

## Board of Director’s Meeting Agenda

**Meeting Date/Time:** February 22, 2024 - 6:30 – 9:00pm

**Members:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Julie Grand, Monica Ross-Williams, Susan Pollay, Kyra Sims

**Location:** Riverside Arts Center, Ypsilanti (4<sup>th</sup> Floor)

Virtual attendance available via [Zoom](#)

Passcode: 983308

Agenda Item	Info Type	Details	Page #
<b>1. OPENING ITEMS</b>			
1.1 Approve Agenda	D	Mozak	
1.2 Public Comment	O		
1.3 General Announcements	O		
1.3.1 Introduce Jeff Pfeifer			
<b>2. CONSENT AGENDA</b>			
2.1 Board Meeting Minutes January 25, 2024	D		3
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<b>3. SPECIAL ITEMS</b>			
3.1 Audit Presentation & Acceptance	D	Reed / UHY	15
<b>4. MONITORING</b>			
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<b>5. OWNERSHIP LINKAGE</b>			
5.1 Open Dialogue Task Force Updates	O	Chang	Verbal
<b>6. BOARD EDUCATION / DISCUSSION</b>			
6.1 Building Ridership: Opportunities & Challenges	O	Carpenter	94
<b>7. POLICY</b>			
<b>8. OPERATIONAL UPDATES</b>			
8.1 FY24 Q1 Financial Report	O	Reed	117
8.2 ZEB Updates	O	Carpenter	Verbal
8.3 CEO Report	O	Carpenter	121
<b>9. EMERGENT ITEMS</b>			
<b>10. CLOSING ITEMS</b>			
10.1 Action Item Recap	O	Carpenter / Holt	
10.2 Topics for Next Meetings Communication & Support to the Board (2.9) Financial Conditions (2.5) Cash & Investments (2.6) Innovation Presentation FY24 Q1 Service Report ZEB Updates		Thursday, March 21, 2024	
10.3 Public Comment	O		
10.4 Adjournment			

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

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

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

**Emergent Topics**

Policy 3.1.3 places an emphasis on distinguishing Board and Staff roles, with the Board focusing on “long term impacts outside the organization, not on the administrative or programmatic means of attaining those effects.” Policy 3.1.3.1 specifies that that Board use a structured conversation before addressing a topic, to ensure that the discussion is appropriately framed:

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

## Board of Director’s Meeting Minutes

**Meeting Date/Time:** January 25, 2024 - 6:30 – 9:00pm

**Members:** Kathleen Mozak (Chair), Mike Allemang (Treasurer), Jesse Miller (Secretary), Chris Allen, Simi Barr, Rich Chang, Susan Pollay, Kyra Sims

**Location:** Ann Arbor District Library (4<sup>th</sup> Floor)  
Virtual attendance available via Zoom

Chairwoman called the meeting to order at 6:30pm

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Approve Agenda</b></p> <p>Mr. Carpenter noted that Mr. Pfeifer was unable to attend the meeting and requested his introduction be removed from the agenda (1.2.1) and will be on the February agenda.</p> <p>Mr. Allemang motioned to accept the amended agenda, seconded by Mr. Barr.</p> <p>All in favor of approving the amended agenda:</p> <ul style="list-style-type: none"> <li>Mr. Mike Allemang: Yes</li> <li>Mr. Chris Allen: Yes</li> <li>Mr. Simi Barr: Yes</li> <li>Mr. Rich Chang: Yes</li> <li>Mr. Jesse Miller: Yes</li> <li>Ms. Susan Pollay: Yes</li> <li>Ms. Kyra Sims: Yes</li> <li>Chairwoman Kathleen Mozak: Yes</li> </ul> <p>The approval of the amended agenda passed unanimously.</p> <p><b>1.2 Public Comment</b></p> <p>Jim Mogensen shared the University of Michigan had identified challenges with students needing transportation to the airport and in addressing the issue it may impact AirRide for the larger community. He encouraged the organization work with other transit systems in the area to see how they handle extreme weather challenges and in closing noted prior challenges with hybrid buses and funding.</p> <p><b>1.3 General Announcements</b></p> <p>Chairwoman Mozak shared that longtime Local Advisory Council member, Jody Burton Slowins, had passed away in December. Ms. Burton Slowins made many contributions to the community and she will be missed.</p> <p><del><b>1.2.1 Introduce Jeff Pfeifer</b></del></p>

## 2. CONSENT AGENDA

### 2.1 Board Meeting Minutes December 21, 2023

### 2.2 Committee Meeting Summaries

### 2.3 Policy Monitoring Schedule Clarification

### 2.4 FY 2025 State Application Resolution (Required Approvals)

Mr. Chang motioned to approve the Consent Agenda, seconded by Ms. Sims.

All in favor of approving the Consent Agenda:

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The approval of the Consent Agenda passed unanimously.

## 3. OWNERSHIP LINKAGE

### 3.1 Open Dialogue Task Force Updates

Mr. Chang shared he is continuing to work on meetings with leadership at the City of Ypsilanti and Ypsilanti Township. He also shared he will be moving forward on a strategy plan for outreach with moral owners which will include utilizing data from a 2021 phone survey.

## 4. MONITORING

### 4.1 Ends (Policy 1.0) Monitoring Report

Mr. Carpenter provided an overview of the Ends Monitoring Report, which is an annual report on meeting the Board's overall outcomes and goals for the agency, along with the Board survey results. The monitoring report showed overall compliance with notations for partial compliance 1.1, 1.1.2, and 1.2 and 1.2.2 and non-compliance for 1.2.3. Progress on policy 1.2.3 will now be made with the recently filled position for Manager Public Affairs & Engagement as they will be working on advocacy and a legislative agenda.

Mr. Carpenter fielded questions from various board members regarding his interpretations and how evidence was gathered and used within the monitoring report.

After a robust discussion, Mr. Miller motioned to accept the Ends (Policy 1.0) monitoring report as (C) evidence of compliance with a reasonable interpretation for all items except policy items 1.0 and 1.3 where the interpretation is not reasonable, seconded by Mr. Allemang.

Ms. Pollay motioned to amend the motion to include 1.2.3 as partially compliant instead of non-compliant. There was no second to the motion.

All in favor of accepting the Ends (Policy 1.0) monitoring report as (C) evidence of compliance with a reasonable interpretation for all items except policy items 1.0 and 1.3 where the interpretation is not reasonable:

Mr. Mike Allemang: Yes  
Mr. Chris Allen: No  
Mr. Simi Barr: Yes  
Mr. Rich Chang: No  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: No  
Chairwoman Kathleen Mozak: No

The vote was 4-Yes and 4-No, the motion did not pass.

Ms. Sims motioned to accept the report as (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with items noted in the report, seconded by Mr. Chang.

Mr. Mike Allemang: No  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: No  
Ms. Susan Pollay: No  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to accept the Ends (Policy 1.0) monitoring report as (B) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations, except for the CEO's stated non-compliance with items noted in the report, passed by a vote of 5-Yes to 3-No.

*The Board took a 10 minute recess.*

## **5. POLICY**

### **5.1 ID & Compensation**

Chairwoman Mozak provided an informational overview on usage of Board ID badges, which can be used as bus passes for Board related work but according to bylaws, cannot be used for personal use as it would be considered compensation.

## **6. OPERATIONAL UPDATES**

### **6.1 Zero-Emissions Bus Decision**

Mr. Carpenter outlined details within the Board packet regarding the request for the Board to authorize to submit grant applications and other funding requests to help purchase 2 hydrogen fuel cell buses / equipment, 1 outdoor hydrogen fuel station, workforce training for staff and up to 8 hybrid buses/year to replace diesel buses. This request is to provide evidence of compliance with Construction Policy 2.10 in future monitoring reports.

