected to remain so through FY2023 and the projection period. TheRide expects FY2022 revenues and expenses to be lower than budgeted because of a lag in projected ridership recovery resulting in a shortfall in fare revenues, lower than expected paratransit ridership, and service reductions resulting from labor shortages. The reserve balance remains strong, as federal pandemic relief funds will support ongoing operations and service recovery. This aid also supports revenue losses, pandemic-related costs, and allow local funds to be dedicated to a capital reserve for future capital projects. While impacts of the pandemic and inflation are uncertain, financial strengths include:

- No risks of service cuts or lay-offs in 2023
- Continuing to operate within the budget and available resources
- Operating reserve funds at or above target levels
- Established capital, operating, and insurance reserves
- No indebtedness or significant liabilities
- No significant legacy costs such as unfunded pension liabilities
- Dedicated property tax revenues through 2028, as approved by voters on August 2, 2022

In addition, the agency has a track record of strong audit results, as was the case again with the 2021 financial statement audit. Finance continues to place emphasis on continuous improvement by reviewing processes and controls in the areas of cost accounting, financial management and financial controls. Modernization of timekeeping and payroll processes are being implemented in FY2022, and in FY2023 a comprehensive review of financial controls will be completed, and financial systems will be evaluated to identify and plan for implementation of new financial software. Preserving and building on financial strengths is a critical backbone of ensuring financial stability for TheRide.

### Fund Description, Structure, and Balances

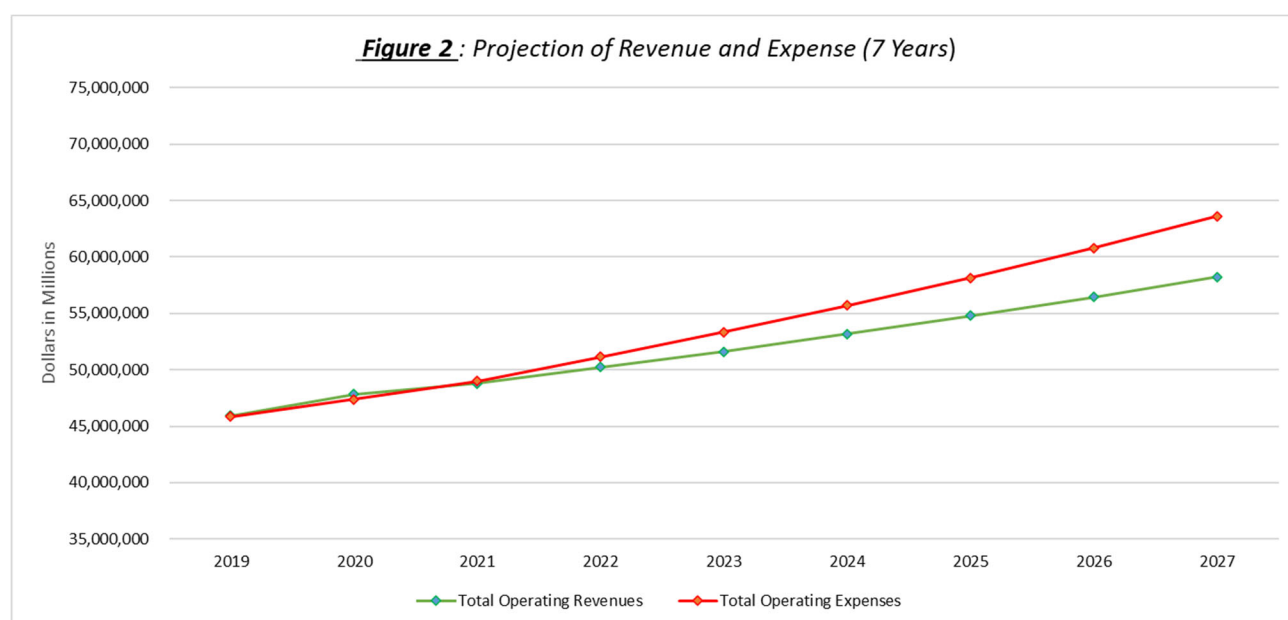
TheRide operates with one general fund through which operating, capital, and investing cash flows occur during the fiscal year. The term *fund balance* is used to describe the net position of the general fund as calculated by GAAP, presented at a particular point in time. It is the net position on the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

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2023 will bolster the organization against the risks of uncertain funding ahead. The effect of the FY2023 budget on the fund balance is discussed in the [Impacts of the 2023 Budget](#).

## New Millage Provides Longer-Term Financial Stability

Before the pandemic, TheRide faced financial challenges. In 2019, budget forecasting showed deficits starting in FY2021 because expenses were growing faster than revenue. 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), in effect [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. In early 2020, cost control measures were under way.

**Figure 2: Historic Projection of Revenues and Expenses (7 years)**



Once the pandemic emerged, TheRide's financial situation suddenly appeared much more precarious and immediate cost saving measures were deemed necessary, 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 in FY2022 TheRide returned to full services. The remaining federal relief funding renewed financial stability and provided funding for a balanced budget through FY2024. While none of this resolved the pre-existing structural deficit, the onset was delayed from 2021 to 2024. One-time federal funding provided short-term relief could not offset ongoing operating costs for the long-term.

Recognizing that pandemic relief funds was short-term relief and that TheRide's current millage for property tax funding expires in 2023, drove a need to re-focus on how to address the structural deficit. As the emergency of the pandemic began to stabilize, TheRide staff prioritized attention on recovery and the future. Efforts to complete the long-range plan accelerated in the face of the "new normal" and new projections for key operational drivers and budgetary impacts were developed.

With a vision for the future and continued transparency with operating budget projections, staff developed a millage proposal to address both. The Board and the voters of our communities were very

supportive of the proposal, which was approved decisively on August 2, 2022. The elements of the millage proposal addressed funding for the structural deficit, re-establishes federal capital funding that had been supplementing the operating budget and provides funding for the first phase of the long-range plan, which improves service significantly to our communities.

This significant achievement for TheRide cannot be understated. The projection of revenues and expenses, for the first time in years, demonstrates that TheRide has secured funding to improve transportation services and have a sustainable revenue source to support the commitments to our communities. Figure 3 shows that TheRide has funding for projected expenses well beyond the use of pandemic relief funds, through the projection period.

**Figure 3: Current Projection of Revenues and Expenses (7 years)**



It is important to note that while we have achieved significant results, with it comes the responsibility to be financially prudent. Financial stability will need to be maintained through maintaining strong financial controls that are aligned with Board policies.

### Financial Opportunities

TheRide's budget for fiscal year 2023 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 budget was guided by the following principles:

- Compliance with budgeting policies adopted by the Board of Directors to ensure financial stability
- Budget for the priorities outlined in the *Adopting the Long-Range Plan: Designing for a vibrant community* Corporate Business Plan.
- Support safe operation of transportation services



- Maximize value provided to passengers and taxpayers
- Ensure funding for stable operations
- Ensure TheRide's assets are maintained in a state of good repair
- Support future expansion efforts
- Provide for continuous improvements that improve quality of services and efficiencies

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**

Reserves are an important part of a healthy agency budget. The purpose of reserves is to buffer the agency from the risk of unexpected costs or disruptions to revenues. Without adequate reserves, the agency risks insolvency due to unanticipated changes beyond our control or in an emergency, such as extreme economic conditions, sudden loss of ridership, and a global pandemic.

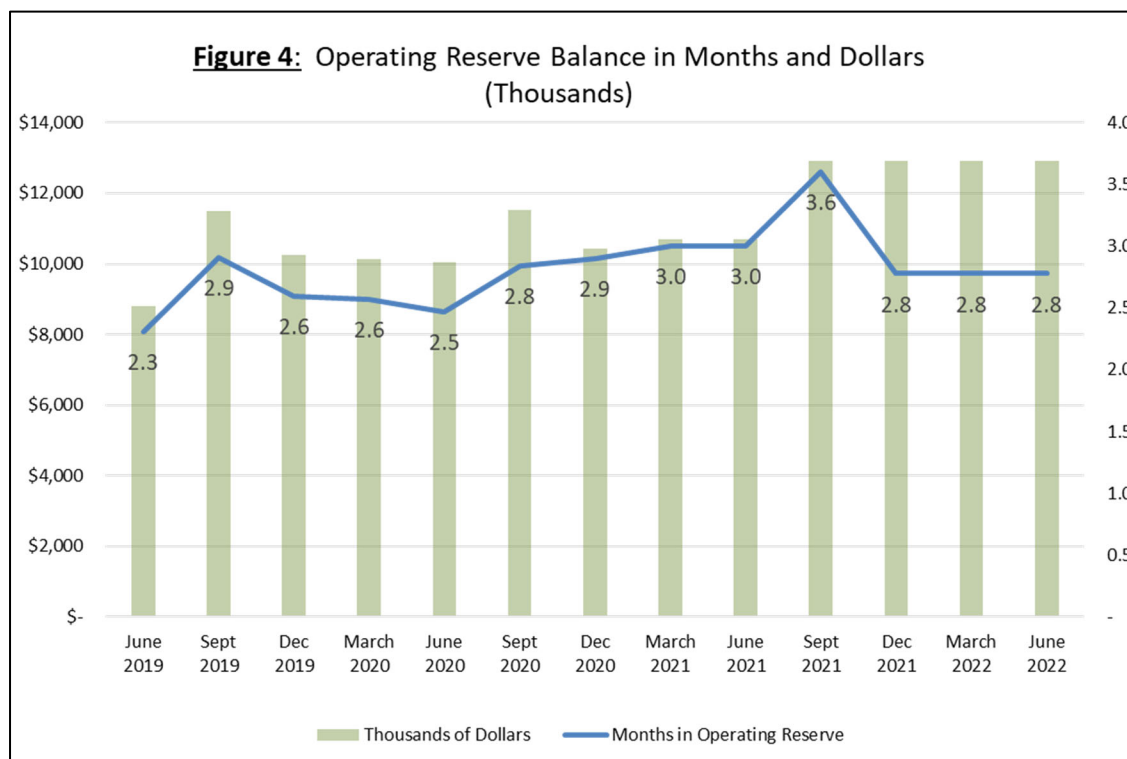
Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Through Board adoption, TheRide established the following reserves and target levels in 2021:

- Operating reserve with the target level of 2.5 months of operating cash
- 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 improved in FY2021 and remains strong as shown in the chart below. The projections for the operating reserve are included in the [Impacts of 2023 Budget](#) section.

**Figure 4: Historical Operating Reserve Balances**



### **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.

### **Utilizing Federal Pandemic Relief Funding**

Since April 2021, TheRide has been apportioned and has obligated the following federal pandemic relief funds totaling \$58.7 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)
- \$22,269,092 in American Rescue Plan (ARP) funding (Net of 20% retained by 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.

The 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 continues in the FY2023 budget. In alignment with federal regulations, 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. The capital plan is aligned with the Long-Range Plan approved by the Board and includes value-added and expansion projects such as bus stop improvements, replacement and expansion of the Ypsilanti Transit Center (YTC), improvements to the Blake Transit Center (BTC), and a new bus rapid transit line.

