



TheRide

OPERATING & CAPITAL BUDGET FOR FY2024

Version 1.0

Draft Budget

Fiscal Year 2024

Building
Our
Future

2024

ANN ARBOR AREA TRANSPORTATION AUTHORITY

The award, presented to TheRide for its *FY2022 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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Reader's Guide

In addition to introductory information about TheRide and a letter from the CEO and CFO, this document contains six sections describing the FY2024 Draft Operating and Capital Budget:

- The **Executive Summary** provides a high-level summary of the budget.
- 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 FY2024 and presents financial forecasts for subsequent years.
- **Impacts of the 2024 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 2024, 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 the 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.

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1. About TheRide

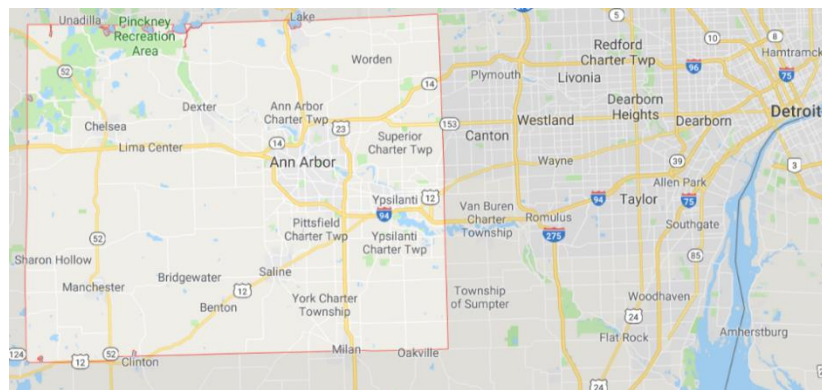


The Ann Arbor Area Transportation Authority (AAATA, or TheRide) was chartered in 1969 by the City of Ann Arbor, Michigan, as a not-for-profit unit of local government. The city of Ypsilanti and Ypsilanti Township were added as charter members to the authority in 2013.

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 335,000 hours of revenue service, driving more than 6.6 million revenue miles, and carries more than 4.5 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.

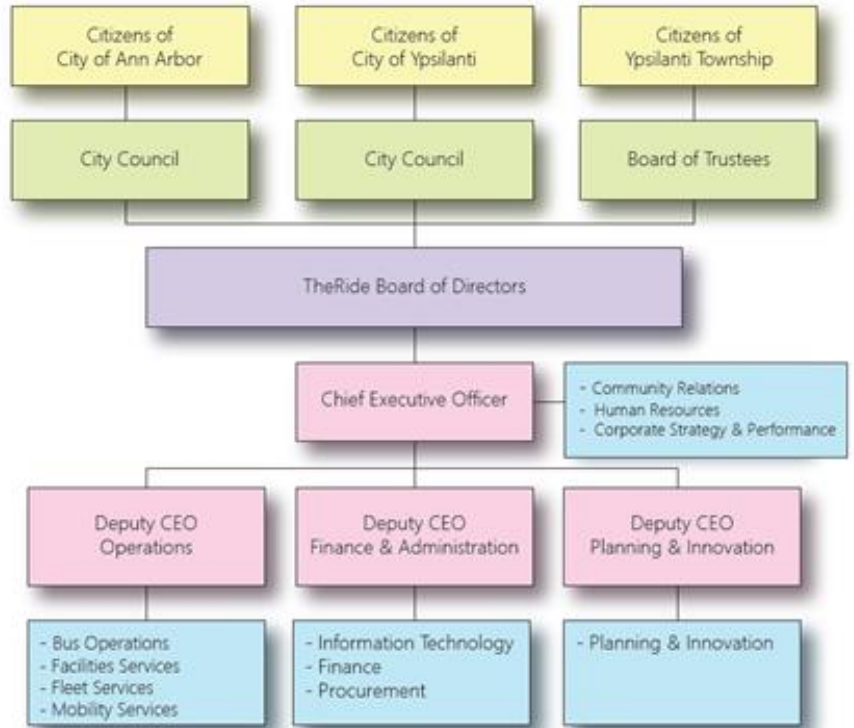
TheRide operates from three facilities. The Dawn Gabay Operations Center is the headquarters, and houses administration offices, a maintenance facility, and a bus garage. Passenger terminals are located in downtown Ann Arbor (Blake Transit Center) and Ypsilanti (Ypsilanti Transit Center) and include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

Board of Directors

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 Monica Ross-Williams, Board Member
 Kyra Sims, Board Member

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Matt Carpenter, Chief Executive Officer
 Dina Reed, Deputy CEO, Finance & Administration
 George Brooks, Deputy CEO, Operations
 Forest Yang, Deputy CEO, Planning & Innovation



Senior Management Staff

Mike Blackston, Manager of Information Technology	Samantha Potter, Int. Manager, Comm. Relations
Troy Lundquist, Manager of Fleet Services	Monica Boote, Manager of Human Resources
Gail Roose, Manager of Facilities Services	Vivi Nguyen, Manager of Finance
Michelle Whitlow, Mgr. 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**

August 11, 2023

On behalf of the Executive and Management teams at the Ann Arbor Area Transportation Authority (TheRide), we are pleased to provide the Draft FY2024 Operating and Capital Budget (the budget).

In 2024, TheRide will continue focusing on growing ridership by providing a range of transportation services and expanding frequency and hours of service, with assistance of federal relief funding. The budget supports the strategic priorities of attracting, retaining, and growing ridership, excellence in service delivery, 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 recommended 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 Officer

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

Dina Reed
Deputy CEO, Finance & Administration

3. Executive Summary

The FY2024 Draft Operating and Capital 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 (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.

In addition to advancing the Board's goals, the CEO and staff must comply with the Board expectations regarding administrative and operational decisions (i.e., Executive Limitations policies). These policies ensure transparency, reporting, and fiduciary oversight by the Board. Examples of key Executive Limitations policies include:

- Ensure passengers and customers are well treated.
- Ensure staff are well treated and that TheRide is an attractive employer.
- Ensure that the Board, riders, and the public have opportunities to shape the future direction of the agency.
- Ensure transparency and accountability.
- Maintain the financial health of the organization.
- Do not risk fiscal jeopardy.
- Maintain assets of the organization in good condition.
- Compliance with all applicable laws. (Numerous other local, state, and federal laws also enable and constrain what TheRide can do.)

The Corporate Business Plan (the business plan) clarifies the strategic objectives and outlines what will be achieved within a 5-year operating plan and a 10-year capital plan. The operating workplan is shorter to allow a detailed focus on day-to-day operational aspects and more specifically new service improvements. Aligned with the business plan, the budget provides funding to support the following organizational objectives:

- Attract New Riders & Increase Ridership
- Excellence in Service Delivery
- Continuous Improvement

This presentation of the budget illustrates initial assumptions of revenues and expenses needed to maintain current service levels (a base budget) and initiatives to further the Ends policies.

The Operating Budget

Operating Budget Initiatives

The most significant initiatives impacting the operating budget this year are the implementation of services promised in the 2022 millage proposal (the millage). In August 2022 the communities we serve supported a new millage that addressed funding challenges faced by the agency for years, which were exacerbated by impacts of the pandemic. The millage also included funding for the first phase of the Long-Range Plan approved in 2022, which includes expanded services to begin in August 2024. The following millage initiatives aimed to **attract new riders and increase ridership** are being implemented throughout the next fiscal year and are funded in the budget:

- a. [Ypsilanti Transit Center Staffing \(Board goals advanced: 1.1, 1.4\)](#)
As part of the 2022 millage TheRide will be restoring customer service agents to the Ypsilanti Transit Center. This project may be started in advance in FY 2023 depending on construction timelines.
- b. [30-minute frequencies – Weekend daytime routes \(1.1, 1.3, 1.4, 1.5\)](#)
This initiative began in FY 2023 and will be complete in FY 2024. More buses will be added on the weekends to ensure that daytime service runs at a 30-minute frequency instead of a 60-minute frequency.
- c. [Longer Service Hours \(1.1, 1.3, 1.4, 1.5\)](#) – The Ride is currently working on extending service hours. On weekdays the hours of operations will be from 6:00AM to 11:30PM, Saturday from 7:00AM to 11:30PM and on Sunday 8:00AM to 9:00PM. These adjustments are expected to be completed by the end of FY 2024.
- d. [Overnight On-Demand Expansion \(1.3.1\)](#) – TheRide is currently working on improving overnight services, holiday service and expanding overnight and holiday services to all of City of Ypsilanti, and Ypsilanti Twp north of Textile Road (matching the fixed route by end of FY 2024).
- e. [Express Pilot on Washtenaw \(1.0-1.5\)](#) – The Express Pilot service will provide enhanced service along the Washtenaw corridor by reducing travel time by 30% and building ridership in preparation of the Washtenaw BRT. Planning and funding of this pilot is expected to commence in FY 2024.
- f. [Accessibility Improvement, Response & Fixed Route Integration \(1.1.2\)](#) – TheRide will continue improvement to bus stops, integrating Fixed route, A-Ride and FlexRide. This work is continuous through the LRP lifecycle.
- g. [Advocacy Agenda \(Policy 1.0, 2.0\)](#) – Many elements of the Long-Range Plan and TheRide’s plans rely on decisions made by others outside of the agency, including municipal councils, legislatures, and congress. Working with the Board’s efforts on Ownership linkage, staff will work to establish a clear advocacy agenda.

The budget provides appropriate funding to provide **excellence in service delivery**. In addition to the expansion of service initiatives, the ride will maintain all current transit and related services at full levels. We are also proposing to keep all fares the same as in FY2023. About 90% of TheRide’s staff and other resources are used to focus on the daily mission of operating transit services, including operations and maintenance of facilities and equipment. Continuing these services and rebuilding ridership in a post-pandemic period of inflation, volatility, labor shortages, and other challenges is no small effort and should be acknowledged.

The budget includes funding for investing in **continuous improvements**. The following initiatives are being implemented throughout the next fiscal year and are funded in the budget:

- a. [Team and Staff Development \(1.0, 2.0, 2.2\)](#) – TheRide is an agency and an institution but is also a team. The staff are key to identifying and implementing opportunities for the future. We will continue to invest in our staff through various training opportunities (easier post pandemic), work to engage and inspire staff, and improve cross-department collaboration. An essential pre-condition is the ability to fully fill in key vacant positions. This work has started and will continue into FY 2025.
- b. [Customer Satisfaction Brainstorming \(1.0\)](#) – With the Long-Range Plan detailed how we will attract new riders, the CEO would like to develop a process for re-engaging staff, the community, and the Board to identify the best ways to improve the customer experience and retain riders. This work will start in FY 2024 and continue into FY 2025
- c. [Sustainability Planning \(1.0, 2.1, 2.4, 2.7\)](#) – TheRide is working to plan for reducing and then eliminating emissions from our own operations. In addition to ongoing work on zero-emission buses (see capital plan below), there are two additional forthcoming studies that will address other aspects of our operations.

- d. [Zero emissions support Fleet and A-Ride Study \(1.2.2\)](#)
A Zero emissions study for the support fleet and A-Ride vehicles is currently being conducted and will continue into FY24. These studies will inform us of the next steps.
- e. [Zero emissions facility studies \(1.2.2\)](#)
The Zero emissions facility study is scheduled to take place in FY 2025. The studies will provide information to develop next steps.

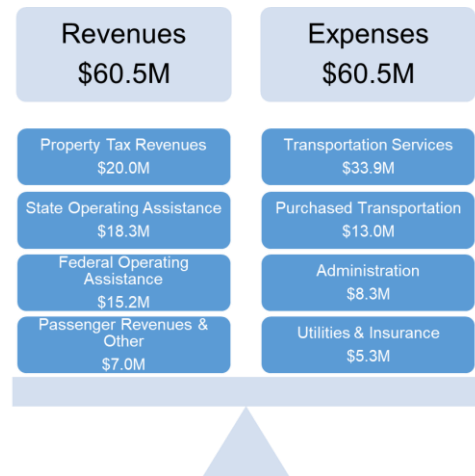
Some additional initiatives, with much less significant cost impacts may be recommended as part of the budget presented in September, as funding allows. All initiatives are provided in the context of organizational priorities, available resources, and align with the business plan.

Operating Budget Summary

This balanced budget provides funding to execute on the TheRide’s highest priorities. Direct funding for transportation services makeup approximately 78 percent of total expenditures.

Key assumptions include:

- Operating full-service levels.
- Funding for millage services:
 - Accelerates funding for Ypsilanti Transit Center customer service center.
 - Accelerates funding for approved millage positions required to maintain current services.
 - Includes funding to phase in operations staff in to prepare to deliver services on time.
 - Includes funding for startup contract costs to prepare to deliver services on time.
- Anticipates no fare changes.



The budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses. Use of pandemic relief funds will be slowed in FY2023 to allow more funding to be available for accelerating and phasing in millage service expansions in FY2024. As presented in previous projections, pandemic relief funds will be exhausted by the second quarter of FY2024, resulting in a significant decrease in that revenue line in the budget for the fiscal year.