Mr. Allemang motioned to authorize the CEO to submit grant applications and funding requests for low and zero emissions bus propulsion systems as outlined in the information provided to the board today attachment presented today and provide the Board monthly updates on project status and what was given to the board today, seconded by Mr. Allen.

All in favor of authorizing the CEO to submit grant applications and funding requests for low and zero emissions bus propulsion systems as outlined in the information provided to the board today attachment presented today and provide the Board monthly updates on project status:

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

The motion to authorize the CEO to submit grant applications and funding requests for low and zero emissions bus propulsion systems as outlined in the information provided to the board today and provide the Board monthly updates on project status passed unanimously.

## **6.2 Weather Related Service Disruptions**

Mr. Brooks shared a brief presentation and video ([Board Packet, page 72](#)) related to a snow event on January 12, 2024 which necessitated the suspension of services after weather conditions deteriorated in a short period of time. While service cancellations are rare, the safety of staff and passengers is always the priority consideration when a decision is made.

## **6.3 Audit Update**

Ms. Reed shared that the auditors were providing a first draft of financial reports which will be introduced to the Audit Task Force, followed by the Finance Committee. The Board will receive for review and full acceptance at the February Board meeting.

## **6.4 CEO Report**

Mr. Carpenter referred to the CEO report in the packet and fielded a question from a Board member to clarify details within the staffing update as it relates to upcoming service enhancements.

# **7. BOARD EDUCATION/DISCUSSION**

## **7.1 Introduce Susan Radwan**

Ms. Susan Radwan was introduced as the new Governance consultant. She shared a brief presentation on the Policy Governance method ([Board Packet, page 80](#)).

## 8. EMERGENT ITEMS

## 9. CLOSING ITEMS

### 9.1 Action Item Recap

The Board requested that with the authorization of the zero-emissions grant and funding request applications, they receive regular updates on the process.

### 9.2 Topics for Next Meetings

Audit Update  
Financial Conditions (2.5)  
FY24 Q1 Financial Report

### 9.3 Public Comment

No public commenters.

### 9.4 Adjournment

Ms. Pollay motioned to adjourn the meeting, seconded by Mr. Barr.

All in favor of adjourning the meeting:

Mr. Mike Allemang: Yes  
Mr. Chris Allen: Yes  
Mr. Simi Barr: Yes  
Mr. Rich Chang: Yes  
Mr. Jesse Miller: Yes  
Ms. Susan Pollay: Yes  
Ms. Kyra Sims: Yes  
Chairwoman Kathleen Mozak: Yes

Chairwoman Mozak adjourned the meeting at 9:04 pm.

Respectfully Submitted by Deborah Holt

## Governance Committee Meeting Notes

**Meeting Date/Time:** Thursday, February 1, 2024 – 9:00am – 11:00am

**Members:** Kathleen Mozak (Chair), Mike Allemang, Jesse Miller

**Staff:** Matt Carpenter, Dina Reed, George Brooks, Gretchen Johnson Jeffrey Pfeifer, Rosa-Maria Njuki, Deb Holt

**Location:** REMOTE – Via Zoom

Chairwoman Mozak called the meeting to order at 9:03am

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Agenda (Additions, Approval)</b></p> <p>Chairwoman Mozak requested the addition of adding 2.4.3 Phone Survey – no other changes or additions were noted.</p> <p><b>1.2 Communications</b></p> <p>Mr. Carpenter introduced to the committee Mr. Pfeifer, the new Manager of Public Affairs and Engagement (formerly Community Relations).</p> <p>The committee is working on coordinating a rescheduled date for the February 27th Governance Committee meeting and will be coordinating with staff.</p>
<p><b>2. BOARD DEVELOPMENT</b></p> <p><b>2.1 Recruitment / Training / Attendance</b></p> <p>Chairwoman Mozak provided an update on the newest Board member, Ms. Grand who will be on-boarding prior to the February Board meeting. She also noted that a local university student has expressed interest in Board and LAC participation. She also shared a brief overview on Board and Committee meeting attendance and participation.</p> <p><b>2.2 Task Force Coordination (ODTF, Audit)</b></p> <p>The Audit Committee Task Force will be meeting with the Auditors on February 12<sup>th</sup>. ODTF is working to begin reaching out to moral owners in the community as well.</p>



## **2.3 Governance Consultant Discussion**

New Governance consultant, Susan Radwan attended the January Board meeting and looks forward to her work with board members. Chairwoman Mozak requested scheduling a meeting between Ms. Radwan and Governance Committee members to discuss policy 3.0.

## **2.4 Annual Plan of Work**

The committee discussed the annual plan of work and prioritization of topics in the plan. Policy / decision and education topics are still being developed with Board input.

### **2.4.1 Advocacy**

Mr. Carpenter shared that Mr. Pfeifer is working on the first legislative agenda with a plan to be shared with the Board by June.

### **2.4.2 Ridership**

A ridership presentation will be presented to the Board at the February Board meeting and an innovation presentation is due in March. Mr. Carpenter noted that the innovation presentation will also include post-pandemic trends.

### **2.4.3 Phone Survey**

At the January Board meeting Mr. Chang had inquired about a phone survey that had been done in 2021 by CJI Research as the information would be beneficial with ODTF work. The committee discussed adding a placeholder for CJI to present at the April Board meeting. There is information that could be used for the Board future planning and policy creation.

## **3. POLICY MONITORING & DEVELOPMENT**

### **3.1 Board Management Delegation (Policies 4.0-4.4)**

Committee members discussed the report and positive comments made on the report. High survey participation was noted. The committee determined that the matter of "reasonableness of interpretation" for the survey could be a future educational topic to discuss with the Governance consultant. Committee members noted the short turnaround for participation and requested that staff send out the survey with two week notice.

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

### **4.1 ZEB Updates**

Mr. Carpenter shared after the Board's unanimous approval (at the January Board meeting) to move forward with the ZEB process, work on the grant application process has begun. The FTA will be providing a note of funding opportunities soon and opportunities for a joint regional grant application are being explored.

## **5. CLOSING ITEMS**

### **5.1 Committee Agendas**

Mr. Miller had no changes to the Service Committee agenda. Mr. Carpenter shared that Financial Conditions (Policy 2.5) monitoring report data was not yet fully gathered from the audit process. The committee agreed the monitoring report would be moved the March agendas for the Finance Committee and Board Meeting. Mr. Allemang noted no other changes to the Finance Committee agenda.

### **5.2 Action Item Recap**

Rescheduled February 27<sup>th</sup> Governance, schedule meeting with Governance consultant and Governance Committee, Add placeholder for CJI to present at April Board Meeting, forward CJI phone survey report to committee. Agenda changes were noted in 5.1.

### **5.3 Topics for Next Meeting**

ZEB Updates  
Board Annual Plan of Work  
Review Global Executive Limitations (2.0)  
Parliamentary Procedure Education

### **5.4 Adjournment**

Chairwoman Mozak thanked the committee and staff and adjourned the meeting at 10:57 am.