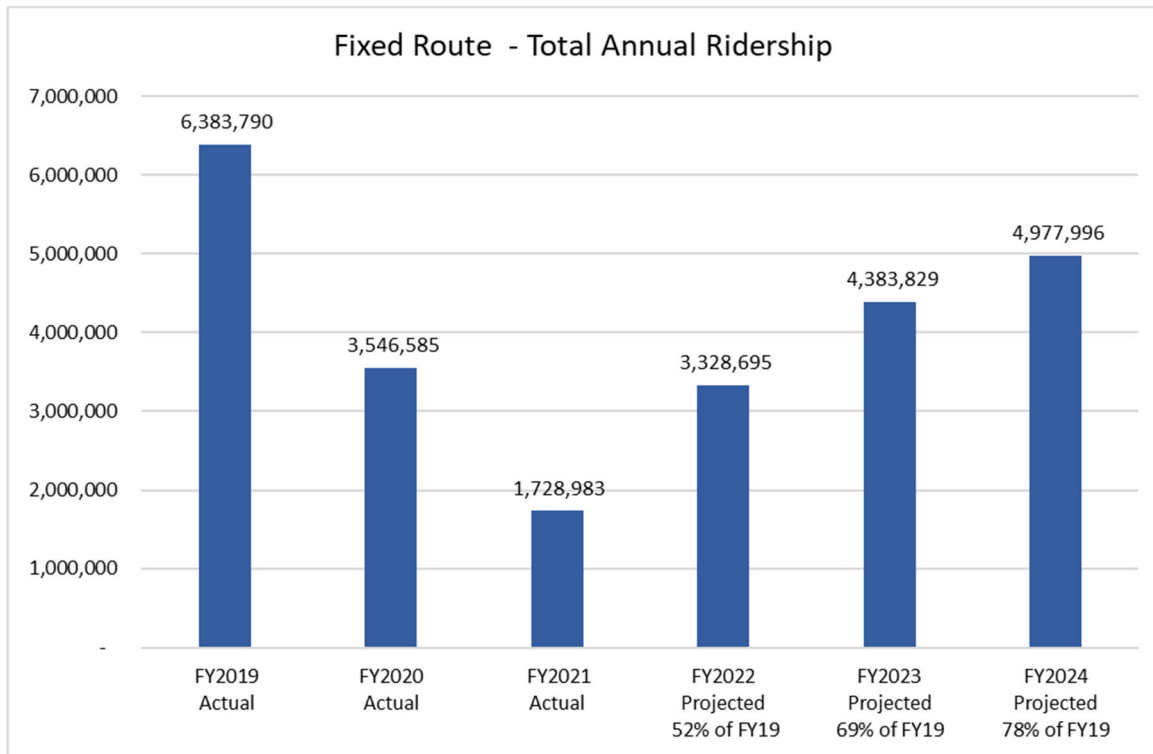
## Fixed-Route Ridership

[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 when coronavirus emerged in 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 were gradually restored to 60% of the full-service level and full-service levels in August 2021.

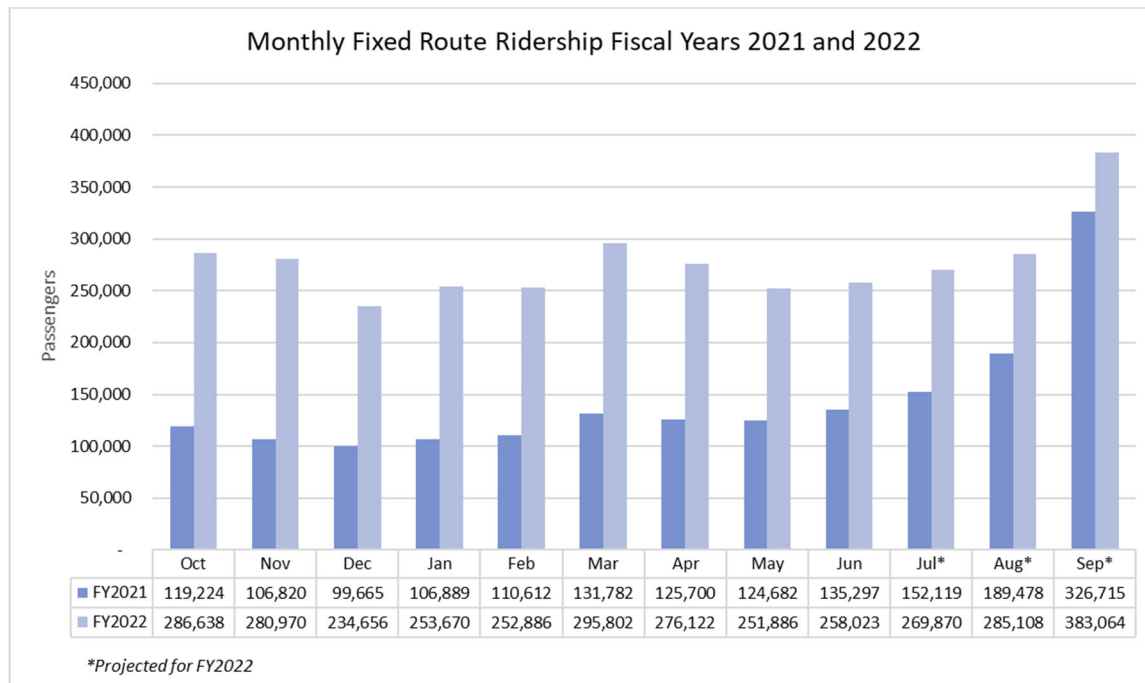
As shown in Figure 5, in fiscal year 2023, total annual fixed route ridership is projected to reach 69% of pre-pandemic ridership levels. Ridership recovery has lagged slightly from initial post-pandemic projections, due in part to having to temporarily reduce service schedules in FY2022 because of short-term labor shortages. TheRide is experiencing gradual ridership growth that is projected to continue.

As shown in Figure 6, ridership has grown in every month compared to the prior year and appears to have stabilized. Projections into the fall of fiscal year 2022 demonstrate conservative assumptions in growth compared to prior months.

**Figure 5: Annual Fixed Route Ridership**



**Figure 6: Monthly Fixed Route Ridership**



## 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) in March 2020. The much-anticipated service operated for only a few weeks before service was suspended due to the pandemic. In FY2020, the ridership for D2A2 was 119 for the short operation period.

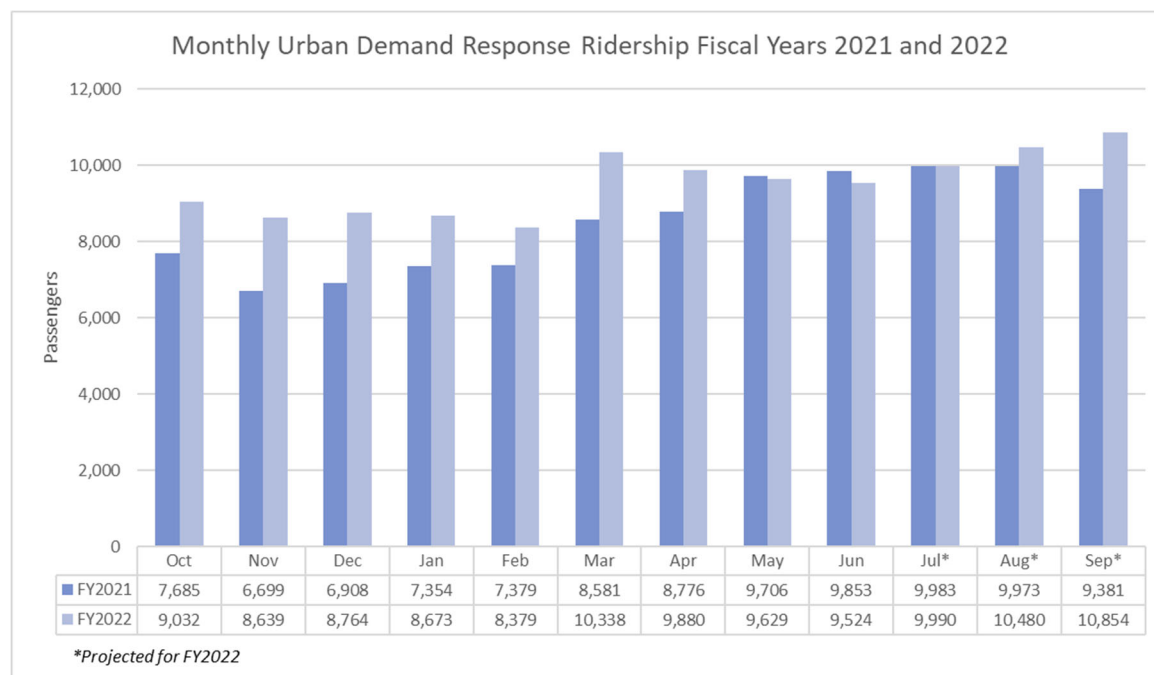
AirRide is now operated by Michigan Flyer who will now be tracking ridership and revenues on their financial records. D2A2 is expected to resume operations in October 2021. The D2A2 service is a partnership between TheRide and the RTA. TheRide will operate the service via a contractor while the RTA funds the service via a state grant. The RTA funds flow through TheRide to the contractor. No funding from TheRide is used although staff time is contributed. Connections to metro Detroit is a Board Ends policy (1.3.4).

## 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.

Fiscal year 2022 ridership is projected to be 11.6% higher than the prior year, with 114,183 passengers compared to 102,278 in fiscal year 2021. Total urban demand response ridership is projected to reach 54.2% of pre-pandemic ridership levels in fiscal year 2022. Ridership comparisons for all demand response services combined are shown in Figure 7.

**Figure 7: Urban Demand Response Ridership**



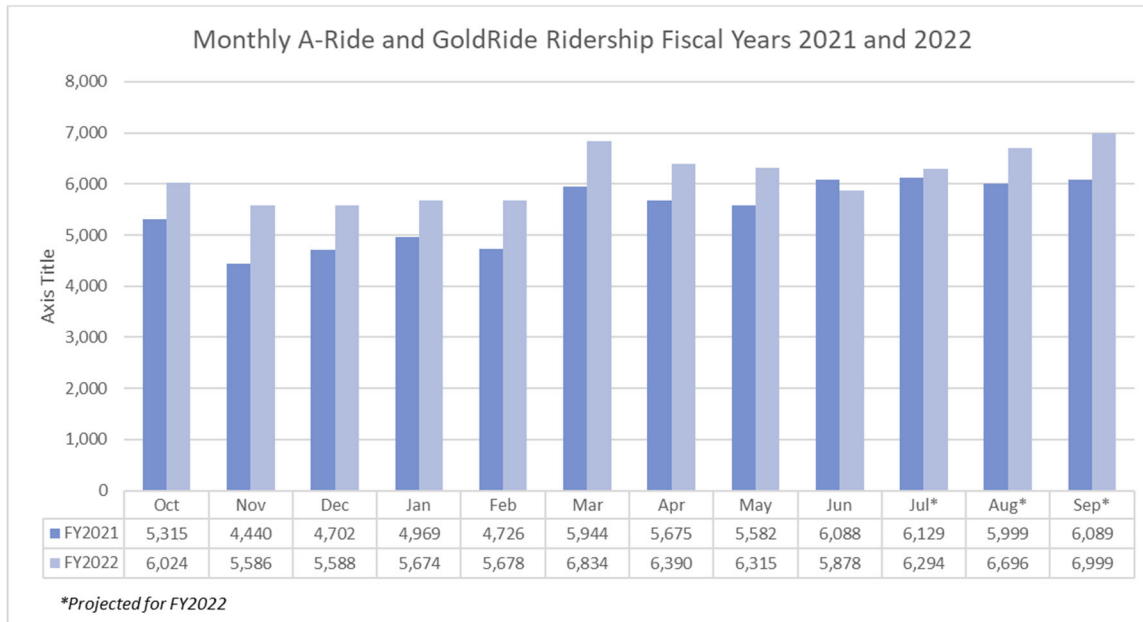
## A-Ride and GoldRide

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 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, but GoldRide passengers were still provided free rides on fixed-route services. In August 2021, GoldRide was expanded and management of operations and financial reporting of A-Ride and GoldRide services were separated. Currently, both services are operated by separate contractors managed by TheRide.

For historical comparative purposes, A-Ride and GoldRide ridership is combined. As shown in Figure 8, fiscal year 2022 ridership is projected to be 12.6% higher than the prior year, with 73,956 passengers compared to 65,658 in fiscal year 2021. Total ridership is projected to reach 45.2% of pre-pandemic ridership levels in fiscal year 2022.



**Figure 8: A-Ride and GoldRide Ridership**



## 6. 2023 Budget

### Budget Overview

The following sections outline the FY2023 Operating and Capital Budget (the budget). The initiatives outlined in this budget help advance the priorities identified in the *Adopting the Long-Range Plan – Designing for a vibrant community* (i.e., attracting and retaining ridership, implementing the long-range plan, and agency-wide continuous improvement). This budget also provides multi-year forecasts and context.

Highlights of the FY2023 Budget include:

- Full services for fixed-route and paratransit services
- Balanced operating and capital budgets
- Beginning the first phase of the long-range service plan
- Stability of services and expenses due to multi-year agreement with the A-Ride contractor
- Campaign to rebuild ridership
- Leverages Federal pandemic relief funds for financial stability
- Leverages local revenues 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 2023 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 expired on August 28, 2021. At that time, the *Service Recovery Plan* was implemented which increases services to pre-pandemic levels with a reorganized and simplified network of routes for essential travel. The plan affected all routes, along with A-Ride, GoldRide, FlexRide, and Night/Holiday service.