The budget includes approximately \$3 million of expenses for preparation and initial startup costs for the expansion of services approved in the millage, which are planned to begin in August of 2024. Part of the additional expenses include beginning the Washtenaw Express service earlier than planned, which will be funded by the discretionary grant received for that service for two years. Another portion of the increase is the requirement to add operations staff to be prepared to begin service in August, and the actual service to run in August and September 2024. The latter does not have a funding source until the millage funding arrives, which will not be available until October 1, 2024 (FY2025). As a result, the draft budget assumes the use of federal pandemic relief fund for operations.

The Capital Budget

Capital Budget Initiatives

The most significant initiatives impacting the capital budget this year are commitments to maintain fleet and facilities in a state of good repair and initial planning and design for major capital projects included in the approved Long-Range Plan approved in 2022. The following initiatives aimed to **attract new riders and increase ridership** are being implemented throughout the next fiscal year and are funded in the budget:

- a. **Ypsilanti Transit Center Redevelopment (1.1, 1.4, 1.5, 2.5.2, 2.10)** – The current facility has outlived its useful life; increased demand for service and planned increase in service levels make it necessary to develop plans for a new transit center. This project includes planning, development, and construction of a new transit center in the City of Ypsilanti and is expected to begin operations in FY 2027.
- b. **Blake Transit Center Expansion & Redesign (1.0, 1.4, 1.5, 2.5.2, 2.10)** – TheRide intends to nearly double its service hours by 2045. The transit centers must be designed to efficiently accommodate the increased service. The BTC expansion and redesign is expected to take place through FY 2026, when the new facility will officially be open for operations.
- c. **New Bus Garage (1.0, 2.4.2, 2.4.3, 2.10)** – The new garage is anticipated to increase capacity for the fleet by 100 buses. It will also be critical in supporting the transition to zero-emissions vehicles with respect to different charging/refueling and maintenance requirements. The new bus garage is expected to be commissioned in FY 2031.
- d. **Washtenaw BRT planning & funding (1.0-1.5, 2.10)** – The Washtenaw Avenue corridor provides the highest and most continuous ridership between downtown Ann Arbor and downtown Ypsilanti. The Washtenaw BRT will run between downtown Ypsilanti and Maple/Jackson in Ann Arbor, roughly spanning the service area from east to west. The planning and funding of the first phase of this BRT (BTC – YTC) is expected to take place between FY 2024 to FY 2029.

The budget provides for capital costs and investments necessary to maintain the existing facilities, fleet, and other assets owned by TheRide. Keeping existing assets in a state-of-good-repair is a federal requirement and helps avoid over-spending on new projects or a backlog of deferred maintenance (see Board policy 2.7.3 regarding asset protection). The following initiatives aimed to **excellence in service delivery** are being implemented throughout the next fiscal year and are funded in the budget:

- a. **Vehicle Replacements (1.4, 2.4.3, 2.7.3)** – To maintain service levels and avoid additional maintenance costs, TheRide plans to replace large transit buses, cutaway buses, mobility fleet and support vehicles through the LRP lifecycle.
- b. **Equipment Replacements (1.4, 2.4.3, 2.7.3)** – TheRide has vehicle refresh schedules that call for the replacement of bus components to include engines, transmissions, hybrid drives, batteries, seats, and other parts necessary to maintain the fleet in a good state of repair.
- c. **Existing Facilities (1.4, 2.2.1, 2.4.3, 2.7.3)** – Improvement of existing facilities include the rehabilitation of the Dawn Gabay Operations Center, the Blake Transit Center, the Ypsilanti Transit Center, the Park and Ride Lots as well as improve the ergonomic functionality for staff in these facilities.

The budget provides for capital costs and investments necessary to upgrade and improve technology systems, clean propulsion, and basic infrastructure. Initiatives focus on opportunities to execute various internal improvements to systems, processes, or technology designed to improve TheRide's internal performance. It also includes important improvements for riders (i.e., bus stops, bus lanes) or the

environment (zero-emissions buses). The following initiatives aimed to **continuous improvement** are being implemented throughout the next fiscal year and are funded in the budget:

- a. **Technology upgrades: (1.4, 2.0, 2.7)** – Technology upgrades include investments in switches, firewalls, better storage systems, and network monitoring software and the Transit Signal Priority project.
- b. **Bus Stop Improvements: (1.1.2, 1.4)** – Focused on improving accessibility for people with disabilities, TheRide is working on improving bus stop infrastructure such as concrete landing pads, safe pedestrian paths, shelters, and other amenities. Pending funding and issuance of permits TheRide targets to make 30 to 40 bus stops near sidewalks accessible each year.
- c. **Bus Lane Improvements: (1.0, 1.4, 2.10)** – Pending funding and successful collaboration with stakeholders, TheRide has hopes to create and improve bus lanes in order make transit more attractive (relative to other modes) and efficient. Fully dedicated bus lanes will require the collaboration of the municipal, County and State partners in changing the streetscape.
- d. **Zero Emissions Bus Fleet (1.2.2)** – A propulsion study is being conducted in FY 2023 to determine the best zero emission propulsion option. Per the Long-Range Plan it is expected that TheRide will have a 100% zero emissions fleet by FY 2038.
- e. **IT Studies (2.0, 2.7)** – The IT department is currently conducting a study to inform on technological software and hardware that needs upgrades. This study will continue into FY 2024 after which obsolete or at-risk IT infrastructure will be upgraded or replaced.

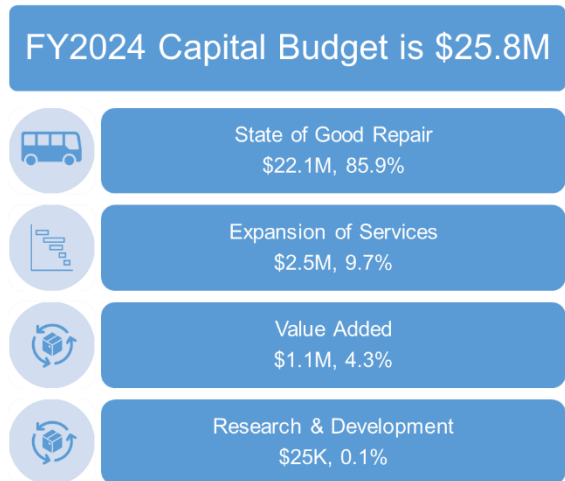
Capital Budget Summary

This balanced budget provides funding to execute on the TheRide’s highest priorities. A majority of the budget is focused on state of good repair for buses and facilities, specifically:

- Linehaul buses and support vehicles
- Replacing the roof and HVAC system at the Dawn Gabay Operations Center
- Emergency generator at the Dawn Gabay Operations Center

Expansion of services and value-added projects are described in the Capital Budget Initiatives section.

Funding for the capital budget is 99 percent federal and state grant funding.



The Budget Recap

TheRide is financially stable and is expected to remain so through FY2024 and the projection period. TheRide expects FY2023 revenues and expenses to be materially consistent with the approved budget. The reserve balance remains strong, as federal pandemic relief funds will support full operational service, millage initiatives, excellence in service delivery and continuous improvement this fiscal year.

The assumptions in the Recommended FY2024 Budget represent the staff’s best attempts to make financial projections using the economic inputs available to us from industry, local, state, and federal leaders. There is always some uncertainty in the budget, particularly the impact of inflation, workforce

challenges, and impacts of state and local funding. The following are key risks monitored closely throughout the fiscal year:

- 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.
- Fuel, materials, and supplies costs may vary due to inflation and market volatility.
- Impacts of workforce challenges appear to be stable for TheRide, but general labor shortages are still a risk.
- Purchased transportation costs may vary depending on the costs for FlexRide, GoldRide and NightRide services.

A positive fund balance with very low liabilities (particularly no significant unfunded pension liabilities) going into FY2024 will bolster the organization against the risks of uncertainty ahead. The following are key strengths that may mitigate risks:

- No known risks of service cuts or lay-offs in 2024
- 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

The FY2024 Draft Operating and Capital 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 (Ends policies) and is aligned with TheRide's Corporate Business Plan. This presentation of the draft budget illustrates initial assumptions of revenues and expenses needed to provide transportation services to the communities we serve and includes funding for initiatives prioritized in the business plan. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and five and ten-year projections. Updated assumptions may be incorporated into the recommended budget, which will be presented in September, but it is not expected that updates will be materially different than described in the draft budget. The outlook for the budget is stable, and is supported approved millages through 2028, and the use of federal relief funds in the near term to provide transportation services to our communities.

4. Introduction

Budget Introduction

The FY2024 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. In FY2022 we were focused on recovery, but significant financial and operational uncertainty continued throughout the fiscal year. The labor market was slow to recover and service levels were reduced for a portion of the year. Financial markets have been volatile with levels of inflation that haven't been realized in decades. 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 capital funding for transportation agencies, who rely on public funding.

In the wake of the unpredictable impacts of the coronavirus pandemic, the additional funding provided stability for our agency. However, those funds were only temporary, and we still needed to secure sustainable funding for operations post-pandemic. In August 2022 the communities we serve supported a new millage that addressed the funding challenges faced by the agency for years, which were exacerbated by impacts of the pandemic. The millage also included funding for the first phase of the Long-Range Plan approved in 2022, which includes expanded services to begin in August 2024. The approved millage was approved for 2024 through 2028. Fiscal year 2025 will be the first full year of all service expansion initiatives approved in the millage, and services are supported through fiscal year 2029. This funding provides continued restoration of ridership through growth in service opportunities and investing in organizational efficiencies.

As a result, the FY2024 Corporate Business Plan (the business plan) focuses on initiatives targeted to increase ridership, provide excellence in service delivery, and support continuous improvements. The business plan clarifies TheRide's strategic goals (Ends policies) and outlines how it will achieve them within a 5-year operating and 10-year capital plan. The operating workplan is shorter to allow a detailed focus on day-to-day operational aspects and new improvements. Examples of initiatives in the operational workplan include increasing frequency of services and expanding service coverage. The capital project plan extends over a longer period since its focus is on infrastructure projects which may take longer to complete. Capital projects include transit center redevelopments, and the Bus Rapid Transit.

The budget is the financial roadmap for the fiscal year and aligns financial resources to achieve the Board's goals. While the business plan focuses on the big picture, the budget allocates financial resources to ensure plans have the resources to be achieved. Development of the budget considers impacts of economic and industry conditions and the impact on financial and operational plans. Initiatives in the business plan and the budget are evaluated and prioritized to maximize financial and operational resources.

This presentation of the FY2024 Draft Budget illustrates initial assumptions of revenues and expenses needed to provide transportation services to the communities we serve and includes funding for initiatives prioritized in the business plan. Financial assumptions are reasonably conservative and are provided in the context of our approach to addressing opportunities and risks for the current year and five and ten-year projections. The budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses and will be exhausted in fiscal year 2024. 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.

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 FY2024 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 provide critical transportation services to our communities.

As with previous budgets and noted above, the budget is guided by a strategic business plan— [Building Our Future](#), which outlines the strategic priorities. This plan is aligned with the Board of Directors' expectations—increasing ridership, excellence in service delivery, and continuous improvement (See *Board's Ends Policies*, in the [Board Policy Manual](#)).

The budget presents a balanced financial plan to maintain and expand transportation services.

Highlights of the FY2024 Draft Operating and Capital Budget are:

- Overall operating expenses are **\$60,454,781** and **\$25,756,000** 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
- Funds the priorities from the Corporate Business Plan, *Building Our Future*
- 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 operations center
 - Planning and design work Ypsilanti Transit Center and the Blake Transit Center renovations

Corporate Strategic Plans

The FY2024 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-2023, the dominant issues are pandemic recovery impacts on ridership, labor shortages and record levels of economic inflation. The pandemic has ended, and society is normalizing with post-pandemic trends that are different than before. Our communities have reopened; normal economic and social activities are restored and TheRide is positioned to grow. The budget includes funding for full schedules of transportation services, and initiatives referenced in the FY2024 Corporate Business Plan.

Financial Executive Limitations Policies

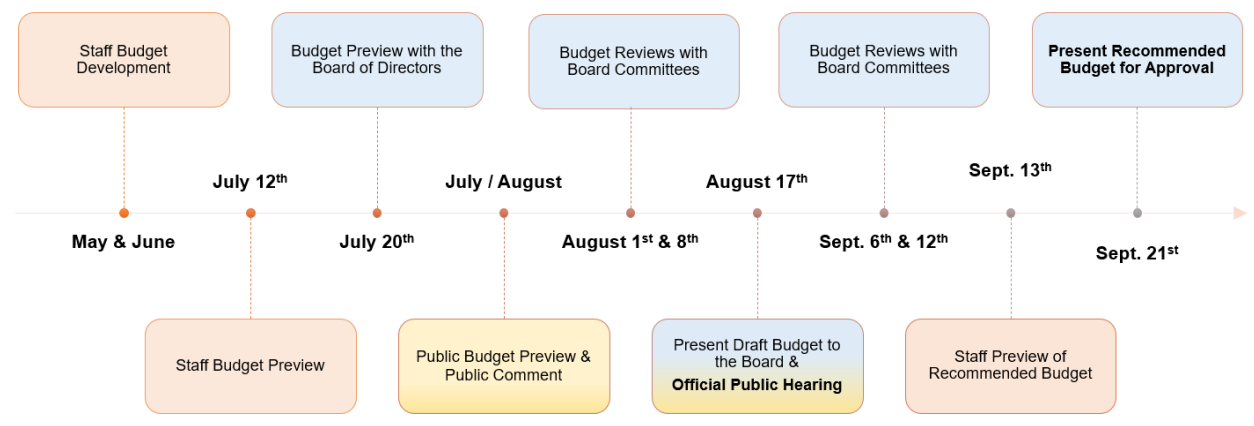
TheRide’s Board of Directors controls and directs the organization via written policies. The full manual of these policies is available on the [website](#). Many of the policies have a direct effect on shaping the annual budget. For example, the Board has set clear limitations upon Financial Planning 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 August 7th, through budget adoption on September 21st.
- **August:** An updated draft budget will be provided to the Board of Directors at its August 17th meeting. The public input period began in July, and an official public hearing, as required by state law, will be held in conjunction with the August 17th 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 2024 will begin October 1, 2023, with the newly adopted budget.