Respectfully Submitted by Deborah Holt

## Service Committee Meeting Notes

**Meeting Date/Time:** February 6, 2024, 9:00-11:00am

**Members:** Jesse Miller (Chair), Simi Barr, Rich Chang, Susan Pollay

**Staff:** Matt Carpenter, Dina Reed, George Brooks, Gretchen Johnson, Jeffrey Pfeifer

**Location:** REMOTE – Via Zoom

Mr. Miller called the meeting to order at 9:00am

Agenda Item
<p><b>1. OPENING ITEMS</b></p> <p><b>1.1 Agenda (Additions, Approval)</b></p> <p>No additions or changes were noted to the agenda.</p> <p><b>1.2 Communications</b></p> <p>Mr. Miller introduced Sue Radwan, Governance Consultant, who joined to participate in discussion with agenda item 2.1.</p>
<p><b>2. POLICY MONITORING &amp; DEVELOPMENT</b></p> <p><b>2.1 Public Safety Policy</b></p> <p>At Ms. Radwan’s suggestion, the committee discussed how a public safety policy might be placed under Ends policies as an expectation from the board. The committee also discussed the differences between operational safety and a broader view of safety that would encompass personal and psychological safety. They also discussed aspects of creating measurable monitoring goals/targets and how progress is gathered, assessed and interpreted.</p> <p>Mr. Miller will be sharing an overview of the committee’s conversation with the Governance Committee to determine whether to move forward with drafting policy language.</p>
<p><b>3. STRATEGY &amp; OPERATIONAL UPDATES: CEO</b></p> <p><b>3.1 ZEB Updates</b></p> <p>Mr. Carpenter shared an update on the ZEB process with staff beginning to work on the grant application process and will be providing the board updates each month. FTA will be providing a note of funding opportunities soon and opportunities for a joint regional grant application are being explored.</p> <p>Committee members discussed with Mr. Carpenter the continuity of federally funded programs with consideration to the upcoming elections. There was also discussion on the creation of a fleet transition plan and incorporating all organizational vehicles into that plan.</p>

#### **4. CLOSING ITEMS**

##### **4.1 Action Item Recap**

Mr. Miller will share the Public Safety Policy discussion with the Governance Committee and determine next steps with policy drafting.

##### **4.2 Topics for the Next Meeting**

ZEB Updates  
FY24 Q1 Service Report  
Millage service enhancement updates

##### **4.3 Adjournment**

Mr. Miller thanked the committee and staff and adjourned the meeting at 10:30am.

Respectfully Submitted by Deborah Holt

DRAFT

## Finance Committee Meeting Notes

**Meeting Date/Time:** February 13, 2024, 3:00 – 5:00pm

**Members:** Mike Allemang (Chair/Treasurer), Kyra Sims, Chris Allen, Julie Grand

**Staff:** Matt Carpenter, Dina Reed, Gretchen Johnson, Yvette Washington, Vivi Nguyen, Deb Holt

**Location:** REMOTE – Via Zoom

Mr. Allemang called the meeting to order at 3:02 pm

Agenda Item
<b>1. OPENING ITEMS</b>
<p><b>1.1 Agenda (Additions, Approval)</b></p> <p style="padding-left: 40px;">No additions or changes were noted on the agenda.</p> <p><b>1.2 Communications</b></p> <p style="padding-left: 40px;">No new communications.</p>
<b>2. POLICY MONITORING &amp; DEVELOPMENT</b>
<b>3. STRATEGY AND OPERATIONAL UPDATES</b>
<p><b>3.1 Audit Report</b></p> <p style="padding-left: 40px;">Ms. Reed introduced guests Yllka Manushi and Michael Santicchia, auditors from UHY. They presented the FY 2023 Audit draft report to the committee and will be presenting the final version to the Board at the February 22<sup>nd</sup> Board meeting.</p> <p><b>3.2 FY24 Q1 Financial Report</b></p> <p style="padding-left: 40px;">Ms. Reed presented an overview of the FY24 Q1 Financial report to the committee. There were two favorable budget variances on the income statement related to fares/contracts and revenue from property taxes which had been estimated to be lower. These two favorable variances are expected to continue during the rest of the year. Also noted was an increase in investment interest income in the CDARS and ICS account. She shared that expenses related to salaries/wages/benefits are currently lower than projected but will be increasing throughout the next 3 quarters due to increased hiring with service expansions.</p> <p style="padding-left: 40px;">Pandemic relief funds are projected to be depleted at the end of Q3 which coincides with the inflow of millage funding. The operating reserve balance is being maintained as planned. The capital reserve balance is \$33 million, which is slightly higher than had been predicted during budget planning.</p>

### **3.3 ZEB Updates**

Mr. Carpenter shared that last week the FTA had released a notice of funding opportunity. Ms. Reed is working with a grant writing team on the Lo-No Grant which has a deadline of April 25<sup>th</sup>. As a part of the grant application process, the Board will be required to approve a transition plan at the March or April Board meeting. In addition to the Lo-No grant, other grant opportunities are being pursued.

## **4 CLOSING ITEMS**

### **4.1 Action Item Recap**

The final audit report and Q1 Financial reports will be presented at the February Board meeting

### **4.2 Topics for Next Meeting**

ZEB Updates  
Financial Conditions (2.5)  
Cash & Investments (2.6)

### **4.3 Adjournment**

Mr. Allemang thanked the committee and staff and adjourned the meeting at 3:46pm.

Respectfully Submitted by Deborah Holt

## Audit Task Force / Audit Report

**Finance Committee Meeting Date: February 13, 2024**

**Board Meeting Date: February 22, 2024**

<b>RECOMMENDED ACTION(S):</b>
By Motion, vote to receive as information the annual audit in support of policy 3.8.1.2.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
<ul style="list-style-type: none"> <li>• Policy 2.5.3, “the CEO shall not ... receive, process, or disburse funds under controls that are insufficient to meet the Board-appointed auditor’s standards.”</li> <li>• Policy 2.5.4, “the CEO shall not ... compromise the independence of the Board’s audit ...”.</li> <li>• Policy 3.7.5 establishes the Board’s Audit Task Force to conduct the annual financial audit.</li> <li>• Representatives from UHY LLC (the auditors) and staff presented the results of the FY2023 Annual Audit to the Audit Task Force (task force) on February 12, 2024. The Audit Task Force included Board Members Kathleen Mozak, Susan Pollay and Simi Barr. The same presentation was provided to the Finance Committee on February 13, 2024.</li> </ul>
<b>ISSUE SUMMARY:</b>
Financial auditors have completed the audit for FY2023. In summary, financial statements present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of AAATA as of September 30, 2023, and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. (Audit 2023, p. 1)
<b>BACKGROUND:</b>
<p>Attached to this Issue Brief is a draft of the auditor’s report (Audit 2023). The report is still being finalized and the final report will be provided in advance of the Board Meeting. The financial statements and audit findings are complete in and no substantive changes are expected in the final report; the draft report will be finalized when official reviews and attachments are completed and provided by the auditor.</p> <p>AAATA ended the year with favorable financial results, as presented in the financial statements. Financial highlights for FY2023 compared to FY2022 are as follows (Audit 2023, pp. 4-5):</p> <ul style="list-style-type: none"> <li>○ Assets increased from the prior year by \$10.0 million (10.2%)</li> <li>○ Total net position increased by \$10.2 million (11.1%)</li> <li>○ Operating revenues increased by \$1.3 million (44.2%)</li> <li>○ Operating expenses increased \$4.5 million (7.8%) primarily due to resuming full operations.</li> </ul> <p>As indicated in the Summary of Auditor’s Results (Audit 2023, pp. 59-60), the auditors issued an “Unmodified” report, which is the highest rating for the audit. And, while they “do not express an opinion on the effectiveness of” internal controls (Audit 2023, pp. 52-53), they do report upon any material weaknesses or deficiencies they find in accounting, financial reporting, and internal controls. As shared in the report, there were no findings</p>

for the Single Audit, and one significant deficiency (lowest level) finding in the financial statements. The cause of the finding is that the Authority made several adjusting entries during the audit process. All the adjustments were normal adjusting entries, but they were not all completed at the beginning of the audit process. This was not a repeat finding and audited financial statements as presented are accurate. Additionally, there were no deficiencies in internal control over compliance noted. A detailed explanation is provided in the audit report (Audit 2022, pp. 59-60).