In late fall of 2022 TheRide experienced significant difficulties with filling open positions due to labor shortages. As a result, there were temporary reductions in services for a portion of the year. TheRide successfully negotiated a new contract with organized labor in the Spring of 2022. This new contract address changes in the wage structure that increases costs but addresses a key issue affecting the ability to continue to attract and retain critical operations staff and maintain the quality and levels of service that meet TheRide's service standards. TheRide has recently been more successful in recruiting operations staff and is restoring full services in August 2022. With this success, the budget assumes full services will be operating for the full year in FY2023.

The following tables present vehicle revenue hours (hours in service) and ridership, with comparisons between FY2021 actual performance and projections for 2022 and 2023, which are the basis for assumptions in the budget.

**Figure 9: Projected Vehicle Revenue Service Hours**

Service Hours	Actual FY2021	Projected FY2022	Projected FY2023	% Change (2023 vs. 2022)
Local Fixed Route	199,145	250,000	274,928	10.0%
AirRide & D2A2**	-	11,286	11,286	0.0%
Urban Demand Response	54,274	54,143	83,887	54.9%
<b>Total Service Hours</b>	<b>253,419</b>	<b>315,429</b>	<b>370,101</b>	<b>17.3%</b>

**Figure 10: Projected Ridership**

Ridership	Actual FY2021	Projected FY2022	Projected FY2023	% Change (2023 vs. 2022)
Local Fixed Route	1,728,983	3,328,695	4,383,829	31.7%
AirRide & D2A2**	-	23,218	24,379	5.0%
Urban Demand Response	99,837	114,183	132,419	16.0%
<b>Total Passenger Trips</b>	<b>1,828,820</b>	<b>3,466,096</b>	<b>4,540,627</b>	<b>31.0%</b>

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 FY2023 Operating Budget (the operating budget). While 2022 has brought significant challenges related to record levels of inflation, staff has worked diligently to keep costs manageable. Active management and negotiation of contracts and contractual services, as well as right sizing cost assumptions due to more stability with impacts of the pandemic, are driving favorable overall operating expense projections for the fiscal year. As a result, operating expenses are essentially flat, with a slight decrease of 0.6% compared to the FY2022 budget.

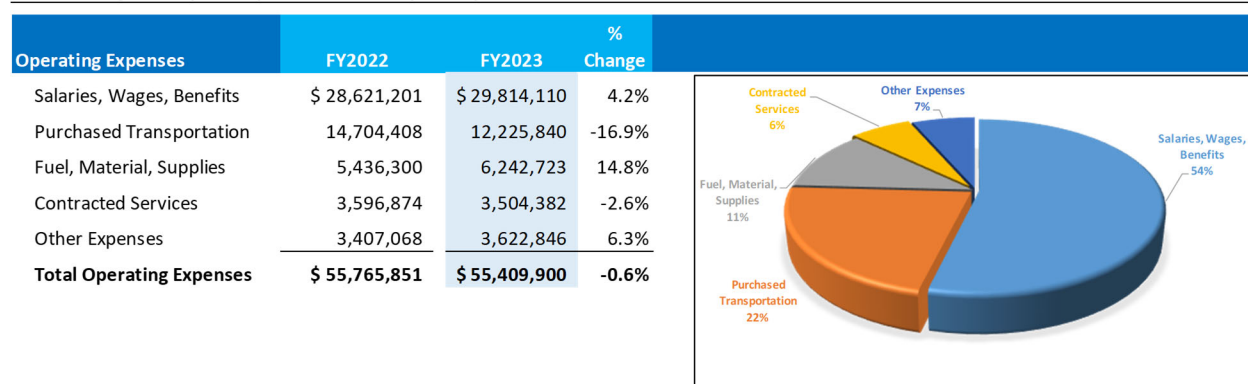
Operating revenues are also essentially flat, with a slight decrease of 1.6% compared to the FY2022 budget. The operating budget continues to rely heavily on pandemic relief funds as a major revenue source while we work to restore ridership and improve passenger revenues. There are budget initiatives, as indicated in this draft budget document, to be proactive in addressing the lag of ridership recovery. Additionally, property tax revenues remain stable and a significant portion of operating revenues.

The operating budget is expected to provide a surplus of approximately \$11.8 million in FY2023. The surplus will be dedicated to the capital reserve. Further detail of operating budget expenses and revenues, as well as multi-year projections are highlighted in this section of the budget document.

## Operating Expenses

As illustrated in Figure 10, FY2022 Operating Expenses are budgeted at **\$55,409,900**, 0.6% lower than FY2022.

**FY2023 Budgeted Expenses (with FY2022 Comparison)**

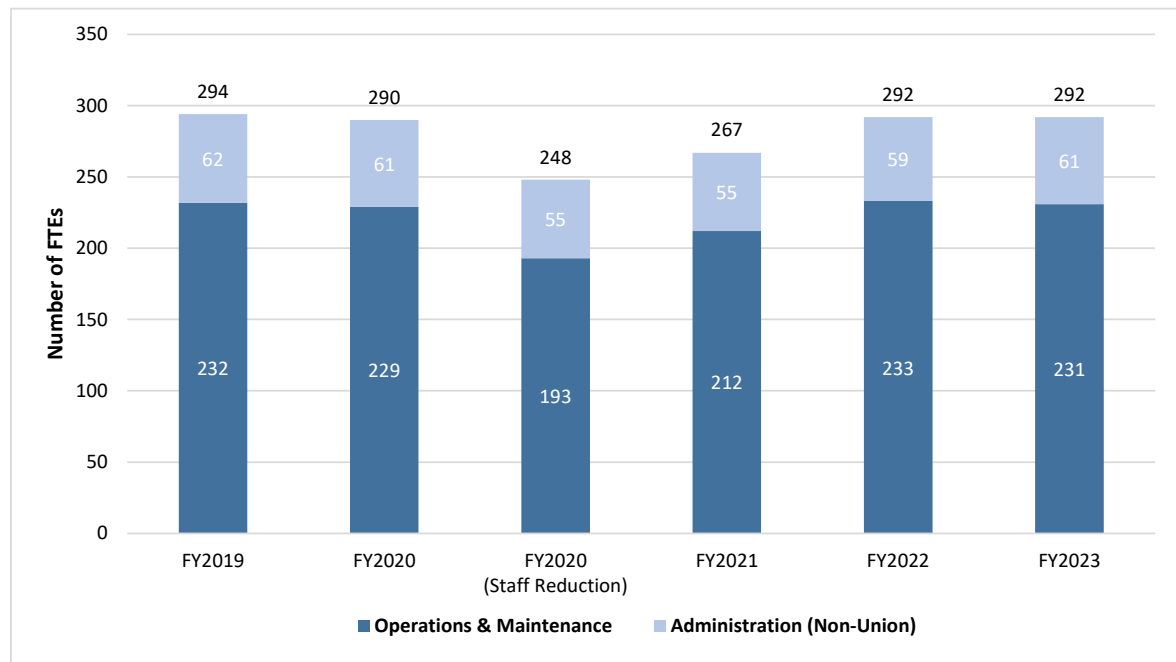


Descriptions of expenses and key budget assumptions are as follows:

- Fixed route services are maintained as planned in the previous year. Although some fixed route services were temporarily suspended for part of FY2022, we anticipate operating full-service levels for the duration of FY2023. A-Ride will continue to be operated as a contracted service. All other services will continue as planned in the previous year.
- Salaries, wages, and benefits include contractual pay rate increases for bargaining unit employees and a 4.0% annual increase for non-union employees. Fringe benefits are increasing by 3.0% based on the increase in pay rates. The total number of budgeted full-time employees has not changed in these assumptions. Although the increase in budgeted salaries, wages and benefits is 3.5%, it appears as 2.3% in the year over year budget comparison because in FY2022 there was a one-time budget assumption for union negotiations that is removed in FY2023. Overall, total full-time employees for the budget are equivalent to FY2022.

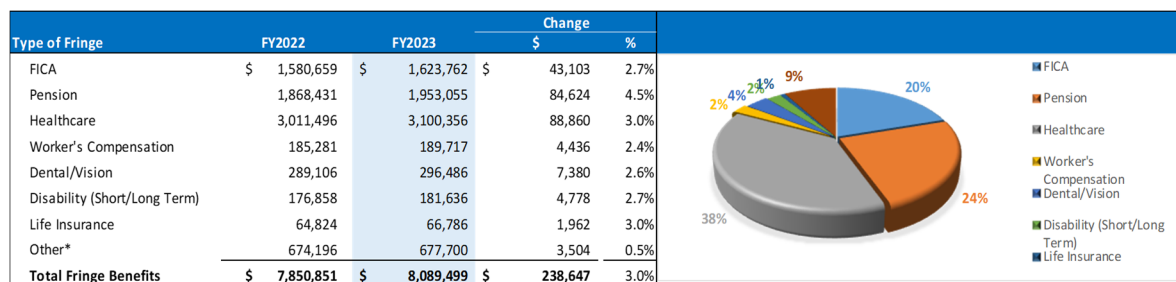
Figure 11 illustrates staffing levels from FY2019 to FY2023. The significant reduction in FY2020 was a result of workforce reductions due to the pandemic. Operations staffing levels were partially restored in FY2021 as some services were temporarily provided with in-house staff. In FY2022 budgeted staffing levels are restored to pre-pandemic levels to meet service requirements and are not changing in total for FY2023.

**Figure 11: Staffing Levels FY2019 to FY2023**



- Fringe benefit costs are estimated based on historical actual costs and adjusted for anticipated inflationary rates. Figure 12 provides a comparison of the detailed fringe expenses and key benefits assumptions.

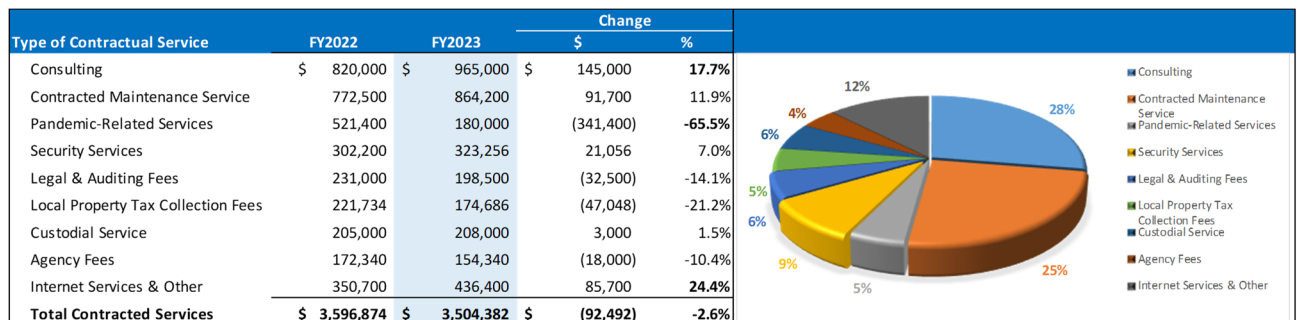
**Figure 12: Benefits Summary**



- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based statutory rates. For 2022, the rates were 7.65% for earnings up to \$142,800 and 1.45% afterward. FY20232 assumptions are budgeted consistent with the prior year.
- Pension expense is based contractual (union) or established rates (non-union) for eligible employees. For eligible employees, the pension expense is 9% of wages and is budgeted accordingly.

- Healthcare expense is based on historical medical insurance premium cost and the assumption of 3% increase in premiums due to previous average annual increases in these costs.
- TheRide is self-insured for worker's compensation. The budgeted expense is based on historical average cost per employee.
- Purchased transportation expenses are 16.9% lower than FY2022. The main contributor to the reduced budget a reduction in A-Ride bus services. The A-Ride contract is currently being negotiated and is expected to be finalized by August. Current assumptions reflect negotiations as they stand currently, and expenses are decreased significantly due to reduction in demand and ridership compared to the prior year budget assumptions. Additionally, demand for GoldRide service has been significantly less than planned in the previous year, driving a significant reduction in expected expenses for that service in FY2023.
- Fuel, materials, and supplies expenses, as shown in Figure 10, are up 14.8%, Fuel is budgeted \$1.1 million higher than FY2022 due to the increased cost of gasoline and diesel fuels. The fuel cost increase is partially offset by reductions in computer software costs and emergency related supplies and materials.
- Contractual services expenses are decreasing by 2.6% primarily due the removal of pandemic related emergency contingencies. Services related to the pandemic are resulting in new normal levels of activity and expenses have been adjusted according to current levels of activity. Variances in contractual services are illustrated in Figure 13 and described in further detail below.