5. The State of TheRide

Financial Condition

TheRide is financially stable and is expected to remain so through FY2024 and the projection period. TheRide expects FY2023 revenues and expenses to be materially consistent with the approved budget. The reserve balance remains strong, as federal pandemic relief funds will support ongoing operations and service recovery. This funding also supports revenue losses, pandemic-related costs, and allows 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 known risks of service cuts or lay-offs in 2024
- 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 2022 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 were implemented in FY2022 and continue to be refined. Significant staffing challenges in the Finance Department in FY2023 have evolved into an opportunity for financial controls to be evaluated with new perspectives, and in FY2024 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 FY2024 will bolster the organization against the risks of uncertain funding ahead. The effect of the FY2024 Operating Budget on the fund balance is discussed in the [Impacts of the 2024 Budget](#).

New Millage Provides Longer-Term Financial Stability

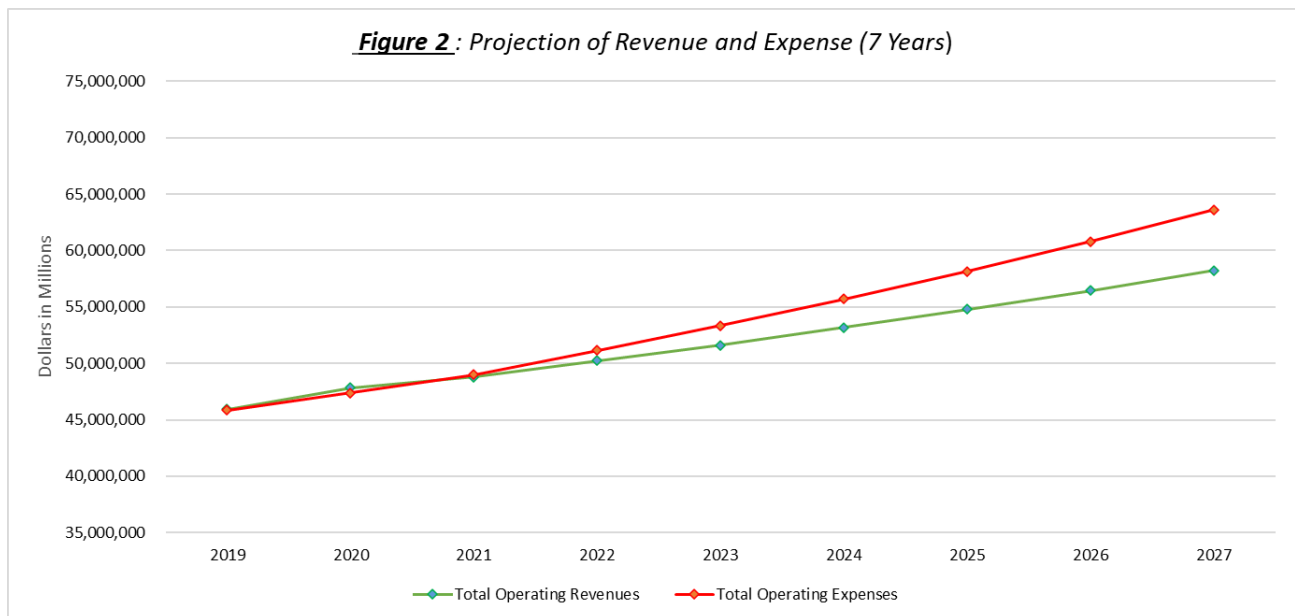
Before the pandemic, TheRide faced financial challenges. In 2019, budget forecasting showed deficits starting in FY2021 because expenses were growing faster than revenue. Audited financials from 2015-

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](#).

Previous budgets were balanced by leveraging federal formula funding, intended primarily for capital investments, to support operations. Federal formula funding is the primary source of available capital funding the agency relies on to maintain assets in a state of good repair (a federally regulated requirement), and to invest in other capital projects. Using this funding for operations reduces the available funding to purchase new buses, maintain and improve existing facilities, and the opportunity to invest in other value-added and expansion projects. Even with using federal formula funds for operations, projections in 2019 showed operating 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. It was clear that there needed to be another solution to address the structural deficit and that federal formula funding would not be a sustainable funding source for operations.

The graph below illustrates the gap in revenues and expenses through FY2027, as projected in 2019.

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



In early FY2020, cost control measures were under way. And, when 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 but would not sustain ongoing operating costs for the long-term.

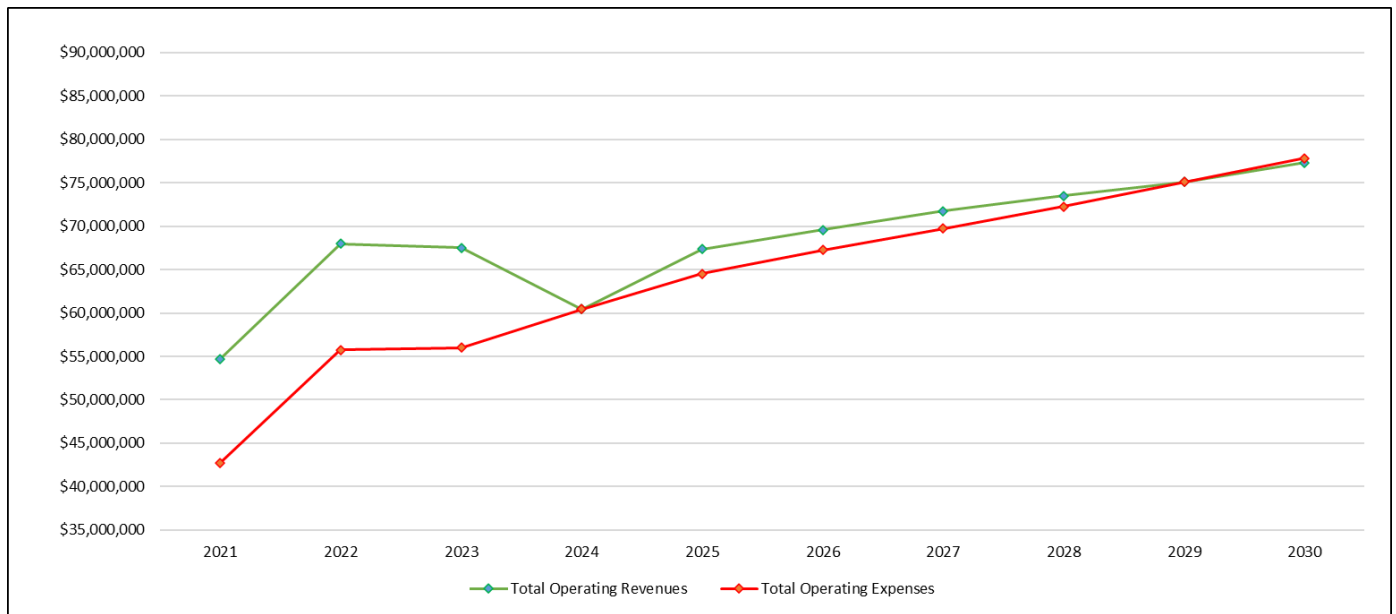
The need to re-focus and address the structural deficit became two-fold as time marched us toward the expiration of the 2018 millage for property tax funding set to expire in 2023. As the emergency of the pandemic began to stabilize, TheRide prioritized attention on recovery and the future. Efforts to 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 provide a sustainable revenue source to support the commitments to our communities. The new millage begins in 2024, (provided to TheRide in the summer of 2024), and will fund fiscal years 2025 through 2029. Expanded services are anticipated to begin in the fall of 2024 (just prior to the beginning of fiscal year 2025, which starts on October 1, 2024).

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 although there is a small surplus in the beginning of the 2024 to 2028 millage cycle, by fiscal year 2029 TheRide is projecting only to break-even. The budget will grow through the projection period due to service expansions funded by the millage. Surpluses in the first few years of the millage cycle will help fund operating reserves as the budget grows, as required by the Board. Funding for any additional services not currently provided or stipulated in the current millage proposal over the

next five years, or for these services beyond fiscal year 2029 will need to be addressed with future millage proposals or be supported by other funding sources.

While we have achieved significant results over the last couple of years, with this success comes the responsibility to provide the services promised and be financially prudent. Financial stability and prudence will be maintained by continuing to administer effective financial controls and disciplined stewardship of financial management, organizational resources and strategic decision making, consistent with Board policies.

Financial Opportunities

TheRide's budget for fiscal year 2024 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 *Building Our Future* 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 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.

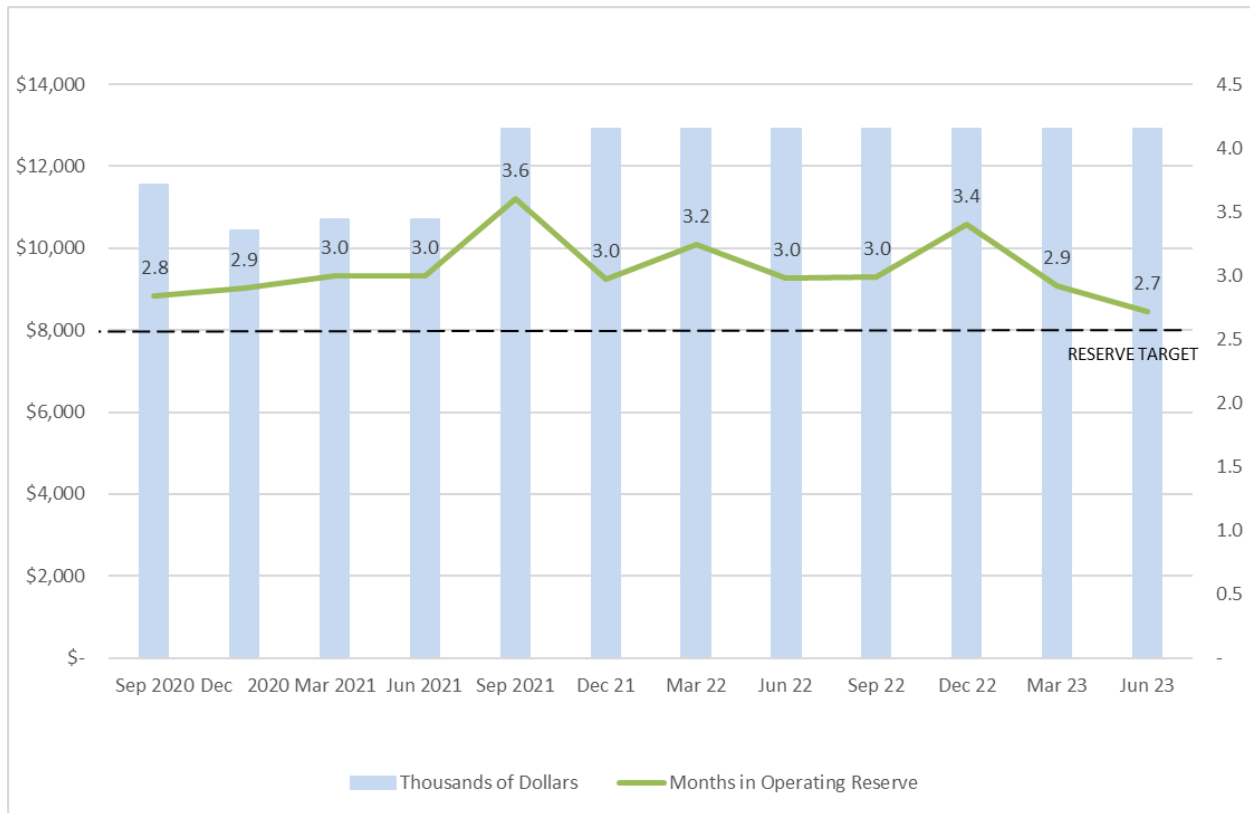
Board Policies (2.4.6, 2.5.8) require budgeting to provide reserves adequate to cover near-term operating expenses. Through Board adoption, TheRide established the following reserves and target levels in 2021:

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

Operating Reserve

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 2024 Budget](#) section.

Figure 4: Historical Operating Reserve Balances in Months and Dollars (Thousands)



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 FY2024 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.

TheRide's Transportation Services and Ridership

In addition to a strong fixed route bus service, TheRide provides a diverse array of services. Demand response services are undergoing a period of expansion and change in response to technological advances and changes in planning approaches. FlexRide has been used to replace low-demand fixed routes resulting in improved service quality and cost efficiency.

Steps are also being taken to improve the cost efficiency and service quality for A-Ride, GoldRide Demand Response, and FlexRide (now serving late night and holiday service), which are less cost-efficient compared to fixed route services.