**IMPACTS OF RECOMMENDED ACTION(S):**

- Budgetary/Fiscal: Demonstrates financial performance for FY2023.
- Governance: Supports Board in financial oversight/fiduciary responsibility.

**ATTACHMENTS:**

1. Official Draft of the Audited Financial Statements as of September 30, 2023



**ANN ARBOR AREA  
TRANSPORTATION  
AUTHORITY**

Year Ended  
December 31, 2023  
and 2022

**Financial  
Statements**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Ann Arbor Area Transportation Authority

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority (the "Authority") as of September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Ann Arbor Area Transportation Authority, as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ann Arbor Area Transportation Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ann Arbor Area Transportation Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ann Arbor Area Transportation Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ann Arbor Area Transportation Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and the OPEB schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements. The accompanying supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basis financial statements. The accompanying Schedule of Expenditures of Federal Awards is required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except the portion marked "unaudited" (Schedule – Urban and Nonurban Regular Service Nonfinancial Information) on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE**, on our consideration of Ann Arbor Area Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ann Arbor Area Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ann Arbor Area Transportation Authority's internal control over financial reporting and compliance.

Ann Arbor, Michigan

**DATE**

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

As management of the Ann Arbor Area Transportation Authority (the "Authority") in Ann Arbor, Michigan, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2023. We encourage readers to consider the information in conjunction with the financial statements, related note disclosures and the required supplementary and additional information as listed in the table of contents.

### Five-Year Transit Improvement Plan

In January 2014, the Board of Directors adopted the Five-Year Transit Improvement Plan (5YTIP) for the Urban Core of Washtenaw County. Funding for this plan included a five-year property tax millage, which was approved by the voters of the Cities of Ann Arbor and Ypsilanti and Ypsilanti Township on May 6, 2014. The first 0.7 mill property tax was levied on July 1, 2014, which raised about \$4.5 million per year. These funds have been used to provide additional local transit service and buy 15 buses to provide the service. The rollout of all the additional services was completed in January 2020. On May 8, 2019, the 0.7 mill property tax was renewed for five years and will be levied on July 1, 2020 to 2023, inclusive.

### Governance of the Authority

In 2013, the Authority and the City of Ann Arbor approved the City of Ypsilanti's and the Charter Township of Ypsilanti's requests to become members of the Authority, creating a three-member authority. The Board of Directors expanded from seven directors to ten directors, by adding one director each from the City of Ann Arbor, the City of Ypsilanti and the Charter Township of Ypsilanti.

### Overview of the Financial Statements and Financial Analysis

The discussion is intended to present an overview of the Authority's financial performance for the years ended September 30, 2023 and 2022 and does not purport to make any statement regarding the future operations of the Authority. While the Authority is an instrumentality of the State of Michigan, it is not a component of the State as defined by the Governmental Accounting Standards Board (GASB).

The annual report consists of the basic financial statements, which are the statement of net position (formerly called the balance sheet), statements of revenues, expenses and changes in net position (formerly net assets), and the statements of cash flows, prepared in accordance with GASB principles. This report also contains other additional information in addition to the basic financial statements, as required by the State of Michigan Departments of Treasury and Transportation.

The basic financial statements for the year ended September 30, 2022 have been audited and are included herein for comparative purposes.

### Financial Highlights

The Authority's total assets increased from the prior year by \$10.0 million (10.2%), primarily due to an increase of \$10.0 million (22.3%) in total cash and investments. The increase in cash and investments reflects the board adopted strategy during FY 2021 to create a capital reserve for future community capital needs and increase in net position during FY 2023.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

Total net position increased by \$10.2 million (11.1%) as the unrestricted net position increased by \$10.4 million (20.8%) offset by a decrease net investment in capital assets of \$0.2 million (1%) .

Total operating revenues is comprised of passenger fares and special fares, where someone other than the passenger pays the fare. These increased about \$1.3 million (44.2%) as the result of services resuming full operation after lower ridership during the pandemic period.

Total non-operating revenues includes federal, state and local funding. These increased \$2.6 million (4.5%) mostly due increase in investment income of \$1.7 million with improved market, as well as an increase in current state operating assistance of \$1 million and prior year settlements of \$1.6 million from the State of Michigan. This is offset by a decrease in federal revenue of \$3 million as a result of more funding in prior year for ARP and CARES ACT.

Total operating expenses increased \$4.5 million (7.8%) primarily due the Authority getting back to full operations after the pandemic lowered most operation costs in prior years as well as increased activities related to the D2A2 line and RTA grants.

### Authority's Net Position

The statements of net position include all assets, deferred outflows, liabilities and deferred inflows. It is prepared under the "full accrual" basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when they occur, regardless of the timing of the related cash flows. Assets and liabilities are measured using the economic resources measurement focus. Capital assets are reported at historical cost less an allowance for depreciation.

A summary of the Authority's assets, liabilities and net position at September 30, 2023, 2022 and 2021 follows (in thousands):

	Net Position		
	2023	2022	2021
<b>Assets</b>			
Current assets	\$ 66,497	\$ 56,338	\$ 46,187
Noncurrent assets	56	21	41
Capital assets, net	41,125	41,319	46,420
	<u>107,678</u>	<u>97,678</u>	<u>92,648</u>
<b>Deferred outflows of resources</b>	<u>148</u>	<u>141</u>	<u>27</u>
<b>Liabilities</b>			
Other liabilities	4,260	4,063	4,838
Noncurrent liabilities, including OPEB	1,408	1,730	1,578
	<u>5,668</u>	<u>5,793</u>	<u>6,416</u>
<b>Deferred inflows of resources</b>	<u>649</u>	<u>683</u>	<u>640</u>
<b>Net position</b>			
Net investment in capital assets	41,125	41,319	46,420
Restricted	-	21	41
Unrestricted	60,384	50,003	39,158
	<u>101,509</u>	<u>91,343</u>	<u>85,619</u>
<b>Total net position</b>	<b>\$ 101,509</b>	<b>\$ 91,343</b>	<b>\$ 85,619</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

At September 30, 2023, the Authority's net position was \$101.5 million, compared to \$91.3 million at September 30, 2022.

Beginning in 2021, the Authority established a capital projects reserve, an operating reserve requirement and a workers' compensation insurance reserve. The total net position includes an unrestricted net position of \$60.4 million of which \$46.6 million is committed to reserves, leaving \$13.8 million uncommitted. Of the committed unrestricted net position, the funds are reserved as follows (in millions):

Capital Projects	\$	33
Operating Reserve Requirement		13
Worker's Compensation Agreements		1
	<u>\$</u>	<u>47</u>

The majority of the Authority's current liabilities are accounts payable and other accrued expenses.

The Authority maintains a postretirement healthcare plan and life insurance plan (the "Plan") and adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This Standard requires the Authority to recognize the expense related to these healthcare and life insurance benefits on an actuarially determined basis to better match the expense of the benefits with the period in which employees earn the benefit instead of a "pay as you go" basis. The overfunded actuarial accrued asset for the Plan was \$56,322 as of September 30, 2023, based on the most recent measurement date. This asset increased about \$76 thousand or 100% from the prior year, which reflected a liability of \$19,947, because of an investment portfolio change by the trust administrator (MERS) that increased the long-term expected rate of return. See Note 15 for more information.

The total assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows by \$101.5 million (net position) as of September 30, 2023. Of this amount, \$60.4 million (unrestricted net position) may be used to fund future operations and meet future obligations of the Authority. The July 1, 2023 property tax levies of about \$20.6 million have been included in nonoperating revenues for the year ended September 30, 2023, even though three quarters of them will be needed to help fund operations from October 1, 2023 to June 30, 2024.