**Figure 13: Contractual Services Summary**

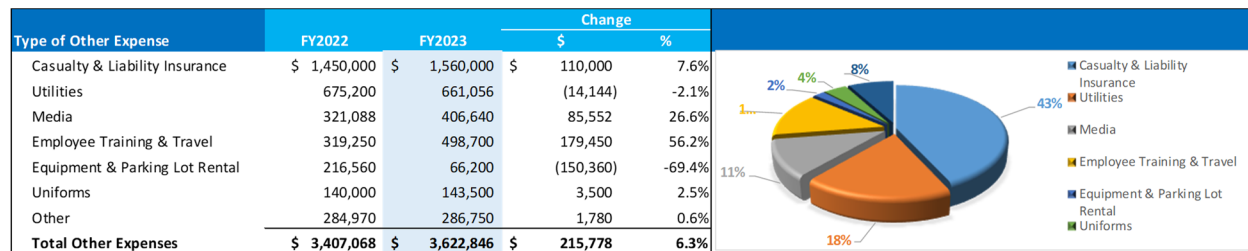


- Consulting expenses are increasing by \$145,000 or 17.7%, due to additional investment in corporate initiatives, security services, and internet data fees (partially offset by decreases in mobile data) for improved operations communications. Contractual services fluctuate each year due to removal of funding prior year initiatives that are completed and additions of new annual initiatives. Project initiatives are aligned with the corporate business plan and Board Ends. Initiatives requiring consulting services for FY2023 include:
  - Rebuild ridership promotional campaign, including redesign and printed RideGuides
  - Corporate-wide technology assessments and system upgrades



- Promotional materials and education for transportation services (hiring, new service, mobile payment, and Text My Bus education campaigns)
  - Staff training for leadership and critical software systems
  - Building security and efficiency upgrades
- Agency Fees are expenses for public education and engagement that are performed by an outside firm. Projected expenses for FY2023 are \$145,340, or 10.4%, lower than budgeted in FY2022 due to removal of costs for projects completed that will not require funding in FY2023.
  - Pandemic-related services included funding for cleaning, media, vehicle maintenance, mobile ticketing, etc. and the FY2022 budget was based on expenses incurred in FY2021. These expenses were reimbursed through federal pandemic relief funding and are not budgeted at the same levels in FY2023.
- Other expenses are projected to increase by 6.3%, primarily due to additional investment in employee training, and modest increases insurance premiums and media expenses. and parking lot rental fees. Variances in other expenses are illustrated in Figure 14 and described in further detail below.

**Figure 14: Other Expenses Summary**

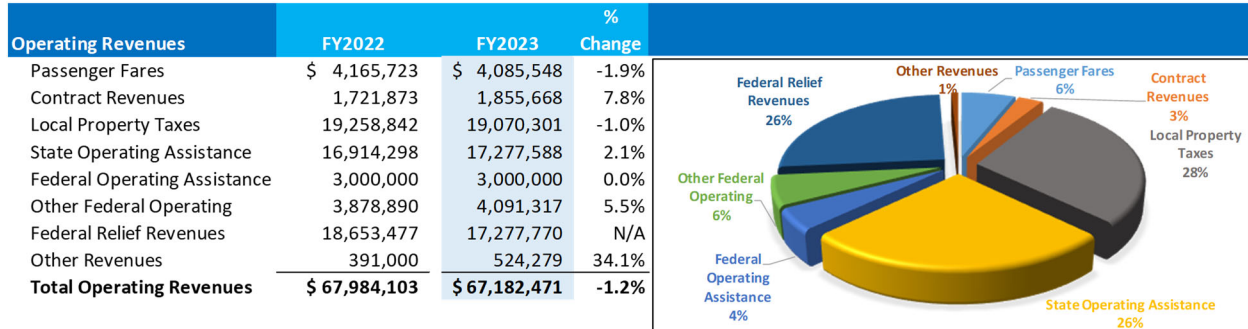


- Higher casualty and liability insurance premiums are mainly due to increases experienced in FY2022 that were underbudgeted last year. Adjustments in the number and type of vehicles were adjusted in FY2022, which impact estimates for FY2023. Market increases seen recent years of 10% to 15% have stabilized. Through discussions with our insurance broker and softening of increases in the market, we were able to achieve rates that are consistent with the FY2022 expenses without taking additional insurance risk or increasing deductibles. The cost assumption is based on insurance rates that went into effect on August 1, 2022.
- Utilities expenses are lower than the prior fiscal year due to a 30% reduction in telephone and cellular due to a change in approach to transportation communications. The reduction is offset by an increase in data fees, which is accounted for as part of contractual services.
- Equipment & parking lot rental expenses are reduced to reflect pass-through expenses for D2A2. These costs are incorporated into TheRide's budget on a line-item basis. Expenses are fully recovered from federal and state funding and changes in the projected expenses decrease revenues directly associated with the reimbursement.

- Per Board Policy 3.8.3, the Board is to develop its cost of governance budget by June 30 each year. The FY2023 cost of governance budget is included in Other Expenses and is based on historical budgets and spending at \$35,000. This amount is equal to the FY2022 Budget and will be reviewed with the Governance Committee for a final budget estimate.

## Revenues

As illustrated in Figure 15, FY2022 Operating Revenues are budgeted at **\$67,182,470**, a 1.2% decrease from the FY2022 budget year.



Operating revenues are primarily generated by a combination of user fees, contractual service agreements and several sources of public funding. Descriptions of major revenue sources and key budget assumptions are as follows:

- **Passenger fares:** TheRide collects fares according to a Board-approved fare structure, paid either by passengers or by organizations (TheRide's purchase-of fare partners) on their behalf. As detailed in the *Appendix 8.4*, fares vary based on service type (fixed route, A-Ride, etc.), rider category (Full Fare, Reduced Fare-Youth/Senior/Disability, etc.), and fare product (Token, 30-Day Pass, etc.). Fares may be paid by purchasing a token, pass, or mobile ticket in advance; by presenting an organization-paid pass; or by paying cash upon boarding. Purchase-of-fare partners are eligible to receive bulk purchase discounts and often provide additional discounts or free fares to their members. The FY2023 budget anticipates purchase-of-fare partnerships with Ann Arbor Downtown Development Authority (DDA), Ann Arbor Public Schools, Eastern Michigan University, University of Michigan, Washtenaw Community College, and several employers participate in the getDowntown go!pass program.

Passenger fare revenue is expected to be 1.9% less than budgeted in FY2022 budget due to a lag in ridership recovery compared to prior year projections. As demonstrated in Figure 5, actual Fixed Route ridership is expected to increase in FY2023, compared to the current year, and is expected to be slightly under what was budgeted in FY2022. Revenues are budgeted consistently with ridership projections.

- **Contract Revenues:** TheRide enters into purchase-of-service agreements with Pittsfield, Scio, and Superior Townships to provide fixed-route and/or demand-response services in their communities. An additional contract with the Ann Arbor Downtown Development Authority supports getDowntown program operations. Pass-through contract revenue for nonurban service provided by People's Express and Western-Washtenaw Area Value Express (WAVE) is associated

with state-led rural programs and offset by both agencies' operating expenses without a net impact on TheRide's budget.

Contract revenue has increased 7.8% due to higher local contributions expected for the D2A2 and Nonurban services (People's Express).

- Local property taxes: TheRide receives property tax revenue from the Cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti ("Ypsilanti Township"). There are two sources of revenue received from the City of Ann Arbor (a perpetual 2.5 mill levy written into the city's Charter in 1974, and a .7 mill tax (2018 public transportation improvement millage)). There are also two sources of revenue received from the City of Ypsilanti (a perpetual .9789 mills written into the city's Charter for public transit purposes in 2010, and a .7 mill tax (2018 public transportation improvement millage)). There is one source of revenue received from Ypsilanti Township (a .7 mill tax (2018 public transportation improvement millage)).

The Board of Directors authorizes the levy of ad valorem property taxes, as required to be adjusted for the Headlee Amendment (Headlee) under Michigan State Law, for the purpose of providing public transportation services.

Property tax revenues for 2023 are anticipated to be approximately 3.0% higher than projected actual property tax revenues of \$18.5 million in 2022. The budget variance shows a year-over-year decrease because actual revenues for FY2022 were lower than budgeted.

- State operating assistance: revenue is projected to increase in FY2023 by 2.1% due to a slight increase in the projected reimbursement rate based on historical performance. The budgeted state operating assistance reimbursement rate is 29.0% of eligible operating expenses. See *Appendix 8.5* for further details on State and Federal funding sources.
- Other federal operating assistance: will increase as a result of additional utilization of capital cost of contracting (5307 Operating) funding.
- Federal relief revenues: Federal pandemic relief funds (CARES Act, CRRSAA and ARP funding) will be utilized to reimburse all eligible operating expenses and to replace lost fare revenues related to the coronavirus pandemic. The estimated use of federal pandemic relief funds is \$17.3 million in FY2023. The use of federal pandemic relief funds is anticipated to result in a surplus of \$11.8 million of local property tax funds, which will be placed into capital reserve.

## Contingencies

There is still a fair amount of uncertainty regarding revenues and expenses, particularly the impact of expense assumptions due to inflationary factors, impacts of workforce challenges, and impacts of state and local funding. The FY2023 Budget proposal is likely to change before a recommended budget is presented to the Board for adoption. The following revenues and expenses are likely to change:

- Fare revenue and contract revenue may vary based upon ridership projections
- 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

- Fuel, materials, and supplies costs may be adjusted based on impacts of inflation
- Purchased transportation costs may vary while finalizing the A-Ride contract
- Updated assumptions related to Corporate Business Plan initiatives and acceleration of elements of the millage proposal

The assumptions in the Draft FY2023 Budget 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.

The following table illustrates the details of the adopted FY2023 budget, along with comparisons to previous years.

**Figure 16: 2023 Operating Budget Detail (with Prior Year Comparisons)**

	FY2021	FY2022	FY2023	2023 vs. 2022 Change	
	Actual	Budget	Draft Budget	\$	%
<b>OPERATING REVENUES</b>					
Passenger Revenue	\$ 1,624,502	\$ 4,165,723	\$ 4,085,548	\$ (80,175)	-1.9%
Local Property Tax Revenue	17,991,318	19,258,842	19,070,301	(188,541)	-1.0%
POSA & other Governmental Partners	1,288,708	1,721,873	1,855,668	133,795	7.8%
State Operating Assistance	13,338,529	16,914,298	17,277,588	363,290	2.1%
Federal Operating Assistance	1,350,000	3,000,000	3,000,000	-	0.0%
Other Federal Conditional Assistance	1,329,208	3,878,890	4,091,317	212,427	5.5%
CARES/CRRSAA/ARP	17,100,201	18,653,477	17,277,770	(1,375,707)	-7.4%
Advertising, Interest, and Other	1,014,866	391,000	524,279	133,279	34.1%
<b>TOTAL REVENUES</b>	<b>\$ 55,037,332</b>	<b>\$ 67,984,103</b>	<b>\$ 67,182,471</b>	<b>\$ (801,632)</b>	<b>-1.2%</b>
<b>OPERATING EXPENSES</b>					
<b>PERSONNEL</b>					
Operators Salaries & Wages	\$ 10,072,287	\$ 11,945,463	\$ 12,245,872	\$ 300,409	2.5%
Other Salaries & Wages	2,943,572	3,425,808	3,511,087	85,279	2.5%
Administration Salaries & Wages	5,088,377	5,399,078	5,967,652	568,574	10.5%
<b>Subtotal - Personnel</b>	<b>\$ 18,104,235</b>	<b>\$ 20,770,350</b>	<b>\$ 21,724,611</b>	<b>\$ 954,261</b>	<b>4.6%</b>
Fringe Benefits	6,824,476	7,850,851	8,089,499	238,647	3.0%
<b>Total Salaries &amp; Wages</b>	<b>\$ 24,928,712</b>	<b>\$ 28,621,201</b>	<b>\$ 29,814,110</b>	<b>\$ 1,192,909</b>	<b>4.2%</b>
<b>OTHER EXPENSES</b>					
Salaries, Wages and Benefits	\$ 24,928,712	\$ 28,621,201	\$ 29,814,110	\$ 1,192,909	4.2%
Purchased Transportation	5,943,543	14,704,408	12,225,840	(2,478,568)	-16.9%
Diesel Fuel and Gasoline	1,100,612	2,400,000	3,480,000	1,080,000	45.0%
Materials and Supplies	2,229,069	3,036,300	2,762,723	(273,577)	-9.0%
Contracted Services	3,084,422	3,596,874	3,504,382	(92,492)	-2.6%
Utilities	676,261	675,200	661,056	(14,144)	-2.1%
Casualty & Liability Insurance	1,314,924	1,450,000	1,560,000	110,000	7.6%
Other Expenses	1,600,633	1,281,868	1,401,790	119,922	9.4%
<b>TOTAL EXPENSES</b>	<b>\$ 40,878,176</b>	<b>\$ 55,765,851</b>	<b>\$ 55,409,900</b>	<b>\$ (355,951)</b>	<b>-0.6%</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ 14,159,156</b>	<b>\$ 12,218,252</b>	<b>\$ 11,772,571</b>	<b>\$ (445,681)</b>	<b>\$ (0)</b>
Operating Reserve Transfer	(2,220,556)	-	-	-	
Capital Reserve Transfer	(11,938,600)	(12,218,252)	(11,772,571)	445,681	-3.6%
<b>OPERATING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