Within the strong overall performance, various opportunities for improvement were identified. Some changes are being addressed currently, some will be addressed with service expansions over the next few years and additional improvements will be addressed over the longer term. Service changes are guided by our approved long-range plan, TheRide 2045.

In this section, current services, recent changes to current services and corresponding ridership activity are discussed. Ridership is an indicator of the success of our services. As indicated in the Board's Ends, AAATA exists so that an increasing proportion of residents, workers and visitors in the service area utilize public transportation options (Board Policy 1.0). Ridership is tracked and measured to provide a gauge of how frequently our services are utilized and understand the value of the services to our stakeholders. Ridership projections are developed by analyzing historical trends, evaluating impacts of service changes, contextualized with local and national trends, and aligned with long-term projections. Ridership are key drivers used for estimating passenger fare revenues, and other revenues and expenses as described in the key budget assumptions of operating revenues and operating expenses in Section 6: 2023 Budget of this document.

The following are descriptions of current services offered at TheRide, explanations of service changes and improvements, and ridership assumptions impacting the budget.

Fixed-Route Services and Ridership

Fixed-route public transportation services are regularly scheduled transportation available to the general public and is provided according to published schedules along designated published routes with specified stopping points for the taking on and discharging of passengers. [Fixed-route bus service](#) operated by TheRide includes bus routes in Ann Arbor, Ypsilanti, and nearby townships as shown on the [System Map](#) and [GroceryRide](#).

Fixed-route ridership represents approximately 96% all ridership for services offered by TheRide and is the most compared metric for mid and large-sized public transportation agencies. The significance of the ridership as a percentage of total also makes it the primary driver for budget projections of total passenger revenues.

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 2024, total annual fixed route ridership is projected to reach 77% 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 2023 demonstrate conservative assumptions in growth compared to prior months.

Figure 5: Annual Fixed Route Ridership

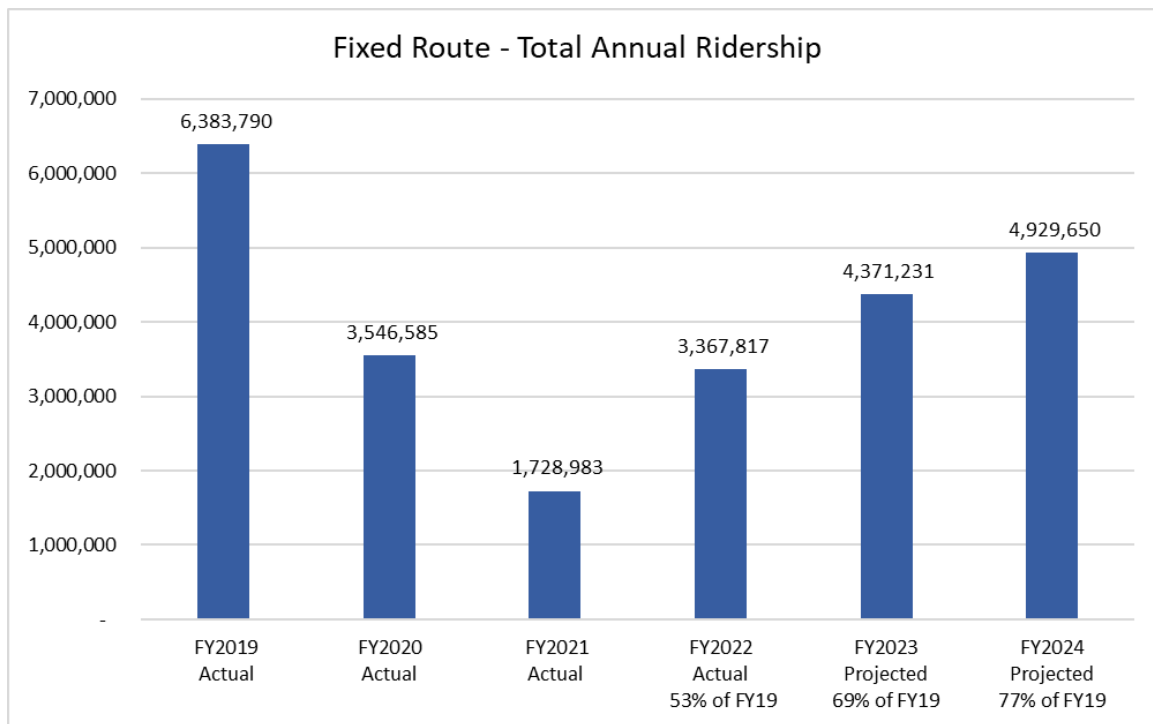
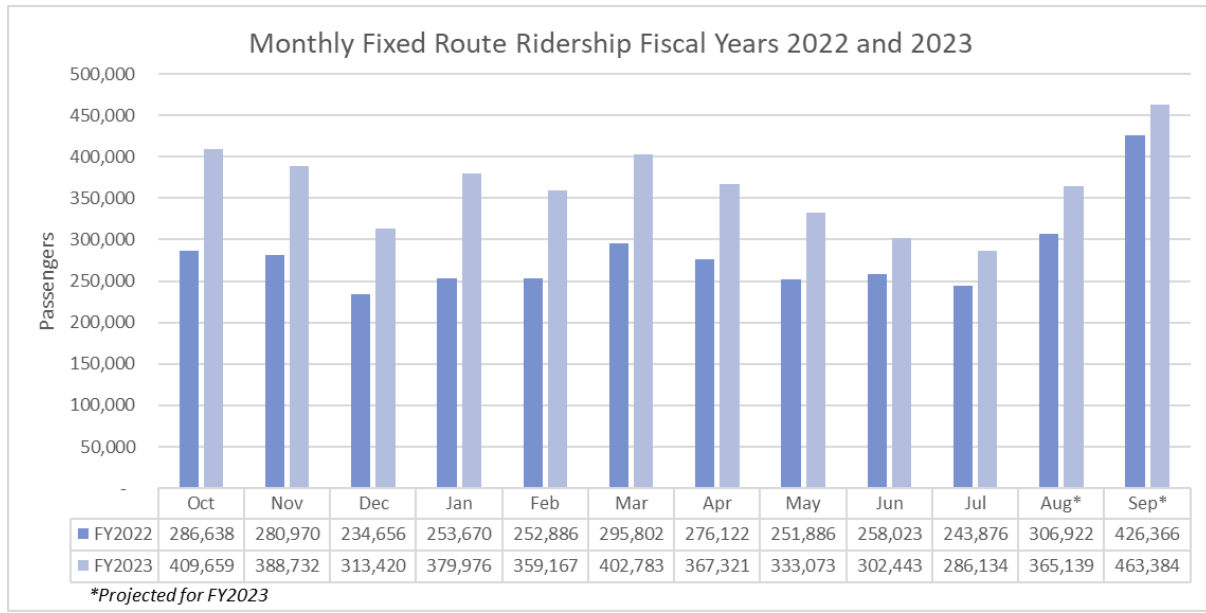


Figure 6: Monthly Fixed Route Ridership



D2A2 Services and Ridership

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.

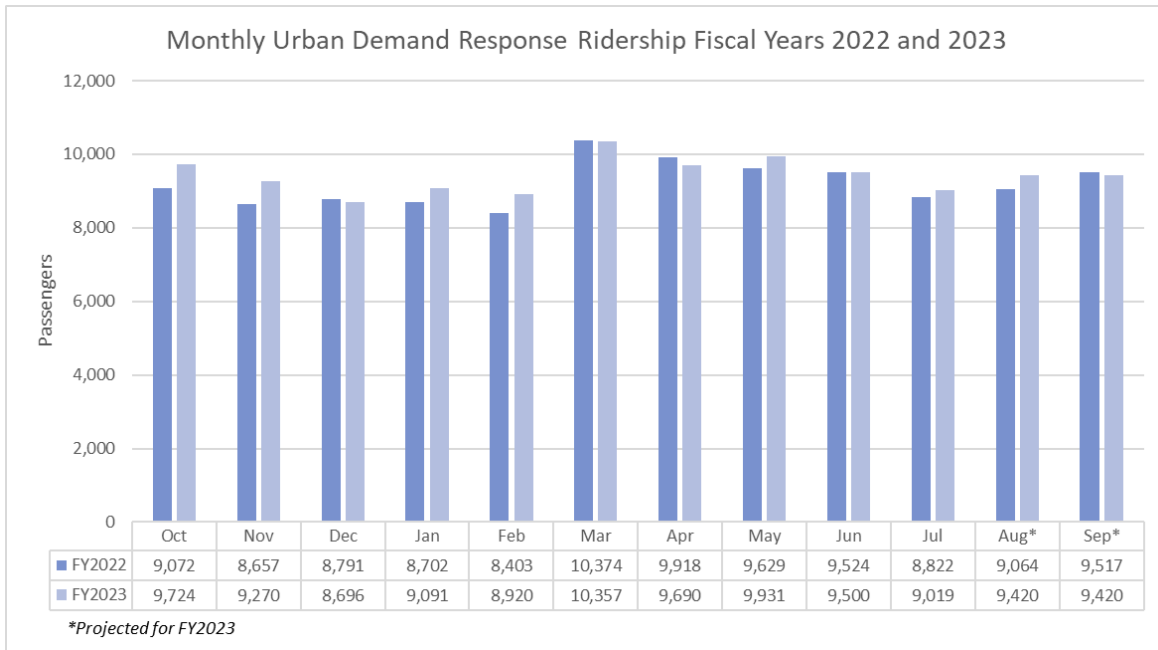
D2A2 resumed operations in October 2021. The D2A2 service is a partnership between TheRide and the RTA. D2A2 is funded through a state grant with the RTA and operated by TheRide. The RTA receives the grant and provides the revenue to TheRide. TheRide provides the services through contracted services and all operating expenses are paid from the grant, except for TheRide’s staff time contributions for contract administration. Connections to metro Detroit supports the Board Ends policy (1.3.4).

Urban Demand Response Services and Ridership

Demand response services are services where passenger trips are generated by calls from passengers requesting specific transportation trip services from TheRide. TheRide provides a range of accessible, flexible, on-demand services, including A-Ride, GoldRide, [FlexRide](#) and MyRide (service discontinued in June 2022).

Total ridership for urban demand response services is projected to be 2.3% higher in fiscal year 2023 than the prior year, with 113,038 passengers compared to 110,473 in fiscal year 2022. Urban demand response ridership is projected to reach 53.6% of pre-pandemic ridership levels in fiscal year 2023. A comparison of total ridership for all demand response services combined are shown in Figure 7.

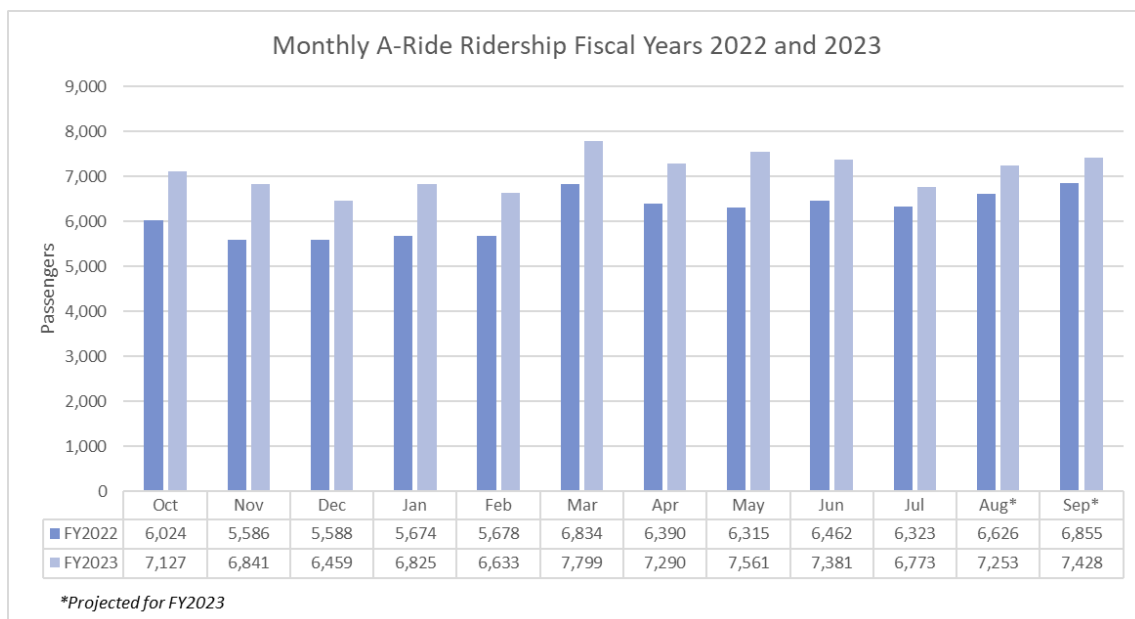
Figure 7: Urban Demand Response Ridership



A-Ride Services and Ridership

A-Ride is a shared, reservation-based accessible service. This service provides quality transportation for persons with disabilities. A-Ride provides origin-to-destination, curb-to-curb, and door-to-door service and operates during fixed-route service hours. A-Ride trips are provided in accessible lift-equipped buses. A-Ride is a paratransit service, available for people with disabilities who are unable to use fixed-route services. A-Ride services exceed the minimum requirements for a fixed-route public transportation agency to provide ADA complementary paratransit services to ADA eligible individuals.