### Statement of Revenues, Expenses and Changes in Net Position

A summary of the Authority's revenues, expenses and changes in net position for the years ended September 30, 2023, 2022 and 2021 is as follows (in thousands):

	Change in Net Position		
	2023	2022	2021
Operating revenues	\$ 4,315	\$ 2,994	\$ 1,624
Operating expenses	(61,821)	(57,356)	(46,697)
<b>Operating loss</b>	<b>(57,506)</b>	<b>(54,362)</b>	<b>(45,073)</b>
Nonoperating revenues	61,391	58,767	53,413
Change in net position before capital contributions			
capital contributions	3,885	4,405	8,340
Net capital contributions	6,281	1,319	6,059
Change in net position	10,166	5,724	14,399
<b>Net position, beginning of year</b>	<b>91,343</b>	<b>85,619</b>	<b>71,220</b>
<b>Net position, end of year</b>	<b>\$ 101,509</b>	<b>\$ 91,343</b>	<b>\$ 85,619</b>



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

The Authority's primary sources of operating revenues are passenger fares collected in the farebox in each bus, sales of 30-day passes and tokens. Other operating revenues are special fares where someone else other than the rider pays the fare, such as the MRide program paid by the University of Michigan and the go!pass program paid by the Downtown Development Authority of the City of Ann Arbor.

Total operating expenses of \$61.8 million include operations (\$42.2 million), fleet and facility maintenance (\$8.2 million) and general administration (\$11.4 million). The largest portion of all expenses is employee wages and fringe benefits of about \$29.4 million, 47.6% of all expenses.

Non-operating revenues include Federal and State grants. Local operating assistance includes local property taxes, purchase of service agreements, other governmental agreements and bus advertising.

Capital contributions represent federal, state and local grants for the purchase of new capital assets. A portion of Federal formula dollars (Section 5307) can be used as operating assistance. In 2023 and 2022, the Authority used approximately \$2.9 million and \$2.4 million, respectively for Federal operating assistance, such as operating assistance, planning, preventive maintenance, and capital cost of contracting.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

### Capital Assets

The Authority continues to invest in facilities and equipment. In 2023, the Authority continued building rehabilitation for the operations facility. The Authority's largest capital investments include vehicles and related equipment, net of depreciation, of \$22.0 million in 2023 and \$21.0 million in 2022 and the land and buildings, net of depreciation, of \$15.6 million in 2023 and \$16.4 million in 2022.

### Economic Factors and Next Year's Budget (Fiscal Year 2024)

For fiscal year 2024, the Board of Directors adopted a \$61.4 million operating budget and a \$26.4 million capital budget. The operating budget is balanced with no surplus.

The most significant initiatives impacting the FY2024 operating budget 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 approved millage was approved for 2024 through 2028. The funding will provide continued restoration of ridership through growth in service opportunities and investing in organizational efficiencies and will start impacting the Authority FY2025 budget.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Management's Discussion and Analysis

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. The current presidential administration acknowledged the impacts of these challenges in the transportation industry and provided new sources of operational funding. The FY2024 budget assumes that federal pandemic relief funds will be used to the full extent possible for eligible expenses.

The Authority receives significant operating assistance each year from the State of Michigan Comprehensive Transportation Fund. The source of these funds includes a portion of state gasoline taxes, vehicle-related sales taxes, license fees and other taxes and fees. These funds are subject to legislative appropriation each year and the percentage of eligible expenses funded is subject to change during the year and subject to reconciliation and audit after the year has concluded.

Local funding is provided through municipal property tax levies and purchase of service agreements from the following communities: the Cities of Ann Arbor, Ypsilanti, Chelsea and the Charter Townships of Pittsfield, Scio, Superior and Ypsilanti.

The 0.7 mill property tax levy, which funds the additional 5YTIP service, was originally levied from July 1, 2014 to July 1, 2018, inclusive. In May 2018, the 0.7 mill property tax was renewed by voters of the Cities of Ann Arbor and Ypsilanti, and Ypsilanti Township. The property tax is scheduled to be levied from July 1, 2019 to 2023 to continue to fund the additional services. As mentioned previously, a new millage for 2.38 mill has already been approved and will begin in 2024. The new millage replaces the 0.7 mill property tax levy ending in 2023.

### Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the transit provider's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, Ann Arbor Area Transportation Authority, 2700 South Industrial Highway, Ann Arbor, Michigan 48104. The Authority's website at [www.theride.org](http://www.theride.org) contains copies of the annual operating budgets, annual audits and financial operating reports.

This year and prior year audited financial statements are also available on the State of Michigan's website at <https://treas-secure.state.mi.us/LAFDocSearch/>. Once there, select "Washtenaw County" for County, select the year "2023" (or a previous year as far back as 2004) for the Year and "Authority, Drain District" for the municipality Type. Then you can select the "Ann Arbor Area Transportation Authority" for the municipality.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Net Position

	September 30,	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 34,771,313	\$ 25,427,695
Investments	19,858,794	19,228,868
Accounts receivable, net	1,611,047	1,034,961
Grants receivable	5,529,395	6,824,020
Other receivables, net	1,241,097	884,967
Inventory	1,380,675	1,201,703
Prepaid expenses	2,104,445	1,734,772
Total current assets	<u>66,496,766</u>	<u>56,336,986</u>
Noncurrent assets:		
Restricted cash	-	21,431
Net OPEB asset	56,322	-
Capital assets		
Land and improvements	2,270,821	2,270,821
Park and Ride lot construction	5,759,849	5,759,849
Buildings and improvements	30,488,353	30,410,185
Equipment and other	77,606,225	72,676,879
Construction in progress	356,753	189,206
Total capital assets	<u>116,482,001</u>	<u>111,306,940</u>
Less accumulated depreciation	<u>75,356,626</u>	<u>69,987,607</u>
Net capital assets	<u>41,125,375</u>	<u>41,319,333</u>
Total noncurrent assets	<u>41,181,697</u>	<u>41,340,764</u>
<b>Total assets</b>	<u>107,678,463</u>	<u>97,677,750</u>
<b>Deferred outflow of resources</b>		
Deferred OPEB amounts	<u>148,237</u>	<u>141,091</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,502,966	3,074,212
Accrued payroll	442,422	516,638
Accrued compensated absences, current portion	174,009	208,640
Other accrued expenses	33,182	137,194
Unearned revenue	107,689	125,745
Total current liabilities	<u>4,260,268</u>	<u>4,062,429</u>
Noncurrent liabilities:		
Accrued compensated absences	1,407,886	1,710,295
Net OPEB liability	-	19,947
Total noncurrent liabilities	<u>1,407,886</u>	<u>1,730,242</u>
<b>Total liabilities</b>	<u>5,668,154</u>	<u>5,792,671</u>
<b>Deferred inflows of resources</b>		
Deferred OPEB amounts	<u>649,075</u>	<u>683,374</u>
<b>Net position</b>		
Investment in capital assets	41,125,375	41,319,333
Restricted	-	21,431
Unrestricted	<u>60,384,096</u>	<u>50,002,032</u>
<b>Total net position</b>	<u>\$ 101,509,471</u>	<u>\$ 91,342,796</u>

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Position

	For the Years Ended September 30,	
	2023	2022
<b>Operating revenues</b>	\$ 4,315,606	\$ 2,993,557
<b>Operating expenses</b>		
Operations	42,231,006	40,168,913
Maintenance	8,229,355	6,762,436
General administration	<u>11,360,713</u>	<u>10,424,702</u>
Total operating expenses	<u>61,821,074</u>	<u>57,356,051</u>
<b>Operating loss</b>	<u>(57,505,468)</u>	<u>(54,362,494)</u>
<b>Nonoperating revenues</b>		
Local	24,287,587	21,319,767
State	17,989,845	15,264,462
Federal	<u>19,113,527</u>	<u>22,182,528</u>
Total nonoperating revenues	<u>61,390,959</u>	<u>58,766,757</u>
<b>Change in net position before capital contributions</b>	3,885,491	4,404,263
<b>Capital contributions - federal, state and local</b>	<u>6,281,184</u>	<u>1,319,263</u>
Change in net position	10,166,675	5,723,526
Net position, beginning of year	<u>91,342,796</u>	<u>85,619,270</u>
<b>Net position, end of year</b>	<u>\$ 101,509,471</u>	<u>\$ 91,342,796</u>