## Basis of Budgeting

The 2023 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

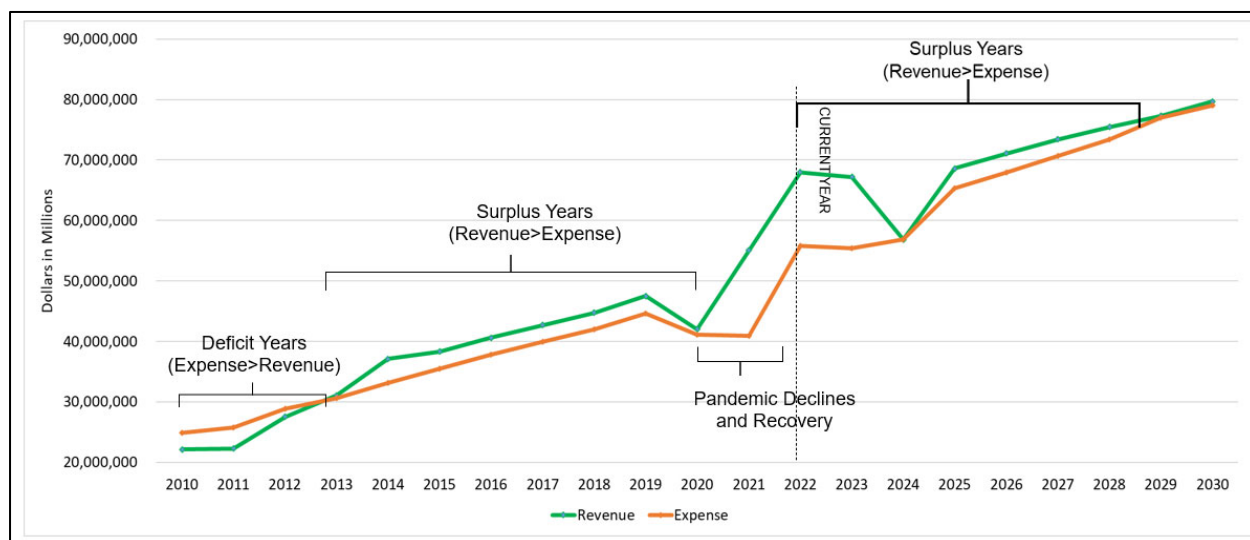
general fund balance, operating reserve, or capital budget. Depreciation expense is included in the annual audited financial statements.

### Long-Term Financial Context: 2010-2030

The Board's policies require the annual budget to be contextualized within a multi-year forecast of costs and revenues (Policy 2.4). The FY2023 budget and 7-year forecast for subsequent years is detailed on the next page.

The graph below compares historic (11-year actuals), FY2022 projected actuals, and forecasted financials to provide context for the FY2023 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.

**Figure 17: 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 pandemic relief funds helped to gradually restore service in late FY2020 continuing through FY2021 and helped assure mid-term financial sustainability. By 2022, service recovery was restored to pre-pandemic levels and due to pandemic relief funding, operating surpluses are projected from FY2021 to FY2023, with the surplus local funds being rededicated to the established capital reserve. However, operating deficits were predicted from FY2024 to 2029 until TheRide addressed the issue with the 2022 millage proposal.

The following table details projected operating revenue and expense projections for the next seven years.



**Figure 18: 2023 Operating Budget (with 7 Year Forecast)**

<b>Operating Revenues</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Passenger Fares	\$ 4,165,723	\$ 4,085,548	\$ 4,894,249	\$ 5,991,405	\$ 6,398,574	\$ 6,703,213	\$ 6,970,694	\$ 7,209,408	\$ 7,419,580
Contract Revenues	1,721,873	1,855,668	1,893,365	1,931,556	1,970,368	2,009,907	2,050,189	2,091,230	2,153,967
Local Property Taxes**	19,258,842	19,070,301	22,466,285	36,585,660	37,602,958	38,648,368	39,337,002	39,645,195	40,834,551
State Operating Assistance	16,914,298	17,277,588	17,676,472	20,148,544	20,950,890	21,745,003	22,573,333	23,629,689	24,410,802
Federal Operating Assistance	3,000,000	3,000,000	1,144,040	-	-	-	-	-	-
Other Federal Operating	3,878,890	4,091,317	4,014,825	3,516,166	3,674,418	3,842,205	4,020,198	4,209,119	4,332,455
CARES/CRRSAA/ARP	18,653,477	17,277,770	4,308,448	-	-	-	-	-	-
Other Revenues	391,000	524,279	440,258	451,541	463,136	475,054	487,301	499,890	514,887
<b>Total Operating Revenues</b>	<b>\$ 67,984,103</b>	<b>\$ 67,182,471</b>	<b>\$ 56,837,942</b>	<b>\$ 68,624,871</b>	<b>\$ 71,060,345</b>	<b>\$ 73,423,749</b>	<b>\$ 75,438,717</b>	<b>\$ 77,284,531</b>	<b>\$ 79,666,242</b>
<b>Operating Expenses</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Salaries, Wages, Benefits	\$ 28,621,201	\$ 29,814,110	\$ 30,224,675	\$ 31,305,087	\$ 32,484,296	\$ 33,560,911	\$ 34,672,076	\$ 35,832,580	\$ 36,543,456
Purchased Transportation	14,704,408	12,225,840	12,803,861	13,481,763	14,172,942	14,859,376	15,583,412	16,308,566	17,289,855
Fuel, Material, Supplies	5,436,300	6,242,723	6,399,649	6,650,736	6,911,746	7,219,574	7,541,197	8,077,181	8,228,800
Contracted Services	3,596,874	3,504,382	2,690,602	2,874,651	2,958,197	3,044,195	3,129,412	3,466,522	2,770,777
Other Expenses	3,407,068	3,622,846	3,552,421	3,775,927	4,018,678	4,282,062	4,568,031	4,883,198	5,242,824
Millage Initiatives	-	-	1,161,653	7,197,845	7,434,200	7,678,146	7,930,850	8,406,701	8,911,103
<b>Total Operating Expenses</b>	<b>\$ 55,765,851</b>	<b>\$ 55,409,900</b>	<b>\$ 56,832,861</b>	<b>\$ 65,286,009</b>	<b>\$ 67,980,059</b>	<b>\$ 70,644,264</b>	<b>\$ 73,424,978</b>	<b>\$ 76,974,748</b>	<b>\$ 78,986,815</b>
<b>Surplus (Deficit)</b>	<b>\$ 12,218,252</b>	<b>\$ 11,772,571</b>	<b>\$ 5,080</b>	<b>\$ 3,338,863</b>	<b>\$ 3,080,285</b>	<b>\$ 2,779,484</b>	<b>\$ 2,013,739</b>	<b>\$ 309,783</b>	<b>\$ 679,427</b>
Reserve Transfers (Capital/Operating)	(12,218,252)	(11,772,571)	(5,080)	(3,338,863)	(3,080,285)	(2,779,484)	(2,013,739)	(309,783)	(679,427)
<b>Operating Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 10-Year Capital Plan

“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. Such 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.

Every year TheRide produces a rolling 10-year plan to help organized anticipated major capital expenses. While a 10-year perspective is helpful context, the Board only authorizes one year of expenditures at a time, in this case for FY2023. The remaining nine years are considered placeholders and are subject to change. During the coming year, the 10-year capital plan may need to be adjusted to better reflect the final priorities of the ongoing Long-Range Plan.

The table below summarizes the adopted capital program for FY2023 and beyond until FY2031. While projects include the *Advancing the Long-Range Plan* priorities, 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, funds permitting.

**Figure 19: Capital Plan Projects and Funding Sources**

CAPITAL PROJECTS	FY2023 Budget	FY2024-FY2032 Program
State of Good Repair	\$14,621,000	\$88,761,109
Value Added	\$995,000	\$23,677,639
Research & Development	\$25,000	\$225,000
Expansion	\$1,135,000	\$201,991,000
<b>TOTAL EXPENSES</b>	<b>\$16,776,000</b>	<b>\$314,654,748</b>
FUNDING SOURCES	FY2023 Budget	FY2024-FY2032 Program
State & Federal Grants	\$16,451,000	\$157,286,681
Federal Earmark	\$300,000	\$0
Local Capital Reserve/Share	\$25,000	\$43,659,658
Unidentified Funding	\$0	\$113,708,409
<b>TOTAL REVENUE</b>	<b>\$16,776,000</b>	<b>\$314,654,748</b>
UNIDENTIFIED FUNDING PORTION	FY2023 Budget	FY2024-FY2032 Program
Unidentified Funding %	0%	36%

The detailed 10-year Capital Plan incorporates projects identified in the Board-approved Long-Range Plan. Detailed projects and funding are provided in Figure 20.