Figure 8: A-Ride Ridership



6. 2024 Budget

Budget Overview

The following sections outline the FY2024 Operating and Capital Budget (the budget). The initiatives outlined in this budget help advance the priorities identified in the *Building Our Future*. This budget also provides multi-year forecasts and context.

Highlights of the FY2024 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
- 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 2024 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

In fiscal year 2024, TheRide anticipates operating full-service levels and expanding services as described in the millage plan. Ridership is continuously increasing year over year and progressively returning to pre-pandemic levels. Total ridership is anticipated to be approximately 77% of pre-pandemic levels and there is an additional slight increase in ridership of 1.5% due to the start-up of expanded services.

The following tables present vehicle revenue hours (hours in service) and ridership, with comparisons between FY2022 actual performance and projections for 2023 and 2024, which are the basis for assumptions in the budget.

Figure 9: Projected Vehicle Revenue Service Hours

Service Hours	Actual FY2022	Projected FY2023	Budget FY2024	% Change (2024 vs. 2023)
Local Fixed Route	247,668	270,000	278,408	3.1%
D2A2	13,486	14,214	16,155	13.7%
Urban Demand Response	52,651	49,830	55,952	12.3%
Total Service Hours	313,805	334,044	350,515	4.9%

Note: Urban Demand Response includes A-Ride, GoldRide, HolidayRide, NightRide, FlexRide and MyRide (service discontinued in June 2022). D2A2 service started in FY2020.

Figure 10: Projected Ridership

Ridership	Pre-Pandemic Actual FY19	Actual FY2022	Projected FY2023	Budget FY2024	% Change (2024 vs. 2023)
Local Fixed Route	6,383,790	3,367,817	4,371,231	4,929,650	12.8%
D2A2	-	27,243	58,908	91,347	55.1%
Urban Demand Response	210,841	110,473	113,038	123,401	9.2%
Total Passenger Trips	6,623,701	3,505,533	4,543,177	5,144,398	13.2%
Ridership % of Pre-Pandemic		52.9%	68.6%	76.5%	
Service Expansion Impact of Total Passenger Trips				1.5%	

Note: Urban Demand Response includes A-Ride, GoldRide, HolidayRide, NightRide, FlexRide and MyRide (service discontinued in June 2022). D2A2 service started in FY2020.

Operating Budget

The following tables and charts illustrate the elements of the FY2023 Operating Budget. While 2023 has brought significant challenges related to record levels of inflation, staff has worked diligently to keep costs manageable. Overall operating expenses are increasing by 8% compared to FY2023 budget due to spendings for service expansion.

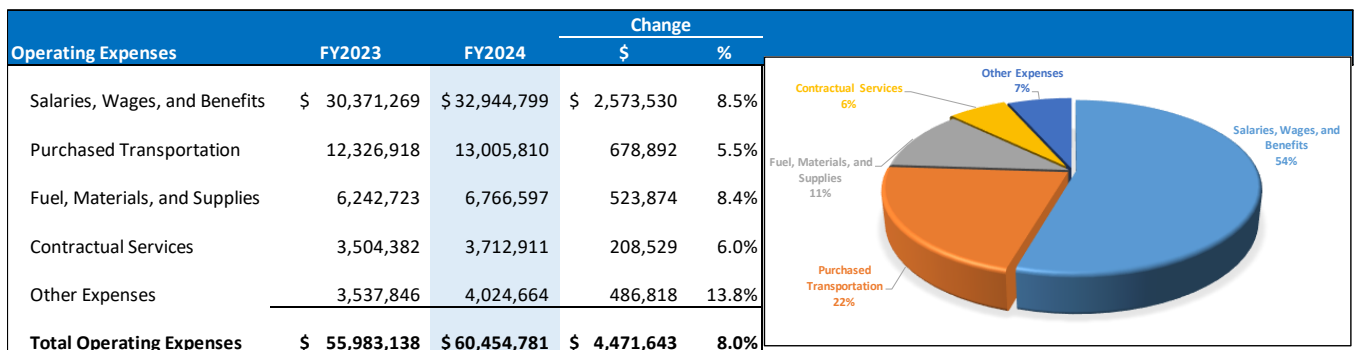
Operating revenues are 10.4% lower than FY2023 budget as we are coming to the end of our pandemic relief fund. The operating budget relies on pandemic relief funds as a source of revenue source to fund the service expansion for which the approved millage won't be received until FY2025. Additionally, property tax revenues remain stable and a significant portion of operating revenues.

The operating budget is expected to be balanced and not produce any surplus or deficit in FY2024. Further details 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 11, FY2024 Operating Expenses are budgeted at **\$60,454,781**, 8.0% higher than FY2023.

Figure 11: FY2024 Operating Expenses (with FY2023 Comparison)

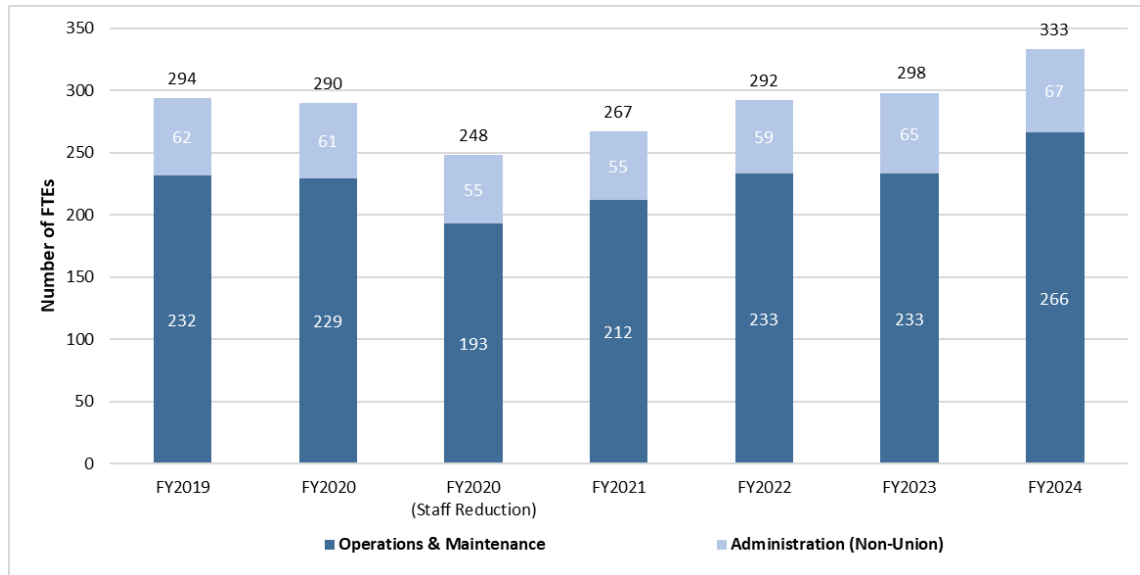


Descriptions of expenses and key budget assumptions are as follows:

- Fixed route services will be maintained as planned in the previous year with expansions of services phasing in throughout the year. Expenses related to the Washtenaw express bus expansion are phased into the budget beginning in the second quarter of the fiscal year. Expenses for the additional expansion of services beginning in August 2024 are phased into the budget beginning in the third quarter of the fiscal year.
- Salaries, wages, and benefits include contractual pay rate increases for bargaining unit employees and a projected 3.0% annual increase for non-union employees (still under review). Fringe benefits rates are consistent with prior years, as no major program changes have been implemented. Benefits expenses are increasing by 10.3% due to increased budgeted salaries due to planned increases in overall staffing levels and supported by the approved millage. The total number of budgeted full-time employees increases from 298 in FY2023 to 333 in FY2024 due primarily to staff needed to provide the new service expansions.

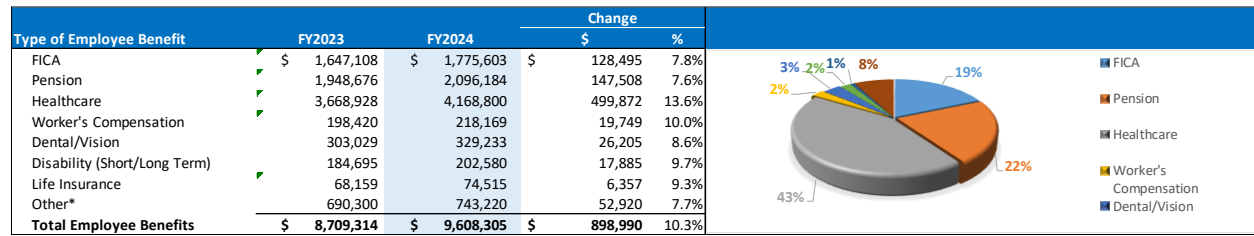
Figure 12 illustrates staffing levels from FY2019 to FY2024. The significant reduction in FY2020 was a result of workforce reductions due to the pandemic. Operations staffing levels were partially restored in FY2021 as some services were temporarily provided with in-house staff. In FY2022 budgeted staffing levels are restored to pre-pandemic levels to meet service requirements. For FY2024, there are a net of 35 new positions incorporated into the budget as supported by the millage plan.

Figure 12: Full Time Employee (FTE) Staffing Levels FY2019 to FY2024



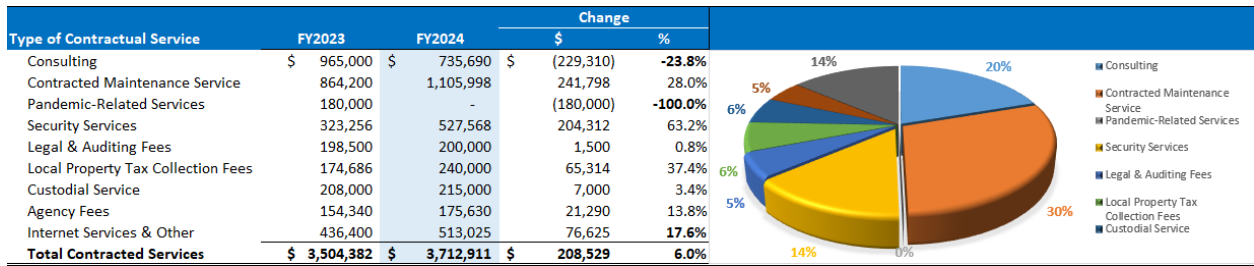
- Employee benefits costs are estimated based on historical actual costs and adjusted for anticipated inflationary rates. Figure 13 provides a comparison of the detailed employee benefits expenses and key assumptions. For most of the employee benefits and payroll taxes, increases are consistent with overall increases of salaries and wages. Assumptions and explanations for significant changes in the budget are described in this section.

Figure 13: Employee Benefits Summary



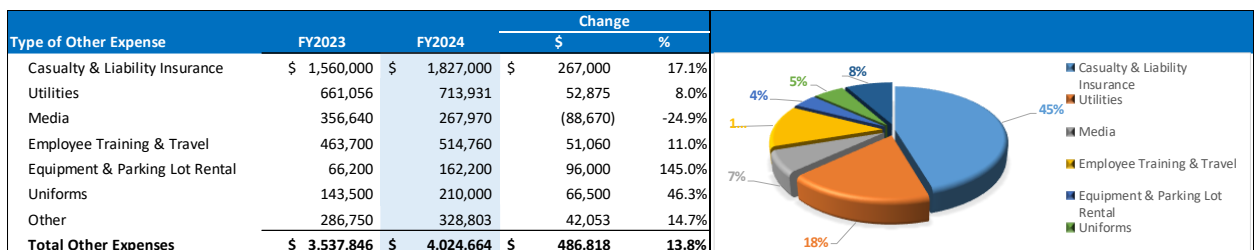
- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based on statutory rates. Social security and Medicare rates are unchanged since 2022, 6.20% for earning up to \$147,000 and 1.45% respectively. FY2024 assumptions are budgeted consistent with the prior year.
- Pension expense 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 expenses are budgeted to increase by 13.6% when compared to the 2023 budget due to additional FTE from the approved millage.
- TheRide is self-insured for worker’s compensation. The budgeted expense is based on historical average cost per employee, which has been increasing in the last couple of years. TheRide also has a worker’s compensation reserve, which is fully intact and has not been used to manage impacts of expenses to the operating budget.
- Purchased transportation expenses are 5.5% higher than FY2023. Inflationary impacts on contracted rates account for 3.8% and the new expansion of services account for 1.7% of the increase. FY2024 will be the final contract year for the current service provider for NightRide, FlexRide and GoldRide services. We are currently reviewing a request by the service provider to increase rates for the final year of the contract due to inflationary pressures. No decisions have been made and the budget assumes rates under the current contract agreement. This is an emergent issue that will be followed throughout the budget process, but the overall risk to the budget is expected to be manageable.
- Fuel, materials, and supplies expenses, as shown in Figure 11, are up 8.4%. The main driver is increased cost of repair parts, which is currently estimated to increase by \$548k compared to budget, however the FY2023 budget is less than current year projections as we may have underestimate the inflationary impacts of parts for this year. Also, Diesel and Gasoline is expected to be \$287k lower than last year’s budget, partially offsetting various other small increases. The FY2023 budget was developed during a time of high fuel prices. Fuel prices have come down and stabilized during 2023, resulting in savings.
- Contractual services expenses are 6.0% higher than FY2023 primarily due to increased contracted maintenance service for vehicles. Large repairs are required to be outsourced and inflation have increased the cost for both maintenance fees and parts.