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

	For the Years Ended September 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Receipts from transit operations	\$ 2,717,819	\$ 2,081,429
Payments for salaries and wages and fringe benefits	(30,062,832)	(28,283,660)
Payments to suppliers	(10,774,201)	(9,657,840)
Payments for claims and insurance	(2,481,051)	(2,273,203)
Payments for purchased transportation	<u>(11,674,129)</u>	<u>(11,684,613)</u>
<b>Net cash used in operating activities</b>	<u>(52,274,394)</u>	<u>(49,817,887)</u>
<b>Cash flows from noncapital financing activities</b>		
Nonoperating revenues:		
Local	24,146,354	22,069,133
State	16,531,929	17,084,630
Federal	<u>21,866,068</u>	<u>20,522,099</u>
<b>Net cash provided by noncapital financing activities</b>	<u>62,544,351</u>	<u>59,675,862</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(6,366,075)	(1,370,507)
Capital contributed by state and federal grants	6,281,184	1,345,664
Proceeds from sales of equipment	<u>-</u>	<u>7,450</u>
<b>Net cash used in capital and related financing activities</b>	<u>(84,891)</u>	<u>(17,393)</u>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(3,284,615)	(14,643,295)
Proceeds from sale and maturities of investment securities	1,500,000	6,513,094
Interest income	<u>921,736</u>	<u>79,083</u>
<b>Net cash used in investing activities</b>	<u>(862,879)</u>	<u>(8,051,118)</u>
<b>Net change in cash and cash equivalents</b>	9,322,187	1,789,464
Cash and cash equivalents, beginning of year	<u>25,449,126</u>	<u>23,659,662</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 34,771,313</u>	<u>\$ 25,449,126</u>
<b>Cash and cash equivalents from Statements of Net Position:</b>		
Cash and cash equivalents	\$ 34,771,313	\$ 25,427,695
Restricted cash and cash equivalents for capital acquisitions	<u>-</u>	<u>21,431</u>
<b>Total cash and cash equivalents</b>	<u>\$ 34,771,313</u>	<u>\$ 25,449,126</u>

continued...

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Statements of Cash Flows

For the Years Ended September 30,

2023

2022

### Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (57,505,468)	\$ (54,362,494)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	6,560,033	6,471,482
Changes in assets and liabilities which provided by (used in) cash:		
Accounts receivable	(576,086)	(37,996)
Inventory	(178,972)	(100,597)
Deferred outflows	(7,146)	(113,796)
Prepaid expenses	(369,673)	(1,196,961)
Payables	428,754	(46,099)
Accrued payroll	(74,216)	(642,667)
Other accrued expenses	(551,620)	211,241

### Net cash used in operating activities

\$ (52,274,394)    \$ (49,817,887)

### Supplemental cash flows disclosures:

#### Noncash transactions:

Subcontracted revenue - urban demand response (Note 13)	186,625	163,799
Nonurban - passenger fares and other governmental sources	835,076	710,933

\$ 1,021,701    \$ 874,732

#### Noncash investing and capital and related financing activities:

Increase (decrease) in fair value of investments

\$ 232,953    \$ (618,306)

concluded

The accompanying notes are an integral part of these financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND STATEMENTS OF FIDUCIARY NET POSITION AS OF SEPTEMBER 30, 2023

	2023	2022
<b>ASSETS:</b>		
Cash	\$ -	\$ -
Investments	850,370	761,927
Total assets	850,370	761,927
<b>LIABILITIES</b>		
	-	-
<b>NET POSITION</b>		
Restricted for Retiree Healthcare and Life Insurance Fund	\$ 850,370	\$ 761,927

See notes to financial statements.

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# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## OTHER POSTEMPLOYMENT TRUST FUND - FIDUCIARY FUND STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2023	2022
<b>ADDITIONS:</b>		
Employer contributions	\$ 31,526	\$ 64,403
Employee contributions	-	1,911
Investment (Loss) Income	90,047	(118,319)
Total additions	121,573	(52,005)
<b>DEDUCTIONS:</b>		
Benefit Payments	31,526	66,314
Administrative expenses	1,604	1,540
Total deductions	33,130	67,854
<b>NET (DECREASE) INCREASE IN NET POSITION</b>	88,443	(119,859)
NET POSITION, BEGINNING OF YEAR	761,927	881,786
<b>NET POSITION, END OF YEAR</b>	<b>\$ 850,370</b>	<b>\$ 761,927</b>

See notes to financial statements.



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 1. NATURE OF THE ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### NATURE OF THE ORGANIZATION

The Ann Arbor Area Transportation Authority (the “Authority”) is a governmental unit established under Act 55 of 1963 of the State of Michigan to provide a mass transportation system within and beyond the corporate limits of the City of Ann Arbor. In 2013, the City of Ypsilanti and the Charter Township of Ypsilanti became members of the Authority.

The Authority is not included in the financial reporting entities of the cities of Ann Arbor or Ypsilanti or the Charter Township of Ypsilanti because the municipalities do not have the ability to exercise significant oversight over the Authority. The Authority can independently generate revenue, adopt budgets and borrow funds.

Eight members of the governing Board of Directors are appointed by the mayor of the City of Ann Arbor and confirmed by the City of Ann Arbor Council. One member of the governing Board of Directors is appointed by the mayor of the City of Ypsilanti and confirmed by the City of Ypsilanti Council. One member of the Board of Directors is appointed by the township supervisor of the Charter Township of Ypsilanti and confirmed by the township’s Board of Trustees.

In December 2012, the passage of Michigan Public Act (PA) 387 created the Regional Transit Authority of Southeast Michigan (RTA) and added Washtenaw County to the formerly tri-county transit region comprised of Macomb, Oakland and Wayne counties. The Authority, the Suburban Mobility Authority for Regional Transportation (SMART), the Detroit Department of Transportation (DDOT) and the Detroit Transportation Corporation (the Detroit People Mover) are subrecipients of the RTA for Federal and state operating assistance and capital grants. The State of Michigan and the Federal Transit Administration (FTA) pay such funds directly to the Authority at the direction of the RTA.

#### SIGNIFICANT ACCOUNTING POLICIES

**Government-wide and Fund Financial Statements** – This report includes the fund-based statements of the Authority. In accordance with generally accepted accounting principles for governmental entities, a government-wide presentation with program and general revenues is not applicable to special purpose governments engaged only business-type activities. The activities of the Authority are accounted for in a single proprietary fund type enterprise fund and a fiduciary (retiree health and life benefit) fund.

**Basis of Accounting** – The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of less than 28 days when acquired.

**Investments** are held primarily in certificates of deposit and in pooled municipal investment trust funds. These trust funds consist of certificates of deposit, United States Treasury securities, repurchase agreements and commercial paper. Investments are stated at fair value.

**Classification of Revenue** – Revenues are classified as operating revenues, nonoperating revenues and capital contributions according to the following criteria:

**Operating revenues** – Operating revenues, such as passenger fares and special transit fares, include activities that have the characteristics of exchange transactions, in which each party receives and gives up essentially equal values.