Figure 20: 10-Year Capital Plan

\$ in thousands		FY23 Budget		FY24-32 Program									
Category	Project Description	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total	
STATE OF GOOD REPAIR	Vehicles	5,520,000	5,609,600	5,777,888	5,951,225	6,129,761	6,313,654	6,503,064	6,698,156	6,899,100	7,106,073	60,682,448	
	Equipment	419,000	434,570	447,427	460,580	474,037	487,808	502,443	517,516	533,041	545,164	4,681,423	
	Existing Facilities	8,447,000	3,615,000	2,890,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	31,732,000	
	Information Technology	235,000	435,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,620,000	
	Category Total	14,621,000	10,094,170	9,315,315	9,301,805	9,493,799	9,691,463	9,895,507	10,105,672	10,322,142	10,541,238	99,715,871	
VALUE ADDED	Technology Upgrades [ITS, Smart Card]	250,000	150,000	2,150,000	2,150,000	2,150,000	2,150,000	150,000	150,000	150,000	150,000	9,700,000	
	Zero-Emission Vehicles [Costs Pending Study]	-	-	-	-	-	-	-	-	-	-	-	
	Bus Stop Improvements	445,000	350,000	327,639	250,000	250,000	250,000	300,000	300,000	300,000	300,000	2,842,639	
	Bus Lane Improvements & Other	300,000	500,000	1,200,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000	1,000,000	11,000,000	
	Category Total	995,000	1,000,000	3,677,639	3,400,000	3,400,000	3,400,000	2,450,000	2,450,000	2,450,000	1,450,000	23,542,639	
RESEARCH & DEVELOPMENT	Emergent R&D	25,000	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	25,000	250,000	
EXPANSION	Bus Garage	Land Acquisition	-	-	-	1,500,000	-	-	-	-	-	1,500,000	
		Planning, NEPA, & Design	100,000	350,000	750,000	800,000	3,000,000	3,500,000	-	-	-	8,500,000	
		Construction	-	-	-	-	-	-	25,000,000	30,000,000	10,000,000	-	65,000,000
		Garage Subtotal	100,000	350,000	750,000	2,300,000	3,000,000	3,500,000	25,000,000	30,000,000	10,000,000	-	75,000,000
	Ypsilanti Transit Center	Land Acquisition	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000
		Planning, NEPA, & Design	585,000	965,000	800,000	-	-	-	-	-	-	-	2,350,000
		Construction	-	-	5,000,000	10,150,000	-	-	-	-	-	-	15,150,000
		YTC Subtotal	585,000	1,965,000	5,800,000	10,150,000	-	-	-	-	-	-	18,500,000
	Blake Transit Center	Planning, NEPA, & Design	-	330,000	-	-	-	-	-	-	-	-	330,000
		Construction Contribution	-	-	1,500,000	1,800,000	300,000	570,000	-	-	-	-	4,170,000
		BTC Subtotal	-	330,000	1,500,000	1,800,000	300,000	570,000	-	-	-	-	4,500,000
	Bus Rapid Transit	Planning, NEPA, & Design	150,000	350,000	400,000	350,000	4,000,000	3,000,000	150,000	350,000	500,000	500,000	9,250,000
		Construction & Vehicles	-	-	-	-	-	1,750,000	25,950,000	25,000,000	25,550,000	-	78,250,000
		BRT Subtotal	150,000	350,000	400,000	350,000	4,000,000	4,750,000	26,100,000	25,350,000	26,050,000	500,000	87,500,000
	Information Technology	New Fare Technology	-	-	-	-	200,000	700,000	2,100,000	1,000,000	-	-	4,000,000
		Customer Experience Technology	100,000	100,000	100,000	100,000	100,000	150,000	120,000	120,000	120,000	120,000	1,130,000
		First and Last Mile Solutions	-	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	720,000
		Operational Innovations	200,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	3,350,000
		Information Technology Subtotal	300,000	530,000	530,000	530,000	730,000	1,280,000	2,650,000	1,550,000	550,000	550,000	9,200,000
		Transit Hubs	-	-	-	-	100,000	200,000	1,000,000	1,000,000	-	300,000	2,600,000
		Additional Vehicles for Service Expansion	-	62,000	-	62,000	-	-	1,963,000	1,254,000	146,000	1,839,000	5,326,000
		Category Total	1,135,000	3,587,000	8,980,000	15,192,000	8,130,000	10,300,000	56,713,000	59,154,000	36,746,000	3,189,000	202,626,000
EXPENSE TOTAL		16,776,000	14,706,170	21,997,954	27,918,805	21,048,799	23,416,463	69,083,507	71,734,672	49,543,142	15,205,238	331,430,748	
Funding Sources		FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total	
FORECASTED:													
5307 Federal +State Match		10,635,760	10,000,321	17,002,508	16,650,837	13,709,548	13,983,738	14,263,413	14,548,681	14,839,655	11,466,772	137,101,233	
5339 Federal + State Match		3,372,220	1,163,859	1,187,137	1,210,879	1,235,097	1,259,799	1,284,995	1,310,695	1,336,909	1,363,647	14,725,237	
CMAQ Federal + State Match		1,667,790	1,716,990	1,785,670	1,857,096	1,931,380	2,008,635	2,088,981	2,172,540	2,259,441	2,349,819	19,838,342	
5310 Federal + State Match		100,000	-	-	-	-	-	-	-	-	-	100,000	
STBG Flex Federal + State Match		375,230	300,000	277,639	-	-	-	-	-	-	-	952,869	
State Initiatives (TSP)		300,000	500,000	220,000	-	-	-	-	-	-	-	1,020,000	
Federal Earmark		300,000	-	-	-	-	-	-	-	-	-	300,000	
Local Capital Reserve/Share		25,000	1,025,000	1,525,000	8,199,992	4,172,774	6,164,290	22,497,602	25,000	25,000	25,000	43,684,658	
UNIDENTIFIED:													
Other		-	-	-	-	-	-	28,948,516	53,677,756	31,082,137	-	113,708,409	
REVENUE TOTAL		16,776,000	14,706,170	21,997,954	27,918,805	21,048,799	23,416,463	69,083,507	71,734,672	49,543,142	15,205,238	331,430,748	

## FY2023 Adopted Capital Budget

The table below lists the approved capital investments for FY2023 only. Details for each project can be found in the *Appendix 8.2*.

**Figure 21: Adopted FY2023 Capital Plan**

Category	Project Description	FY2023
State of Good Repair	Vehicles	\$5,520,000
	Equipment	\$419,000
	Existing Facilities	\$8,447,000
	IT Hardware and Software Replacement	\$235,000
	<b>Sub-total</b>	<b>\$14,621,000</b>
Value Added	Technology Upgrades	\$250,000
	Bus Stop Improvements	\$445,000
	Bus Lane Improvements & Other	\$300,000
	<b>Sub-total</b>	<b>\$995,000</b>
Research and Development	Emergent R&D Projects	\$25,000
	<b>Sub-total</b>	<b>\$25,000</b>
Expansion	Bus Garage	\$100,000
	Ypsilanti Transit Center	\$585,000
	Bus Rapid Transit	\$150,000
	Information Technology	\$300,000
	<b>Sub-total</b>	<b>\$1,135,000</b>
<b>Capital Costs Total</b>		<b>\$16,776,000</b>

Approved capital projects and funding sources for FY2023 and the 10-year plan are explained in more detail in Appendices two and five.

## 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 FY2023. Additional information is available in the *State and Federal Grants Primer*, see the *Appendix (page 52)*.

**Figure 22: Capital Funding Sources**

Sources of Capital Funds	FY2023
<b>Local Capital Reserve/Share</b> TheRide's own cash and investments budgeted for research and development projects in FY2023. A capital reserve was established in FY2021 with local funds as a result of additional pandemic relief that has been and will be received.	\$25,000
<b>Federal STBG Flex</b> 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.	\$300,000
<b>State Initiatives (TSP)</b> State funding MDOT awarded for the Transit Signal Priority project, continuing work started last year. Project listed in the Technology Upgrades line.	\$300,000
<b>State Capital Match</b> State Comprehensive Transportation Fund (CTF) capital funding for 20% local share required by federally funded capital projects (STBG, 5307, 5310, 5339, CMAQ, Discretionary).	\$3,230,000
<b>Federal 5307 Formula</b> Federal urbanized formula support for transit capital projects. Supports state of good repair projects, bus stop improvements, technology upgrades, and expansion efforts.	\$8,509,000
<b>Federal 5310 Formula</b> Federal formula for mobility of seniors and people with disabilities. Supports capital purchases and operating activities designed to serve these populations.	\$80,000
<b>Federal 5339 Formula</b> Federal formula for buses and bus facilities, will support state of good repair vehicle replacements and facility rehabilitations.	\$2,698,000
<b>Federal CMAQ</b> 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.	\$1,334,000
<b>Federal Earmark</b>	\$300,000
<b>Unidentified/Discretionary</b> A placeholder in the capital budget for federal discretionary awards, also known as competitive FTA grants, that will support capital projects.	\$0
<b>Total</b>	<b>\$16,776,000</b>

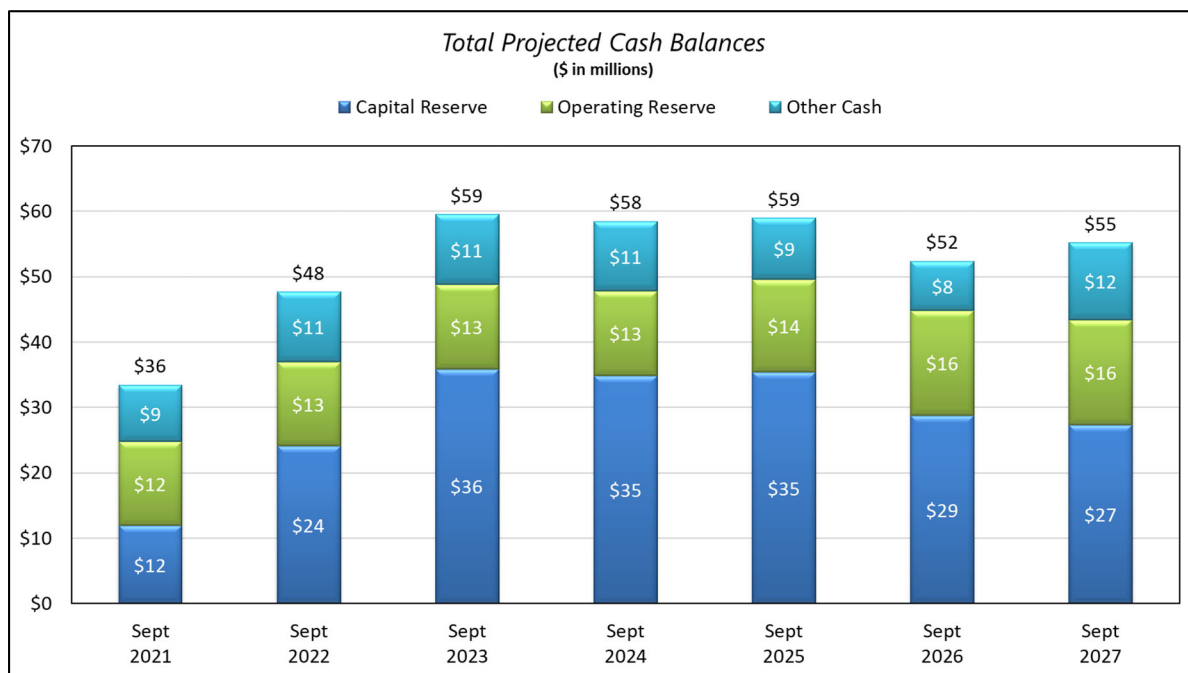
## 7. Impacts of 2023 Budget

### Projected General Fund and Cash Balances

The fund balance will start the new fiscal year (October 1, 2022) near the net position of \$98 million with most assets in capital, cash, and investments. The FY2023 closing fund balance is expected to grow about \$12 million based on the projected FY2023 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 FY2022 to FY2027 (September) with the historical cash balance as of the end of FY2021. In addition to total projected cash, the stacked bar chart shows the projected capital reserve, operating reserve, and other cash balances. Other cash represents the insurance reserve of \$500,000, cash needed for daily operations, and any restricted cash. See further details on the operating reserve and capital reserves below.

**Figure 23: Total Projected Cash Balances**

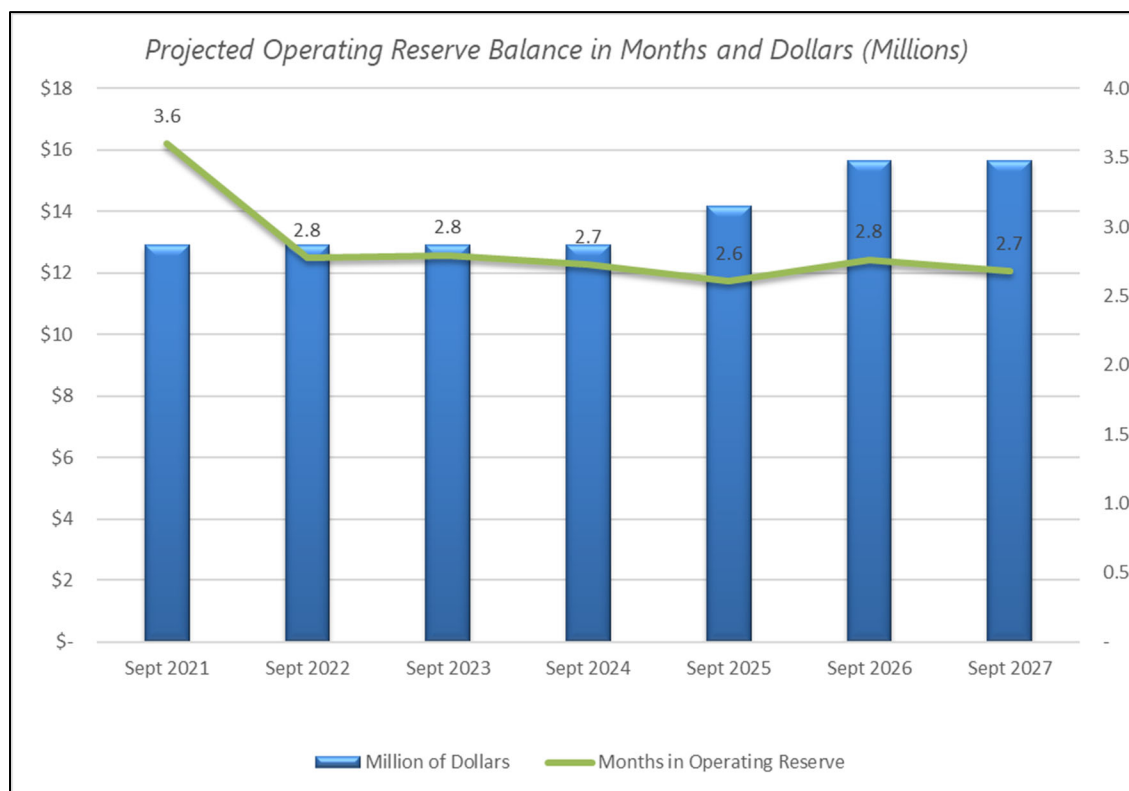


### Projected Operating Reserve Balance

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 about \$11.6 million to support a \$55.4 million budget as adopted for FY2023. This target level is expected to be maintained through FY2027 and beyond.