Figure 14: Contractual Services Summary



- Consulting expenses fluctuate each year due to removal of funding of prior year initiatives that are completed and additions of new annual initiatives. Contractual services Project initiatives are aligned with the corporate business plan and Board Ends.
- Agency Fees are expenses for public education and engagement that are performed by an outside firm. Projected expenses for FY2024 are \$175,630, or 16.8%, higher than prior year budget due FY2023 projects that were not completed during the year moving into FY204.
- Pandemic-related services included funding for cleaning, media, vehicle maintenance, mobile ticketing, etc. These expenses were reimbursed through federal pandemic relief funding and the program ended in FY2023.
- *Other expenses* are projected to increase by 13.8%, primarily due to additional investment in parking lot rental fees and increased insurance premiums. Variances in other expenses are illustrated in Figure 15 and described in further detail below.

Figure 15: Other Expenses Summary



- Higher casualty and liability insurance premiums are mainly due to change in fleet mix in FY2024 and general market increases. Through discussions with our insurance broker and softening of increases in the market, we were able to achieve rates that are consistent with the FY2023 expenses without taking additional insurance risk or increasing deductibles. The cost assumption is based on insurance rates that went into effect on August 1, 2023.
- Media expenses appear lower than the prior fiscal year. As assumptions are finalized, we anticipate media expenses to be comparable with FY2023.
- Employee training and travel is increasing primarily to provide additional training on software systems critical to improving organizational efficiency and effectiveness. There has been

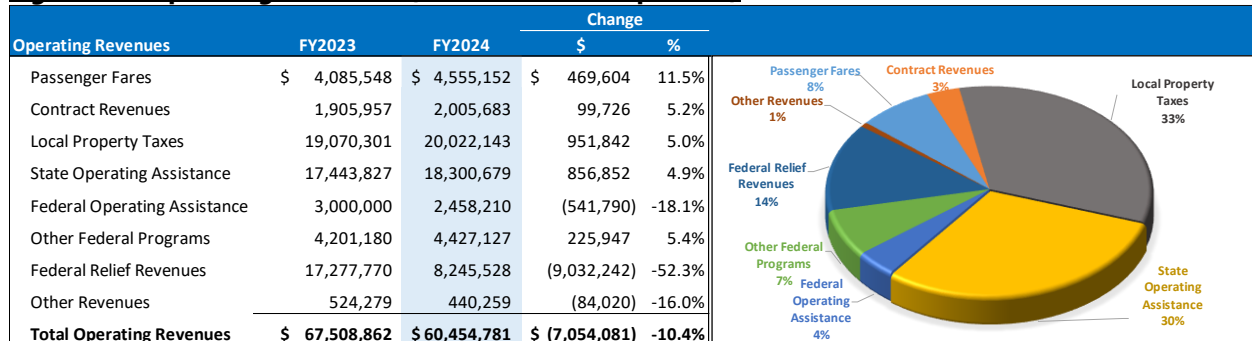
significant turnover in staff over the past several years and new staff need to be properly trained to fully leverage previous investments in software systems. These are also timely initiatives due to recent or anticipated software upgrades that will provide better functionality and assist in fully utilizing software and systems to implement process improvements.

- Equipment & parking lot rental expenses are increasing by \$96,000 or 145% due to new initiative to add self-contained toilet systems at the Glacier Way and Green Road Parking lot.
- Uniforms are budgeted to increase by 46.3% when compared to the 2023 budget due to planned increases in overall staffing levels supported by the approved millage.
- Per Board Policy 3.8.3, the Board is to develop its cost of governance budget by June 30 each year. The FY2024 cost of governance budget is included in Other Expenses. This amount increased to \$50,000 in FY2024 from \$35,000 in prior year budget to provide funding for more engagement on legislative issues, governance education and recruitment as well as, board policies review.

Operating Revenues

As illustrated in Figure 16, FY2022 Operating Revenues are budgeted at **\$60,545,781**, a 10.4% decrease from the FY2023 budget year.

Figure 16: Operating Revenues (with FY2023 Comparison)



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 *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 FY2024 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 increased by 11.5%, is driven by current ridership projections, primarily in Fixed Route service. Fixed Route ridership is expected to increase in FY2024 from FY2023 actual ridership. Ridership is continuously increasing year over year and progressively returning to pre-pandemic levels. Total ridership is anticipated to be approximately 77% of pre-pandemic levels and there is an additional slight increase in ridership of 1.5% due to the start-up of expanded services.
- 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 5.2% due to higher contributions expected from our purchase-of-service agreements with Pittsfield, Scio, and Superior Townships resulting from the millage plan.

Local property taxes: TheRide receives property tax revenues from the Cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti (“Ypsilanti Township”). There are two types of funding for local property taxes utilized to fund the current budget: property taxes levied by city charters and millage tax rates levied by AAATA, as approved by voters in member municipalities. For the tax rates approved by voters to support AAATA, 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.

A summary of all property tax millage rates levied to support the recommended budget is as follows:

Member Municipality	Tax Levy Approved by City Charter				TheRide Tax Levy Approved by Voters			
	Year of Approval	Year of Expiration	Approved Mill Rate	Adjusted Mill Rate*	Year of Approval	Year of Expiration	Approved Mill Rate	Adjusted Mill Rate*
City of Ann Arbor	1978	None	2.5000	1.9323	2018	2023	0.7000	0.6805
City of Ypsilanti	2010	None	0.9789	0.8890	2018	2023	0.7000	0.6805
Ypsilanti Township	n/a	n/a	n/a	n/a	2018	2023	0.7000	0.6805

* The adjusted mill rate is the mill rate adjusted for the Headlee Amendment, collected in the current tax year, and funds the recommended budget.

- Local property tax collections are expected to increase by approximately 5.0%, which is based on the increase in assessed property values from FY2022 to FY2023. Impacts from the approved millage increases will be realized in FY2025.
- State operating assistance: revenue is projected to increase in FY2024 by 4.9% due to a slight increase in the projected reimbursement rate based on historical performance. The budgeted state operating assistance reimbursement rate is 29.2% 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 fund the service expansion. The estimated use of federal pandemic relief funds is \$8.2 million in FY2024.

Contingencies

There is always some uncertainty regarding revenues and expenses, particularly the impact of expense assumptions due to inflationary factors and workforce challenges as well as impacts of state and local funding on revenues. The following are revenues and expenses that are monitored closely throughout the fiscal year due to either the magnitude of impact they have on the budget or based on indicators that are more volatile and less predictable in nature, or both.

- 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
- Fuel, materials, and supplies costs may vary due to inflation and market volatility
- Impacts of workforce challenges appear to be stable for TheRide, but general labor shortages are still a risk
- Purchased transportation costs may vary depending on the negotiation of the FlexRide, GoldRide and NightRide contract.

The assumptions in the Recommended FY2024 Budget represent the staff's best attempts to make financial projections using the economic inputs available to us from 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.

Figure 17, below, illustrates the details of the adopted FY2024 budget, along with comparisons to previous years.

Figure 17: FY2024 Recommended Operating Budget Detail (with Prior Year Comparisons)

**TheRide
FY2024 Operating Budget**

	FY2022		FY2023		FY2024		Budget Variance	
	Actual		Budget		Budget		\$	%
OPERATING REVENUES								
Passenger Revenue	\$	2,993,557	\$	4,085,548	\$	4,555,152	\$	469,604 11.5%
Local Property Tax Revenue		19,598,022		19,070,301		20,022,143		951,842 5.0%
POSA & Other Governmental Partners		1,272,546		1,905,957		2,005,683		99,726 5.2%
State Operating Assistance		15,264,462		17,443,827		18,300,679		856,852 4.9%
Federal Operating Assistance		2,531,589		3,000,000		2,458,210		(541,790) -18.1%
Other Federal Programs		1,252,030		4,201,180		4,427,127		225,947 5.4%
Pandemic Relief Funds		18,398,909		17,277,770		8,245,528		(9,032,242) -52.3%
Advertising, Interest, and Other		449,199		524,279		440,259		(84,020) -16.0%
TOTAL REVENUES	\$	61,760,314	\$	67,508,862	\$	60,454,781	\$	(7,054,081) -10.4%
OPERATING EXPENSES								
Salaries, Wages and Benefits	\$	27,738,438	\$	30,371,269	\$	32,944,799	\$	2,573,530 8.5%
Purchased Transportation		11,584,568		12,326,918		13,005,810		678,892 5.5%
Diesel Fuel and Gasoline		2,860,719		3,480,000		3,195,626		(284,374) -8.2%
Materials and Supplies		2,561,138		2,762,723		3,570,971		808,248 29.3%
Contracted Services		3,515,454		3,504,382		3,712,911		208,529 6.0%
Utilities		671,415		661,056		713,931		52,875 8.0%
Casualty & Liability Insurance		1,483,929		1,560,000		1,827,000		267,000 17.1%
Other Expenses		468,908		1,316,790		1,483,733		166,943 12.7%
TOTAL EXPENSES	\$	50,884,569	\$	55,983,138	\$	60,454,781	\$	4,471,643 8.0%
SURPLUS (DEFICIT)	\$	10,875,745	\$	11,525,724	\$	-	\$	(11,525,724) -100.0%
Operating Reserve Transfer	\$	-	\$	-	\$	-	\$	- 0.0%
Capital Reserve Transfer		(10,875,745)		(11,525,724)		-		11,525,724 -100.0%
OPERATING BALANCE	\$	-	\$	-	\$	-	\$	-

Basis of Budgeting

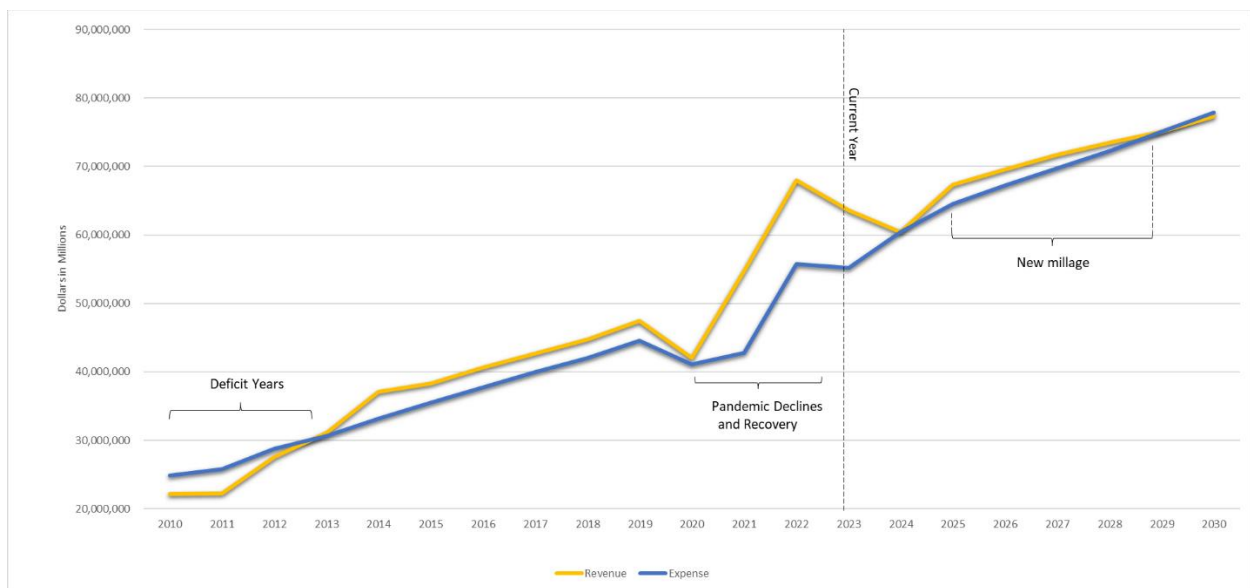
The 2024 operating and capital budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and to produce the financial statements. The only difference between the financial statements and the budget is that depreciation expense 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. An annually selected Audit Committee (selected from members of the Board) have oversight of the financial statements independent audit at the end of each fiscal year. The fully audited Comprehensive Annual Financial Report (CAFR) is presented to the full Board for review and approval on an annual basis.

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 FY2024 budget and 6-year forecast for subsequent years is detailed in *Figure 19*, below.

Figure 18, below, compares historic (12-year actuals), FY2023 projected actuals, and forecasted financials to provide context for the FY2024 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 18: 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.

Figure 19 details projected operating revenue and expense projections for the next seven years.