**Nonoperating revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, in which the Authority receives value without directly giving equal value in return, such as federal and state operating grants, property tax levies, fees paid by other municipalities under purchase of service agreements, and interest income. On an accrual basis, revenue from these grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Capital contributions** – Capital contributions are federal, state and local grants designated for the purchase and/or construction of land, buildings and equipment and are recognized as revenue and are included in the statement of revenues, expenses and changes in net position. On an accrual basis, revenue from these contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include expenditure requirements in which the resources are provided to the Authority on a reimbursement basis.

**Property Taxes** – Property taxes are levied as an enforceable lien on property on July 1 by the cities of Ann Arbor and Ypsilanti and Ypsilanti Township. Property taxes are recognized as revenue when levied, with proper allowances made for estimated adjustments and Michigan Tax Tribunal refunds.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**Compensated Absences** - The Authority records the expense for vacation and sick pay benefits when earned by the employees. The portion of the accrual for unused vacation and sick leave that is reported as a current liability is based on an estimate of the amount employees are expected to use in the upcoming year. The remainder of the accrual is reported as a noncurrent liability. The accrual for compensated absences amounts to \$1,581,895 and \$1,918,935 for the years ended September 30, 2023 and 2022,

**Inventory** is stated at the average weighted cost or market.

**Cash Flows - Cash and Investment Classification** - For the purpose of the statements of cash flows, the Authority considers all cash investments with an original maturity of twenty-eight days or more when purchased to be investments, which is consistent with how investments have been classified on the statement of net position.

**Capital Assets** - Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 or as deemed necessary and an estimated useful life in excess of one year. Capital assets include land, buildings, vehicles and other equipment, which are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Improvements which are expected to extend the useful lives of existing assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Park and ride lot construction	10 to 40
Buildings and improvements	3 to 40
Vehicles and related equipment	3 to 12
Radio and telephone systems	5 to 10
Fare collection equipment	5 to 10
Maintenance equipment	3 to 10
Office equipment and furniture	3 to 10
Passenger shelters	5 to 10
Advanced operating system	3 to 6

Eligible depreciation expense includes only the depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by the State of Michigan Department of Transportation Bureau of Passenger Transportation.

**Deferred Outflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as expense until that time. The Authority reports deferred outflows of resources related to OPEB, as detailed in Note 15.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**Deferred Inflows of Resources** – In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as revenue until that time. The Authority reports deferred inflows of resources related to OPEB, as detailed in Note 15.

**Grant Activities** - The federal government, through the Federal Transit Administration (FTA) and the Michigan Department of Transportation (MDOT), provides financial assistance and grants directly to the Authority for operations and acquisition of property and equipment. Operating grants are recorded as grant receivables and revenues when the qualified expenditures are recorded. Federal and state capital acquisition grants fund the purchase of capital items, including buses and related transportation equipment used by Authority. Capital grants for the acquisition of capital assets are recorded as grants receivable in the statement of net position and capital contributions in the statements of revenues, expenses, and changes in net position when the related qualified expenditures are incurred.

When assets acquired with capital grant funds are disposed, the Authority is required to notify the granting federal agency. A proportional amount of the sale proceeds or fair market value, if any, of such property may be used to acquire like-kind replacement assets or can be remitted to the granting federal agency at its discretion.

**Other Postemployment Benefit (OPEB) Costs** – Until December 31, 2007, the Authority offered retiree healthcare benefits to employees upon retirement. At that time, existing retirees and certain eligible active employees elected to stay in the plan. The Authority offers life insurance benefits to active employees upon retirement. The Authority records a net OPEB asset (liability) for the difference between the total OPEB asset (liability) calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset (liability), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position** is displayed in three components as follows:

**Net Investment in Capital Assets** – This consists of capital assets, net of accumulated depreciation.

**Restricted** – This consists of the unspent proceeds from the sale of assets originally acquired with capital grant funds.

**Unrestricted** – This consists of the net position that does not meet the definition of “net investment in capital assets.”

**Use of Estimates** - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 2. STATE OF MICHIGAN OPERATING ASSISTANCE FUNDS

Under Act 51 of the Public Acts of 1951, as amended, the State of Michigan makes distributions of funds that have been appropriated for mass transit operating assistance. As indicated in Note 1, the RTA is the designated recipient of such funds and the Authority is a subrecipient of the RTA. The Authority has recorded operating grant revenue under Act 51 based on a formula that takes into account the eligible costs incurred by the Authority and preliminary information made available by the Michigan Department of Transportation (MDOT) as to the eligible expenses reimbursement percentage for the fiscal year ended September 30, 2023.

The latest “final” determination of State of Michigan operating assistance allocable to the Authority in accordance with the Act 51 funding formula was for the fiscal year ended September 30, 2020. The resulting increase in revenue has been finalized with the State and has been received by the Authority. Furthermore, the Authority awaits the “final” determination for the years ended September 30, 2021 and 2022. The Authority has not recorded any estimated aggregate receivable or liability as of September 30, 2023 based on management’s anticipation of the results of the State’s final determination of the Act 51 funding formula for the open year, other than the receivable or liability already recorded based on the MDOT’s preliminary eligible expenses reimbursement percentage for the open year.

### 3. CASH AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2023 and 2022:

	2023	2022
<b>Statements of Position:</b>		
Cash	\$ 34,771,313	\$ 25,427,695
Investments	19,858,794	19,228,868
Restricted Cash	-	21,431
<b>Total</b>	<b>\$ 54,630,107</b>	<b>\$ 44,677,994</b>
<b>Deposits and Investments:</b>		
Bank deposits (checking, savings and certificates of deposit)	\$ 34,767,267	\$ 25,445,836
U.S. Treasury securities	19,858,794	19,228,868
Cash on hand	4,046	3,290
<b>Total</b>	<b>\$ 54,630,107</b>	<b>\$ 44,677,994</b>

**Investments** – In addition to the state restrictions noted above, the Authority’s policy is to limit investments to the following:

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

- Certificates of deposit with funds initially invested through a Federal Deposit Insurance Corporation (FDI) financial institution that maintains a principal office or branch office located in the State of Michigan. This financial institution, acting as custodian, may arrange the investment of funds in certificates of deposit in one or more FDIC insured depository institutions throughout the United States if the principal and any accrued interest of each certificate of deposit is insured by an agency of the United States. The total investment (exclusive of checking accounts) in any one financial institution shall not exceed the lesser of 20% of that financial institution’s capital and surplus or \$4,000,000.

The Authority had no certificates of deposits as of September 30, 2023 and 2022.

- Bonds and other direct obligations of the United States or any agency thereof with a maturity of three years or less.

- Governmental (Govt.) Mutual Funds operated by any of the banks listed above which invest only in authorized investments for local units of Government under State Law and which offer daily liquidity.

As of September 30, 2023, the Authority had the following investments.

Investment	Maturity	Interest Rate	Fair Value	Rating
U.S. Govt. Agency Bonds	11/6/23-11/24/2025	.23-5.50%	\$ 17,666,802	Moody's AAA
U.S. Treasury Notes	6/30/24	3.00%	1,963,672	Moody's AAA
U.S. Govt. Money Market	N/A	5.21%	<u>228,320</u>	Moody's AAA
		<b>Total</b>	<u>\$ 19,858,794</u>	

### Investment and Deposit Risk

**Interest Rate Risk.** State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The Authority’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, except as noted in the Authority’s investment policy above.

At September 30, 2023, the Authority had the following investments and maturities:

	Carrying Value	0-1 Year	1-3 Years
U.S. Govt. Agency Bonds	\$ 17,666,802	\$ 8,043,705	\$ 9,623,097
U.S. Treasury Notes	\$ 1,963,672	\$ 1,963,672	\$ -

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at September 30, 2023.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of September 30, 2023, \$3,191,911 of the Authority's bank balance of \$35,568,568 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk as these investments are uncategorized as to risk.