**Figure 24: Projected Operating Reserves**



### 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 FY2023 as federal pandemic relief funds are used for operating purposes. From FY2024 to FY2029, the capital reserve will also be funded from local operating surplus dollars because of the new millage rate that passed for FY2024 to FY2029. The below table represents the expected capital reserve funding timing, use of funds, and the remaining capital reserve balance from FY2021 to FY2030. See the 10-year Capital Plan for more details on the capital projects that will utilize these funds.

**Figure 25: Projected Capital Reserve Activity**

(\$ in thousands)	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Capital Reserve Funding (from Operating Surplus)	\$ 11,939	\$ 12,218	\$ 11,773	\$ 5	\$ 2,039	\$ 1,580	\$ 2,779	\$ 1,014	\$ 310	\$ -	\$ 43,657
Use of Capital Reserve for Capital Project	-	-	25	1,025	1,525	8,200	4,173	6,164	22,498	25	43,635
<b>Remaining Capital Reserve Amount</b>	<b>\$ 11,939</b>	<b>\$ 24,157</b>	<b>\$ 35,904</b>	<b>\$ 34,885</b>	<b>\$ 35,398</b>	<b>\$ 28,779</b>	<b>\$ 27,385</b>	<b>\$ 22,235</b>	<b>\$ 47</b>	<b>\$ 22</b>	<b>\$ 22</b>

## 8. Appendices



## 8.1 FY2023 Initiatives

This section provides descriptions of operating and capital initiatives that will help to advance the priorities of the Corporate Business Plan, *Advancing the Long-Range Plan*, and achieve the Board's *Ends Policies*. Initiatives below are listed under the priorities of retaining and attracting ridership, implementing the long-range plan and agency-wide continuous improvements.

**Retain and Attract Ridership:** With the pandemic, ridership dramatically dropped. Although it is slowly increasing, TheRide is encouraging ridership by offering contactless payment options, conducting 'rebuild ridership' campaigns, staffing bus routes etc. The Long-Range Plan intends to continue this effort by providing faster services across networks, increase off-peak services, increases frequencies with the intent of increasing ridership by 150%-165%. Key initiatives to support this priority include:

- Campaign to rebuild ridership
- Advances in contactless payment
- Replacing aging buses

**Implementing the Long-Range Plan:** Long-Range Plan lays out a shared vision and strategy for transit over the next 25 years. It focuses on improving social equity by increasing access to jobs and housing, while also contributing to a cleaner environment and a vibrant economy. The result will be a more competitive transit system that will grow ridership, resulting in a more sustainable and vibrant community. Key initiatives to support this priority include:

- Upgrades to the Ypsilanti Transit and Blake Transit Centers
- Starting new services
- Bus Rapid Transit and garage expansion
- Transit Signal Priority
- Develop legislative agenda

**Agency-wide continuous improvements:** One of TheRide's business principles is 'Excellence' which is defined as continuously renewing our commitment to perform well beyond set standards. TheRide prides itself in being compliant with federal, state, and local regulations but it desires and works on continuously doing and being better. Key initiatives to support this priority include:

- Technology upgrades and improvements
- Equity considerations
- Zero emissions fleet improvements, including support vehicles
- Zero emissions support vehicles

## 8.2 FY2023 Capital Descriptions

Capital Plan aligns with the Board approved Long-Range Plan and includes projects identified in the Long-Range plan that fall within the 10-year planning period. The capital plan is organized by priorities of State of Good Repair, Value Added, Expansion, and Research and Development. This year, it is important to highlight the Expansion projects for both terminals, so that information is presented first.

**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:** Longstanding aspirations, the expansions of the two bus terminals have been highlighted in budget documents since FY2018. Staff are seeking Board authorization to move forward with more specific implementation planning for separate work on each facility. Both projects may require formal Board approval during FY2023 and significant capital costs in the future, although the planning work in the FY2023 budget does not obligate the Board to continue with either project (Policies 1.0, 2.1, 2.2, 2.4, 2.7, 2.10, 2.11).
  - **Ypsilanti Transit Center (YTC):** \$585,000 to support formal NEPA studies (environmental impact studies) necessary to refine the facility design and prepare the project to compete for federal funds and land acquisition. This will include discussions with the City, adjacent landowners, and the public.
  - **Blake Transit Center (BTC):** TheRide has been working with the Ann Arbor Housing Commission and City of Ann Arbor to jointly develop a vision for redeveloping the Y Lot adjacent to the BTC. This vision has advanced rapidly and TheRide staff is requesting \$330,000 to engage our own consultants beginning in FY2024 and continue to conduct work in support of this effort. The City Council has a vision and TheRide Board may need to make a final decision about future expenses beyond FY2024 to pay for TheRide's portion of the project. Present estimates in the 10-Year Capital Plan assume an additional \$4.47 million to support construction.

**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: \$4,880,000 (Policies, 2.1, 2.4, 2.7).
  - **Small/Medium Bus Replacement:** The purchase of four 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 FY2023 in accordance with fleet replacement plans. Budget: \$440,000 (Policies 2.1, 2.4, 2.7).

- **Support Vehicles:** The purchase of three support vehicles are planned to maintain TheRide's non-revenue related transportation services. The replacement vehicles will be procured in FY2023 in accordance with the fleet replacement plans. Budget: \$200,000 (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: \$319,000 (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: \$7,657,000 (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: \$250,000 (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: \$445,000 (Policies 2.1, 2.4, 2.7, 2.10).
- **Bus Lane Improvements:** Creating bus lanes and other features to make transit more attractive (relative to other modes) will help increase demand and make transit more efficient. Budget: \$300,000 (Policies 2.1, 2.4, 2.7, 2.10).
- **Zero Emission Vehicles:** This element of the capital plan is a placeholder and no budget has been assigned to date. Further consideration of the Propulsion Study, upon completion, and Board discussions will result in a more defined project and be incorporated into the capital plan based on priority of the project and available funding. (Policies 2.1, 2.4, 2.7, 2.10).

**Research and Development:** Capital funds are reserved for new projects that may develop in 2023. 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).

## 8.3 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 FY2023. 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 FY2023 is for the replacement of the roof over the bus maintenance section of 2700 S. Industrial Hwy.

**Table 8.3: Budgeted Contracts Summary**

CONTRACT DESCRIPTION	CURRENT PROVIDER	RENEWAL DATE	VALUE OF AWARD (ESTIMATED)	FY2023 BUDGETED EXPENSE
General Corporate Legal Services	Dykema Gossett	9/1/2023	\$ 400,000	\$ 110,000
Labor and Employment Legal Services	Miller Johnson, Bodman	8/16/2023	\$ 250,000	\$ 50,000
Gasoline and Diesel Fuel	Multiple Providers	10/1/2022	\$ 3,100,000	\$ 3,100,000
Bus Advertising Services	Outfront Media Group LLC	4/10/2023	\$ 1,300,000	Revenue Contract
Public Transit Buses	Nova Bus	12/31/2024	\$ 25,000,000	\$ 4,880,000
Natural Gas Supply	Constellation	5/31/2023	\$ 450,000	\$ 148,300
Non-Revenue Vehicle Replacements	New	10/1/2022	\$ 200,000	\$ 200,000
Small/Medium Bus Replacements	New	10/1/2022	\$ 440,000	\$ 440,000
Fleetwide Seating Transition	New	10/1/2022	\$ 350,000	\$ 350,000
Asphalt Repairs, Park and Ride Lots	New	10/1/2022	\$ 300,000	\$ 300,000
Ypsilanti Transit Center Planning and Design	New	10/1/2022	\$ 2,300,000	\$ 600,000
Planning and Engineering Support for Capital Projects	New	10/1/2022	\$ 600,000	\$ 200,000
Washtenaw BRT Planning	New	10/1/2022	\$ 500,000	\$ 150,000
Bus Garage Planning	New	10/1/2022	\$ 500,000	\$ 100,000

## 8.4 Fares

A 2018 Fare Study (Fare Study) was conducted to provide an independent analysis of TheRide's fare structure. The Fare Study determined that the current fare structure has developed organically over many years and is not optimized to advance the Board's Ends. Since the initial study was completed in 2018, it did not include analysis that consider impacts of the pandemic. As a result, staff contracted with Four Nines to refresh the fare model with current assumptions and modeling and to evaluate proposed fare changes. In April 2021 Four Nines provided a Fare Model Refresh Report to staff, which was the basis of staff's recommended fare changes, which were approved by the Board in 2022.

Table 8.4 presents current fares as approved by the Board September 2022. New fares approved at that time are being implemented in August 2022. There are currently no new fares being proposed for FY2023. A comprehensive review of fares will be reviewed in the future.

<b>Table 8.4 - FARES</b>			
<b>FIXED ROUTE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b><i>Cash Fares</i></b>			
Full Fare Cash	\$1.50	\$1.50	\$1.50
Transfer	Free	Free	Free
<b><i>Reduced Cash Fares</i></b>			
Youth (Grades K-12)	\$0.75	\$0.75	\$0.75
Children (5yrs & Younger)	Free	Free	Free
Fare Deal Card	\$0.75	\$0.75	\$0.75
A-Ride Card	Free	Free	Free
GoldRide Card	Free	Free	Free
<b><i>Passes and Tokens</i></b>			
Day Pass	\$4.50	\$3.00	\$3.00
Reduced Day Pass	N/A	\$1.50	\$1.50
30 Day Pass	\$58.00	\$45.00	\$45.00
30 Day Value Pass (Senior)	\$29.00	\$22.50	\$22.50
30 Day Value Pass (Income Elig.)	\$29.00	\$22.50	\$22.50
30 Day Value Pass (Disability)	\$29.00	\$22.50	\$22.50
30 Day Value Pass (Student)	\$29.00	\$22.50	\$22.50
Full Fare Token	\$1.50	\$1.50	\$1.50
Reduced Fare Token	\$0.75	\$0.75	\$0.75
<b>SPECIAL SERVICES FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b><i>GroceryRide</i></b>			
GroceryRide	\$0.75	\$0.75	\$0.75
<b><i>NightRide</i></b>			
NightRide (Full Fare)	\$5.00	\$5.00	\$5.00
NightRide (go!Pass)	\$3.00	\$3.00	\$3.00

NightRide (Reduced Fare)	\$2.50	\$2.50	\$2.50
NightRide (Surcharge/outside A2)	\$2.00	\$0.00	\$0.00
NightRide (Child age 5 & under)	Free	Free	Free
<b>HolidayRide</b>			
HolidayRide (Full Fare)	\$5.00	\$5.00	\$5.00
HolidayRide (go!Pass)	\$3.00	\$3.00	\$3.00
HolidayRide (Reduced Fare)	\$2.50	\$2.50	\$2.50
HolidayRide (Surcharge/outside A2)	\$2.00	\$0.00	\$0.00
HolidayRide (Child age 5 & under)	Free	Free	Free
<b>FootballRide</b>			
One-Way	\$1.50	\$1.50	\$1.50
Round Trip	\$3.00	\$3.00	\$3.00
<b>EXPRESSRIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Cash Fares</b>			
One-Way Cash	\$6.25	\$6.25	\$6.25
Transfer from Fixed Route	\$4.75	\$4.75	\$4.75
<b>Passes and Tickets</b>			
30 Day Commuter Pass	\$125.00	\$125.00	\$125.00
10-Ride Ticket	\$62.50	\$62.50	\$62.50
<b>Reduced Passes</b>			
MRide	\$62.50	\$62.50	\$62.50
go!Pass	\$62.50	\$62.50	\$62.50
*ExpressRide service has been suspended due to the pandemic.			
<b>A-RIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Cash Fares</b>			
Advance Reservation	\$3.00	\$3.00	\$3.00
Same Day Reservation	\$4.00	*\$4.00	*\$4.00
Will Call return Trip	\$3.00	\$3.00	\$3.00
Companion Fare	\$3.00	\$3.00	\$3.00
Companion Fare (Youth K-12)	\$1.50	\$1.50	\$1.50
Companion Fare (Age 5 & Under)	Free	Free	Free
Personal Care Assistant	Free	Free	Free
<b>Scrip Coupons</b>			
Booklet of 10	\$30.00	\$30.00	\$30.00
*Same day reservation has been suspended due to the pandemic.			
<b>AIRRIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Advance Reservation</b>			
Standard One-Way Fare	\$12.00	\$12.00	\$12.00
Standard Round Trip	\$22.00	\$22.00	\$22.00
Seniors One-Way	\$6.00	\$6.00	\$6.00
Seniors Round Trip	\$11.00	\$11.00	\$11.00