Figure 19: FY2024 Operating Budget (with 6 Year Forecast)

Operating Revenues	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Passenger Fares	2,088,234	\$ 4,165,723	\$ 4,085,548	\$ 4,555,152	\$ 5,155,016	\$ 5,386,240	\$ 5,549,287	\$ 5,690,755	\$ 5,878,711	\$ 5,930,267
Contract Revenues	1,806,389	1,721,873	1,905,957	2,005,683	2,184,474	2,228,200	2,272,790	2,318,263	2,364,667	2,435,607
Local Property Taxes**	16,265,739	19,258,842	19,070,301	20,022,143	35,335,660	36,352,958	37,398,368	38,087,002	38,395,195	39,584,551
State Operating Assistance	12,062,516	16,914,298	17,443,827	18,300,679	19,588,361	20,411,223	21,153,061	21,913,323	22,777,803	23,617,949
Federal Operating Assistance	3,000,000	3,000,000	3,000,000	2,458,210	-	-	-	-	-	-
Other Federal Programs	2,075,700	3,878,890	4,201,180	4,427,127	4,639,915	4,756,957	4,882,298	5,016,571	5,160,460	5,234,414
CARES/CRRSAA/ARP	17,100,314	18,653,477	17,277,770	8,245,528	-	-	-	-	-	-
Other Revenues	303,000	391,000	524,279	440,259	463,136	463,137	475,054	487,302	499,890	513,458
Total Operating Revenues	54,701,892	\$ 67,984,103	\$ 67,508,862	\$ 60,454,781	\$ 67,366,562	\$ 69,598,715	\$ 71,730,858	\$ 73,513,216	\$ 75,076,726	\$ 77,316,246
Operating Expenses	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Salaries, Wages, Benefits	26,758,252	\$ 28,621,201	\$ 30,371,269	\$ 32,944,799	\$ 35,881,202	\$ 37,489,976	\$ 38,793,527	\$ 40,149,241	\$ 41,555,635	\$ 42,991,219
Purchased Transportation	5,722,139	14,704,408	12,326,918	13,005,810	13,234,002	13,925,340	14,630,383	15,331,126	16,069,928	16,893,363
Fuel, Material, Supplies	4,481,434	5,436,300	6,242,723	6,766,597	7,651,952	7,881,360	8,117,668	8,361,084	8,611,820	8,870,203
Contracted Services	3,116,121	3,596,874	3,504,382	3,712,911	3,662,062	3,760,809	3,862,518	3,967,278	4,326,182	4,436,547
Other Expenses	2,685,346	3,407,068	3,537,846	4,024,664	4,102,159	4,208,076	4,316,378	4,427,920	4,544,296	4,663,436
Millage Initiatives	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 42,763,292	\$ 55,765,851	\$ 55,983,138	\$ 60,454,781	\$ 64,531,377	\$ 67,265,561	\$ 69,720,474	\$ 72,236,649	\$ 75,107,861	\$ 77,854,768
Surplus (Deficit)	11,938,600	\$ 12,218,252	\$ 11,525,724	\$ -	\$ 2,835,185	\$ 2,333,154	\$ 2,010,384	\$ 1,276,567	\$ (31,135)	\$ (538,522)

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 prioritize and plan for 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 FY2024. The remaining nine years are planning estimates 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 FY2024 and beyond until FY2032. 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 20: Capital Plan Projects and Funding Sources

CAPITAL PROJECTS	FY2024 Budget	FY2024-FY2032 Program
State of Good Repair	\$22,114,000	\$98,925,294
Value Added	\$1,120,000	\$23,007,639
Research & Development	\$25,000	\$200,750
Expansion	\$2,497,000	\$209,067,920
TOTAL EXPENSES	\$25,756,000	\$331,201,603
FUNDING SOURCES	FY2024 Budget	FY2024-FY2032 Program
State & Federal Grants	\$25,431,000	\$166,320,015
Federal Earmark	\$300,000	\$0
Local Capital Reserve	\$25,000	\$27,500,521
Unidentified Funding	\$0	\$137,381,067
TOTAL REVENUE	\$25,756,000	\$331,201,603
UNIDENTIFIED FUNDING PORTION	FY2024 Budget	FY2024-FY2032 Program
Unidentified Funding %	0%	41%

The detailed 10-year Capital Plan incorporates projects identified in the Board-approved Long-Range Plan. Detailed projects and funding are provided in Figure 21.

Figure 21: 10-Year Capital Plan

(\$ in thousands)		FY24 Budget	FY25-32 Program									
Category	Project Description	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total	
STATE OF GOOD REPAIR	Vehicles	7,745,000	7,977,350	8,216,671	8,463,171	8,717,066	8,978,578	9,247,935	9,525,373	9,811,134	79,671,143	
	Equipment	434,570	447,427	460,580	474,037	487,808	502,443	517,516	533,041	545,164	4,681,423	
	Existing Facilities	13,499,150	3,590,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	2,690,000	35,416,150	
	Information Technology	435,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,620,000	
	Category Total	22,113,720	12,214,777	11,567,250	11,827,208	12,094,874	12,371,020	12,655,451	12,948,415	13,246,299	122,388,716	
VALUE ADDED	Technology Upgrades [ITS, Smart Card]	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	370,000	327,639	310,000	310,000	310,000	310,000	310,000	310,000	310,000	2,862,639	
	Transit Priority	600,000	1,250,000	1,000,000	1,000,000	1,030,000	2,000,000	2,000,000	2,000,000	1,030,000	11,030,000	
	Category Total	1,120,000	3,727,639	3,460,000	3,460,000	3,490,000	2,460,000	2,460,000	2,460,000	1,490,000	23,592,639	
RESEARCH & DEVELOPMENT	Emergent R&D	25,000	25,000	25,000	25,000	25,000	25,750	25,000	25,000	25,000	250,750	
	Category Total	25,000	25,000	25,000	25,000	25,000	25,750	25,000	25,000	25,000	250,750	
EXPANSION	Ypsilanti Transit Center	Land Acquisition	-	1,000,000	-	-	-	-	-	-	-	1,000,000
		Planning, NEPA, & Design	1,235,000	1,091,600	981,333	396,550	-	-	-	-	-	3,234,483
		Construction	-	-	5,150,000	12,360,000	-	-	-	-	-	-
		YTC Subtotal	1,235,000	2,091,600	6,131,333	12,756,550	-	-	-	-	-	21,744,483
	Blake Transit Center	Planning, NEPA, & Design	220,000	180,000	-	-	-	-	-	-	-	400,000
		Construction Contribution	-	-	1,020,627	2,832,500	1,121,670	-	-	-	-	4,974,797
		BTC Subtotal	220,000	180,000	1,020,627	2,832,500	1,121,670	-	-	-	-	5,374,797
	Bus Rapid Transit	Planning, NEPA, & Design	100,000	412,000	515,000	257,500	4,120,000	3,244,500	360,500	500,000	515,000	9,509,500
		Construction & Vehicles	-	-	-	-	-	7,931,000	20,600,000	27,550,000	23,690,000	56,081,000
		BRT Subtotal	100,000	412,000	515,000	257,500	4,120,000	11,175,500	20,960,500	28,050,000	24,205,000	65,590,500
	Bus Garage	Land Acquisition	-	-	1,545,000	-	-	-	-	-	-	1,545,000
		Planning, NEPA, & Design	350,000	824,000	824,000	3,090,000	3,605,000	-	-	-	-	8,743,000
		Construction	-	-	-	-	-	25,750,000	30,900,000	10,000,000	-	66,650,000
		Garage Subtotal	350,000	824,000	2,369,000	3,090,000	3,605,000	25,750,000	30,900,000	10,000,000	-	76,938,000
	Information Technology	New Fare Technology	-	-	-	206,000	721,000	2,163,000	1,030,000	-	-	4,120,000
		Customer Experience Technology	100,000	103,000	103,000	103,000	154,500	123,600	123,600	120,000	123,600	1,154,300
		First and Last Mile Solutions	80,000	82,400	82,400	82,400	82,400	82,400	82,400	80,000	82,400	736,800
		Operational Innovations	350,000	360,500	360,500	360,500	360,500	360,500	360,500	350,000	360,500	3,423,500
		Information Technology Subtotal	530,000	545,900	545,900	751,900	1,318,400	2,729,500	1,596,500	550,000	566,500	9,434,600
		Transit Hubs	-	-	-	103,000	206,000	1,030,000	1,030,000	-	309,000	2,678,000
	Additional Vehicles for Service Expansion	62,000	-	63,860	-	-	2,021,890	1,291,620	146,000	1,894,170	5,479,540	
	Category Total	2,497,000	4,053,500	10,645,720	19,791,450	10,371,070	42,706,890	55,778,620	38,746,000	26,974,670	187,239,920	
EXPENSE TOTAL		25,755,720	20,020,916	25,697,970	35,103,658	25,980,944	57,563,660	70,919,071	54,179,415	41,735,969	365,243,323	

Funding Sources	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	Total
FORECASTED:										
5307 Federal + State Match	18,577,650	14,645,470	15,143,035	16,042,956	14,644,650	19,838,927	17,108,460	17,475,927	14,307,503	150,220,338
5339 Federal + State Match	4,536,080	1,187,137	1,210,879	1,235,097	1,259,799	1,284,995	1,310,695	1,336,909	1,363,647	18,097,458
CMAQ Federal + State Match	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
STBG Flex Federal + State Match	300,000	277,639	310,000	310,000	110,000	-	-	-	-	1,542,869
State Initiatives (TSP)	600,000	220,000	-	-	-	-	-	-	-	970,000
Federal Earmark	-	-	-	-	-	-	-	-	-	300,000
Local Capital Reserve	25,000	1,205,000	7,176,960	2,827,675	7,957,860	17,500,754	25,000	25,000	25,000	36,793,249
UNIDENTIFIED:										
Other	-	700,000	-	12,756,550	-	16,850,004	50,302,376	33,082,137	23,690,000	137,381,067
REVENUE TOTAL	25,755,720	20,020,916	25,697,970	35,103,658	25,980,944	57,563,660	70,919,071	54,179,415	41,735,969	365,243,323

FY2024 Draft Capital Budget

The table below lists the approved capital investments for FY2024 only. Details for each project can be found in *Appendix 8.2*.

Figure 22: FY2024 Capital Plan

Category	Project Description	FY2024
State of Good Repair	Vehicles	\$7,745,000
	Equipment	\$435,000
	Existing Facilities	\$13,499,000
	IT Hardware and Software Replacement	\$435,000
	Sub-total	\$22,114,000
Value Added	Technology Upgrades	\$150,000
	Bus Stop Improvements	\$370,000
	Bus Lane Improvements & Other	\$600,000
	Sub-total	\$1,120,000
Research and Development	Emergent R&D Projects	\$25,000
	Sub-total	\$25,000
Expansion	Ypsilanti Transit Center	\$1,235,000
	Blake Transit Center	\$220,000
	Bus Rapid Transit	\$100,000
	Bus Garage	\$350,000
	Information Technology	\$530,000
	Support Vehicles	\$62,000
	Sub-total	\$2,497,000
Capital Costs Total		\$25,756,000

Approved capital projects and funding sources for FY2024 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 FY2024. Additional information is available in the *State and Federal Grants Primer*, see the *Appendix (page 51)*.

Figure 23: Capital Funding Sources

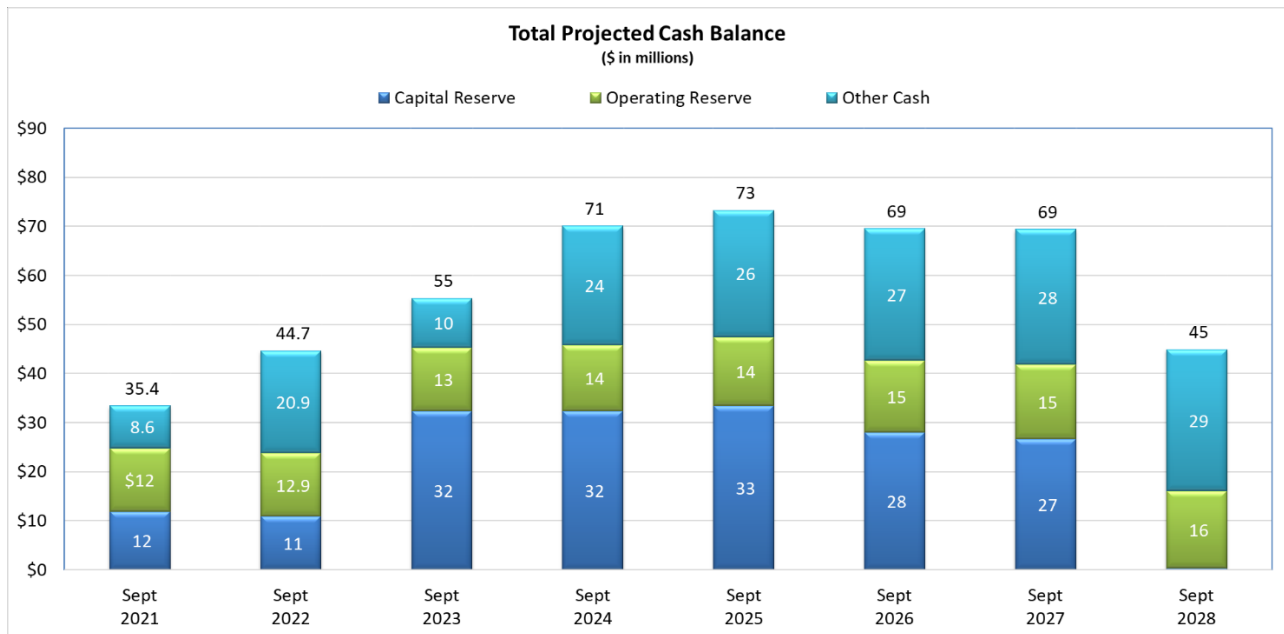
Sources of Capital Funds	FY2024
<p>Local Capital Reserve/Share TheRide’s own cash and investments budgeted for research and development projects in FY2024. A capital reserve was established in FY2021 with local funds as a result of additional pandemic relief that has been and will be received.</p>	\$25,000
<p>Federal STBG Flex Federal Surface Transportation Block Grant (STBG) funding provided to states and localities for road projects. Washtenaw Area Transportation Study (WATS) has transferred a portion to FTA Section 5307 for pedestrian/bus stop improvements.</p>	\$240,000
<p>State Initiatives (TSP) State funding MDOT awarded for the Transit Signal Priority project, continuing work started last year. Project listed in the Technology Upgrades line.</p>	\$600,000
<p>State Capital Match State Comprehensive Transportation Fund (CTF) capital funding for 20% local share required by federally funded capital projects (STBG, 5307, 5310, 5339, CMAQ, Discretionary).</p>	\$5,026,000
<p>Federal 5307 Formula Federal urbanized formula support for transit capital projects. Supports state of good repair projects, bus stop improvements, technology upgrades, and expansion efforts.</p>	\$14,862,000
<p>Federal 5310 Formula Federal formula for mobility of seniors and people with disabilities. Supports capital purchases and operating activities designed to serve these populations.</p>	\$0
<p>Federal 5339 Formula Federal formula for buses and bus facilities, will support state of good repair vehicle replacements and facility rehabilitations.</p>	\$3,629,000
<p>Federal CMAQ Federal highway funding for Congestion Mitigation/Air Quality (CMAQ) improvement, transferred by the Southeast Michigan Council of Governments (SEMCOG) for transit projects in Washtenaw County. Supports large bus replacements.</p>	\$1,374,000
<p>Federal Earmark</p>	\$0
<p>Unidentified/Discretionary A placeholder in the capital budget for federal discretionary awards, also known as competitive FTA grants, that will support capital projects.</p>	\$0
Total	\$25,756,000

7. Impacts of 2024 Budget

Projected Cash Balances

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 FY2023 to FY2028 (September) with the historical cash balance as of the end of FY2021 and FY2022. 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.

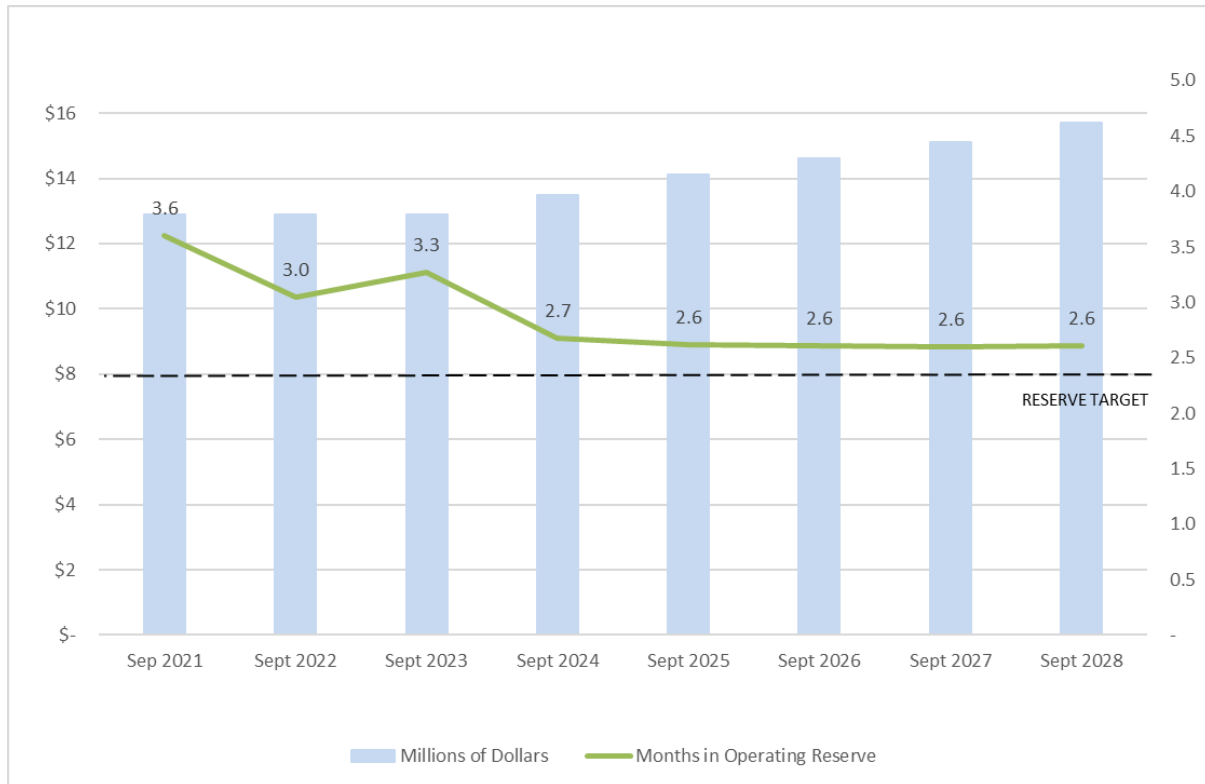
Figure 24: Total Projected Cash Balances



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 \$12.6 million to support a \$60.5 million budget as adopted for FY2024. This target level is expected to be maintained through FY2028 and beyond.

Figure 25: Projected Operating Reserve Balance in Months and Dollars (Millions)



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	Total
Capital Reserve Funding (from Operating Surplus)	\$ 11,939	\$ 10,876	\$ 8,266	\$ -	\$ 2,235	\$ 1,833	\$ 1,510	\$ 677	\$ 37,336
Use of Capital Reserve for Capital Projects	-	-	25	25	1,205	7,177	2,828	26,076	37,335
Remaining Capital Reserve	\$ 11,939	\$ 22,814	\$ 31,055	\$ 31,030	\$ 32,061	\$ 26,717	\$ 25,399	\$ 0	\$ 0

8. Appendices

8.1 FY2024 Capital Descriptions

This section provides further details on the projects included in the **10-Year Capital Plan**. The 10-Year 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.

- 1. 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 FY2024 and significant capital costs in the future, although the planning work in the FY2024 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):** \$1,100,000 to support formal NEPA studies (environmental impact studies) and schematic designs 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 but has faced challenges with the rising costs of materials and construction. TheRide staff is requesting \$150,000 the planning and design in FY2024 and continue to conduct work in support of this effort. The Housing Commission 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 \$4.83 million to support construction.
- 2. Bus Rapid Transit – Washtenaw Avenue: TheRide's** long-range plan, TheRide 2045, recommends major enhancements to the fixed-route network, built around two bus rapid transit (BRT) lines, a north-south BRT and Washtenaw Avenue/E Huron Street BRT. The first of these, Washtenaw Avenue/E Huron Street, is programmed to begin by 2033. Planning and environmental studies take a significant amount of lead time for BRT, so TheRide staff is requesting \$100,000 to officially kickoff the project and begin the process to evaluate alternatives.
- 3. Bus Maintenance and Storage Facility:** \$350,000 request to begin the assessment of needs, facility programming, design criteria, and site selection process of a new storage and maintenance facility. Additional capacity for bus storage and maintenance provides the backbone of support for the TheRide 2045. Operational enhancements planned over the next 20+ years will only be achievable if a new facility is built before the Washtenaw Avenue BRT begins operation. FY2024 work will lead directly into the conceptual design and formal environmental documentation processes in FY2025.

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. FY2024 projects:

1. Vehicle Replacement:

- **Large Bus Replacement:** Ten 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 10 clean-diesel replacement buses will be purchased under the current Nova Bus contract. Budget: \$7,015,000 (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 FY2024 in accordance with fleet replacement plans. Budget: \$600,000 (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: \$130,000 (Policies 2.1, 2.4, 2.7).

2. 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: \$329,000 (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: \$106,000 (Policies 2.2, 2.4, 2.7).

3. Existing Facilities:

- **Facility Rehabilitation:** Funding is budgeted to address priority maintenance issues at The Dawn Gabay Operations Center (DGO), the Blake Transit Center (BTC), the Ypsilanti Transit Center (YTC), and TheRide's park-and-ride lots. A backlog of maintenance needs at the DGO 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 from prior years. Budget: \$13,20,900 (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).

4. 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: \$435,000 (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:

1. **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: \$150,000 (Policies 1.0, 2.1, 2.2, 2.4, 2.7).
2. **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: \$370,000 (Policies 2.1, 2.4, 2.7, 2.10).
3. **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: \$370,000 (Policies 2.1, 2.4, 2.7, 2.10).
4. **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 2024. 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).

8.2 Contracts

The Board's Executive Limitations Policy (Policy 2.5.6) authorizes the CEO to award contracts with a value up to \$250,000 and disallows the splitting of purchases or contracts into smaller amounts to avoid this limitation. Listed below are the contracts that are anticipated to be awarded in 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 (ESTIMATED)	VALUE OF AWARD (ESTIMATED)	FY2024 BUDGETED EXPENSE
FlexRide	Golden Limousine	8/26/2024	TBD	\$ 2,044,691
Public Transit Buses	Nova Bus*	10/1/2023	TBD	\$ 7,015,000
Gasoline and Diesel Fuel	Multiple Providers	10/1/2023	\$ 3,100,000	\$ 3,100,000
Small/Medium Bus Replacements	New	10/1/2023	\$ 600,000	\$ 600,000
Fleetwide Seating Transition	New	10/1/2023	\$ 350,000	\$ 350,000
Planning and Engineering for Capital Projects	New	10/1/2023	\$ 600,000	\$ 200,000
Washtenaw BRT Planning	New	10/1/2023	\$ 500,000	\$ 150,000
Bus Garage Planning	New	10/1/2023	\$ 50,000	\$ 100,000

**Procurement strategy being identified for future bus orders*

8.3 Fares

Table 8.4 presents current fares as approved by the Board in September 2022. New fares approved at that time were implemented in August 2022. There are currently no new fares or changes to existing fares proposed for FY2024. The FY2024 fares are the basis for budget assumptions.

Table 8.3 - FARES			
FIXED ROUTE FARES	FY2022	FY2023	FY2024
<i>Cash Fares</i>			
Full Fare Cash	\$1.50	\$1.50	\$1.50
Transfer	Free	Free	Free
<i>Reduced Cash Fares</i>			
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
<i>Passes and Tokens</i>			
Day Pass	\$3.00	\$3.00	\$3.00
Reduced Day Pass	\$1.50	\$1.50	\$1.50
30 Day Pass	\$45.00	\$45.00	\$45.00
30 Day Value Pass (Senior)	\$22.50	\$22.50	\$22.50
30 Day Value Pass (Income Elig.)	\$22.50	\$22.50	\$22.50
30 Day Value Pass (Disability)	\$22.50	\$22.50	\$22.50
30 Day Value Pass (Student)	\$22.50	\$22.50	\$22.50
Full Fare Token	\$1.50	\$1.50	\$1.50
Reduced Fare Token	\$0.75	\$0.75	\$0.75
SPECIAL SERVICES FARES	FY2022	FY2023	FY2024
<i>GroceryRide</i>			
GroceryRide	\$0.75	\$0.75	\$0.75
<i>NightRide</i>			
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)	\$0.00	\$0.00	\$0.00
NightRide (Child age 5 & under)	Free	Free	Free
<i>HolidayRide</i>			
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)	\$0.00	\$0.00	\$0.00
HolidayRide (Child age 5 & under)	Free	Free	Free
FootballRide			
One-Way	\$1.50	\$1.50	\$1.50
Round Trip	\$3.00	\$3.00	\$3.00
A-RIDE FARES	FY2022	FY2023	FY2024
Cash Fares			
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
Scrip Coupons			
Booklet of 10	\$30.00	\$30.00	\$30.00
D2A2 FARES	FY2022	FY2023	FY2023
Advance Reservation			
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
Walk-On Fares			
Standard One-Way Fare	\$8.00	\$8.00	\$8.00
Senior/Disability One-Way Fare	\$4.00	\$4.00	\$4.00
FLEXRIDE FARES	FY2022	FY2023	FY2023
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

8.4 State and Federal Grants Primer

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

Federal Funding

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

8.5 Adopting Resolution

Resolution xx/2024

APPROVAL OF FY2024 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 FY2024 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 FY2024 to the Federal Transit Administration (FTA) as part of the annual application for FY2024 federal funding, and

WHEREAS, the AAATA is required to submit the capital program and operating budget for FY2024 to the Michigan Department of Transportation (MDOT) as part of the annual application for FY2024 state funding, which is amended by this resolution.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors hereby approves the FY2024 Operating and Capital Budget as its general appropriations act with total expenditures as follows:

- **\$60,454,781** for operations, and
- **\$25,756,000** 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 FY2021-FY2024 TIP, of which FY2024 and beyond are subject to amendment in future years.

Kathleen M. Mozak, Chair

Jesse Miller, Secretary

Date

Date

8.6 Glossary

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

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

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

ADA – See Americans with Disabilities Act.

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

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

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

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

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

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

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

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

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

CAFR – See Comprehensive Annual Financial Report.

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

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

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

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

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

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

CEO – See Chief Executive Officer

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

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

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

Comprehensive Annual Financial Report (CAFR) – A set of U.S. government audited financial statements comprising the financial report of a governmental entity that complies with the accounting requirements endorsed by the Governmental Accounting Standards Board (GASB).

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.