Disabled One-Way	\$6.00	\$6.00	\$6.00
Disabled Round Trip	\$11.00	\$11.00	\$11.00
Youth (Ages 2-17) One Way	\$6.00	\$6.00	\$6.00
Youth (Ages 2-17) Round Trip	\$11.00	\$11.00	\$11.00
<b>Walk-On Fares</b>			
Standard One-Way Fare	\$15.00	\$15.00	\$15.00
Seniors	\$7.50	\$7.50	\$7.50
Disabled	\$7.50	\$7.50	\$7.50
Youth (Ages 2-17)	\$7.50	\$7.50	\$7.50
<b>D2A2 FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<b>Advance Reservation</b>			
Standard One-Way Fare	\$6.00	\$6.00	\$6.00
Senior/Disability One-Way Fare	\$4.00	\$4.00	\$4.00
Book of 10 Rides (\$5 Each Trip)	\$50.00	\$50.00	\$50.00
<b>Walk-On Fares</b>			
Standard One-Way Fare	\$8.00	\$8.00	\$8.00
Senior/Disability One-Way Fare	\$4.00	\$4.00	\$4.00
<b>FLEXRIDE FARES</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
Standard Adult One-Way	\$1.00	\$1.00	\$1.00
Students (K-12, ages 6-18)	\$0.50	\$0.50	\$0.50
Children (Age 5 & Under)	Free	Free	Free
Fare Deal Card	\$0.50	\$0.50	\$0.50
A-Ride Card	Free	Free	Free
GoldRide Card	Free	Free	Free
30-Day Value Pass (Fare Deal)	Free	Free	Free

### Information Required by Board Policy

Per section 2.5.12 of TheRide's Board Policy Manual (version 2.18):

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

In this section staff provides the information required by the Board's policy. Staff have presented some of this information earlier in DRAFT budget proposals, or in pre-pandemic briefings on the fare study. Rather than restate this information, this section includes references, citations and links to other documents where the full information can be found (Fare Study, Equity Analysis, earlier budget presentations) and which are available on TheRide's website.

TheRide staff has presented the proposed fare changes for FY2022 by incorporating the request in the [DRAFT Operating and Capital Budget for FY2022](#) at the August 19, 2021 Board Meeting (the DRAFT Budget) and in the [Recommended Operating and Capital Budget for FY2022](#) (the Recommended Budget)



presented for approval on September 23, 2021. Before the pandemic, the Fare Study was discussed several times with the Board, although time has passed since those briefings.

To further demonstrate that the proposed fare adjustment is fiscally responsible and aligned with achievement of the Board's Ends, staff has presented the following data and information to support an informed decision by the Board:

A. *A clear listing of all proposed fare categories/types and prices, along with supporting information.*

This information is provided above in Table 4.1 and was also provided in the DRAFT Budget presented to the Board in August ([Aug. 19, 2021 Board Packet. Draft Budget, Appendix 4, pgs. 41-44](#)) Further information describing more detail of the fare categories and types is the 2018 Fare Study Report (Section 2.1, Current Fare Structure). Additional information is contained in this Appendix.

B. *The Fare discounts to be provided for low-income residents and other vulnerable populations and rationale for how residents qualify for fare discounts.*

These fares are identified in Table 4.1 above, as well as in the Draft Budget ([Aug. 19, 2021 Board Packet. Draft Budget, Appendix 4, pgs. 41-44](#)). Eligibility rationale is below.

TheRide's Fare Deal program is designed to provide low-income residents of member jurisdictions (Ann Arbor, Ypsilanti, and Ypsilanti Township) with discounted fares. Riders in these communities have access to a discounted passenger fare for the fixed-route service that is equal to or better than the 50% discount required of all transit agencies by the Federal Transit Act. Eligibility for the program is determined by being able to present a Medicare or Medicaid card and a valid State ID. This is seen as a reasonable proxy for income without invasive questions and minimizes the administrative burden.

- Medicare eligibility is based on state of residence, age, disability and/or chronic illness. Each state has different eligibility requirements. However, Medicare users are often 65 years old and above.
- Medicaid eligibility are those who do not qualify for Medicare (16-64 years) and have an income at or below 133% of the federal poverty level (\$16,000 for a single person or \$33,000 for a family of four), are not pregnant and reside in Michigan may qualify for Medicaid also known as the Healthy Michigan Plan in Michigan.

To determine eligibility for income-based Fare Deal programs, income verifications are performed by third party agencies that routinely and consistently qualify low-income individuals for reduced fee programs.

The rationale for how residents' qualify for fare discounts is further described in the Fare Study Report (Section 3.3, Discount Fare Programs). As described in Section 3.3 of the Study, fare discounts offered by TheRide meet and often exceed FTA requirements and peer transportation agency programs.

C. *The impact of the proposed adjustment on equity among different fare categories.*

As it relates to fare changes, The Federal Transit Administration (FTA) requires most transit agency to conduct a Fare Equity Analysis prior to approving any change in transit fares This is done to determine if a change will have a disparate impact on minorities protected by Title VI of the Civil

Rights Act of 1964 or place a disproportionate burden on persons with low income as defined in Presidential Executive Order 12988.

To that end, TheRide engaged an independent consultant to complete an [Equity Analysis for the Proposed Fare Changes](#) above. The study concluded that:

- Equity analysis calculations show that there are no disproportionate burdens or disparate impacts created by the proposed changes,
- The fare change proposals comply with federal requirements, and
- The fare change proposals comply with board policies.

D. *The implication of the proposed fare adjustment on ridership.*

Impact to the proposed fare adjustments on ridership were presented to the Board during the Board meeting on June 17, 2021, in agenda item [4.2 Issue Brief Fare Changes](#). In Attachment 3, of the agenda item (page 77 of the Board packet), there is a detailed discussion of the projected impacts of the proposed fare changes on ridership and revenue. An independent consultant fare modeling concluded the following key points regarding impacts on ridership:

- for FY2022, fixed-route ridership is projected to increase by 0.8%; NightRide/HolidayRide is projected to increase by 2.3%, and
- the anticipated impact on reducing cash boarding numbers cannot be understated. The repriced 1-Day Pass can help reduce the number of transfers issued as well as enable riders to purchase 1-Day Passes on the beginning of the day. Cash handling is reduced by eliminating the need to pay cash again for return trip.

E. *The implications of the proposed adjustment on the authority's budget and the financial trade-offs required.*

Because a reduction in price can result in more sales (elasticity), it is difficult to predict financial impacts with certainty. An updated detailed analysis of fares and ridership demand, by fare type, was conducted as an update to the Fare Study and includes impacts of proposed fare changes. The modeling estimates that the TheRide could lose about \$60,000 per year (worst case). This represents 1.4% of passenger fare revenues (\$4.1 million) and 0.1% of total operating expenditures (\$55.7 million), as budgeted for FY2022. Staff does not believe that this relatively small amount represents a serious risk to TheRide's financial stability. While a loss of fare revenue could contribute to the ongoing operating deficit, the contribution would so small as to make no meaningful discernable difference. Stated another way, keeping fares the same will not prevent or delay the onset of deficits. Staff also feel that the recommended price reduction may induce higher ridership, as supported by updated fare revenue modeling performed by an independent consultant and our professional judgement. Further staff feel that the potential benefits of pursuing the Ends with these recommended changes outweigh the risks.

Previously, information on financial impacts were presented at board committee meetings between July 29<sup>th</sup> and August 10<sup>th</sup>, and during the Board meeting on August 19, 2021 as part of agenda item [4.4 FY2022 Draft Budget](#). In summary, illustrations provided on page 133 of the August 19, 2021 board meeting packet demonstrate (presentation) that the budgetary impact of the fare change proposal is minimal and that financial trade-offs are directly tied to advancing Board Ends.

The budget presented for board approval in September is a balanced budget and includes the impacts of the proposed fare changes. Performance of ridership recovery and trends regarding

fare types utilized will be closely monitored by staff and, if necessary, modifications may be provided to the Board for future consideration.

F. *Opportunities that users, residents, Legal Owners, and stakeholders had to provide feedback on the proposed fare adjustment, the nature of their feedback and how their feedback has been addressed.*

This information is provided in the [2021 June Public Outreach Public Feedback Summary](#) dated July 15, 2021 (on page 72 of the July 22, 2021 Board packet). TheRide hosted several meetings to present the final August Service Recovery Plan and receive feedback from the Fare Change Proposal. As outlined in more detail in the summary document, staff engaged the public and solicited public comments in the following manner:

- TheRide hosted six virtual meetings (via Zoom) to present and receive feedback from the Fare Change Proposal
- The meetings were held during typical lunch break and post-workday schedules
- Comments could also be provided via phone, e-mail, TheRide's online platform, and regular mail

In all, there were 59 unique individuals with a total of 96 comments received for consideration regarding the August Service Recovery Plan and the Fare Change Proposal, combined.

In summary, there were very few comments regarding the fare change proposal and there was no underlying theme. There were no objections to the proposed changes. There were four comments expressing concern about A-Ride fares increasing, which is not a consideration in the fare change proposal.

### **Federal Transit Administration (FTA) Fare Change Requirements**

As it relates to fare changes, The Federal Transit Administration (FTA) requires every transit agency with more than 50 fixed route buses and receiving federal funding conduct a Fare Equity Analysis prior to approving any change in transit fares or fare media. The purpose of the Fare Equity Analysis is to determine if the change in fares will have a disparate impact on minorities protected by Title VI of the Civil Rights Act of 1964 or place a disproportionate burden on persons with low income as defined in Presidential Executive Order 12988.

To that end, TheRide engaged an independent consultant to complete an [Equity Analysis for Proposed Fare Changes](#) in July 2021 that evaluated the proposed fare changes, with respect to FTA requirements, as presented in the FY2022 Recommended Budget. The study concludes that there are no disparate impacts or disproportionate burdens created by the proposed changes and that the fare change proposal complies with the federal requirements.

Additionally, FTA requires the agency to ensure that minority, low-income, and limited English proficient communities have an equal opportunity to participate in the public involvement process preceding a decision to change service and fares.

To that end, TheRide staff held six virtual meetings throughout the month of June to inform the public and solicit public involvement regarding service and fare changes. Out of the six virtual meetings, TheRide had 34 unique public attendees, where some chose to attend multiple meetings. TheRide received a total of 96 comments from 59 unique individuals. There were very few comments about the fare change proposal, and no underlying theme. Additional information is provided in the [2021 June Public Outreach Public Feedback Summary](#) on page 72 of the July 22, 2021 Board Packet.

## 8.5 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 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 FY2023, 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.

## 8.6 Adopting Resolution

Resolution xx/2022

OPTION OF FY 2023 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 FY 2023 Operating and Capital Budget that furthers Board Ends Policies within Executive Limitations and provides multi-year context, and

**WHEREAS**, the AAATA is required to develop a fiscally constrained four-year program of 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 2023 to the Federal Transit Administration (FTA) as part of the annual application for FY 2023 federal funding, and

**WHEREAS**, the AAATA is required to submit the capital program and operating budget for FY 2023 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY 2023 state funding, which is amended by this resolution.

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors hereby approves the FY 2023 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **\$55,409,900** for operations, and
- **\$16,776,000** 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.

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Eric A. Mahler, Chair

September 28, 2022

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Jesse Miller, Secretary

September 28, 2022



## 8.7 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.