*Concentration of Credit Risk .* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Authority's investment policy limits investments as described above.

## 4. FAIR VALUE MEASUREMENTS

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

The Authority has the following recurring fair value measurements as of September 30, 2023 and 2022:

- U.S. Treasury securities are valued using quoted market prices (Level 1 inputs);
- U.S. Government agency bonds and U.S Government money market funds are valued using quoted market prices (Level 1 inputs).

In addition, the Other Postemployment Trust (Fiduciary) Fund holds shares or interest in an investment pool (MERS Total Market Portfolio), whereby the value of the investments is measured in a recurring basis using net asset value (NAV) per share (or its equivalent). As of September 30, 2023 and 2022, the fair value of the assets was \$850,370 and \$761,927, respectively. The Michigan Municipal Employees' Retirement Systems (MERS), as a governmental plan, is exempt by state and federal law from registration with the Securities Exchange Commission (SEC).

### 5. GRANTS RECEIVABLES

The Authority recognizes a receivable under approved grants as related project expenditures are incurred and the grant revenue earned. Grant refunds payable represent amounts to be returned to the grantor. The amount remaining on each current grant is listed on the additional information – schedule of expenditures of federal and state awards - on pages 41 and 42. The following grant amounts were outstanding at September 30:

	2023	2022
<b>Michigan Department of Transportation:</b>		
Operating assistance	\$ 805,336	\$ 134,112
Capital cost of contracting	298,143	114,096
Planning	16,778	44,586
Preventive maintenance	10,000	11,526
Buses and related equipment	1,058,995	315,934
Computer hardware and software	51,844	99,220
Passenger shelters	500	2,315
Facilities	5,010	66,901
<b>Federal Transit Administration:</b>		
Operating assistance	2,396,373	5,599,206
Capital cost of contracting	621,280	-
Planning	40,000	-
Facilities	44,532	104,264
Enhanced Mobility (Section 5310)	19,375	118,730
Job Access/Reverse Commute	-	48,464
Planning	128,037	45,137
Computer hardware and software	33,192	119,529
<b>Grants Receivable</b>	<u>\$ 5,529,395</u>	<u>\$ 6,824,020</u>



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 6. OTHER RECEIVABLES

Other receivables consist of the following amounts:

	2023	2022
City of Ann Arbor - property tax levy	\$ 828,132	\$ 832,015
City of Ypsilanti - property tax levy	491,960	83,711
Charter Township of Ypsilanti - property tax levy	131,878	155,812
	<u>1,451,970</u>	<u>1,071,538</u>
Less allowance for doubtful accounts	(210,873)	(186,571)
Total	<u>\$ 1,241,097</u>	<u>\$ 884,967</u>

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# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023 is as follows:

	Balance September 30, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance September 30, 2023
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	189,206	262,782	95,235	356,753
<b>Total capital assets not being depreciated</b>	<b>2,460,027</b>	<b>262,782</b>	<b>95,235</b>	<b>2,627,574</b>
Capital assets, being depreciated:				
Park and ride lot construction	5,759,849	-	-	5,759,849
Buildings	30,410,185	78,168	-	30,488,353
Vehicles and related equipment	59,762,069	5,661,721	1,093,432	64,330,358
Radio and telephone equipment	290,848	-	-	290,848
Fare collection equipment	1,041,909	-	-	1,041,909
Maintenance equipment	860,936	-	-	860,936
Office equipment and furniture	4,894,382	458,639	97,582	5,255,439
Passenger shelters	1,719,763	-	-	1,719,763
Other	783,812	-	-	783,812
Advanced operating system	3,323,160	-	-	3,323,160
<b>Total capital assets being depreciated</b>	<b>108,846,913</b>	<b>6,198,528</b>	<b>1,191,014</b>	<b>113,854,427</b>
Less accumulated depreciation for:				
Park and ride lot construction	2,741,693	124,634	-	2,866,327
Buildings	19,268,498	739,039	-	20,007,537
Vehicles and related equipment	38,748,272	4,658,527	1,093,432	42,313,367
Radio and telephone equipment	250,216	20,198	-	270,414
Fare collection equipment	1,017,513	5,588	-	1,023,101
Maintenance equipment	632,526	42,146	-	674,672
Office equipment and furniture	2,103,955	734,887	97,582	2,741,260
Passenger shelters	1,440,143	68,121	-	1,508,264
Other	649,806	64,326	-	714,132
Advanced operating system	3,134,985	102,567	-	3,237,552
<b>Total accumulated depreciation</b>	<b>69,987,607</b>	<b>6,560,033</b>	<b>1,191,014</b>	<b>75,356,626</b>
<b>Total capital assets being depreciated, net</b>	<b>38,859,306</b>	<b>(361,505)</b>	<b>-</b>	<b>38,497,801</b>
<b>Total capital assets, net</b>	<b>\$ 41,319,333</b>	<b>\$ (98,723)</b>	<b>\$ 95,235</b>	<b>\$ 41,125,375</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

Capital asset activity for the fiscal year ended September 30, 2022 is as follows:

	September 30, 2021	Additions/ Reclassifications	Deletions/ Reclassifications	September 30, 2022
Capital assets, not being depreciated:				
Land and improvements	\$ 2,270,821	\$ -	\$ -	\$ 2,270,821
Construction in progress	1,324,360	129,680	1,264,834	189,206
<b>Total capital assets not being depreciated</b>	<b>3,595,181</b>	<b>129,680</b>	<b>1,264,834</b>	<b>2,460,027</b>
Capital assets, being depreciated:				
Park and ride lot construction	5,759,849	-	-	5,759,849
Buildings	30,091,428	318,757	-	30,410,185
Vehicles and related equipment	60,001,415	116,442	355,788	59,762,069
Radio and telephone equipment	290,848	-	-	290,848
Fare collection equipment	1,041,909	-	-	1,041,909
Maintenance equipment	821,550	39,386	-	860,936
Office equipment and furniture	3,243,260	1,997,504	346,382	4,894,382
Passenger shelters	1,686,192	33,571	-	1,719,763
Other	783,812	-	-	783,812
Advanced operating system	3,323,160	-	-	3,323,160
<b>Total capital assets being depreciated</b>	<b>107,043,423</b>	<b>2,505,660</b>	<b>702,170</b>	<b>108,846,913</b>
Less accumulated depreciation for:				
Park and ride lot construction	2,614,759	126,934	-	2,741,693
Buildings	18,485,882	782,616	-	19,268,498
Vehicles and related equipment	34,653,649	4,450,411	355,788	38,748,272
Radio and telephone equipment	228,531	21,685	-	250,216
Fare collection equipment	1,011,926	5,587	-	1,017,513
Maintenance equipment	593,781	38,745	-	632,526
Office equipment and furniture	1,903,177	547,160	346,382	2,103,955
Passenger shelters	1,356,257	83,886	-	1,440,143
Other	585,480	64,326	-	649,806
Advanced operating system	2,784,853	350,132	-	3,134,985
<b>Total accumulated depreciation</b>	<b>64,218,295</b>	<b>6,471,482</b>	<b>702,170</b>	<b>69,987,607</b>
<b>Total capital assets being depreciated, net</b>	<b>42,825,128</b>	<b>(3,965,822)</b>	<b>-</b>	<b>38,859,306</b>
<b>Total capital assets, net</b>	<b>\$ 46,420,309</b>	<b>\$ (3,836,142)</b>	<b>\$ 1,264,834</b>	<b>\$ 41,319,333</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 8. UNEARNED REVENUE

Unearned revenue represents amounts not earned, and consists of the following amounts:

	2023	2022
Federal capital	\$ 68,451	\$ 68,451
State capital	15,863	37,294
Ypsilanti DDA - Ypsilanti Transit Center Renovations	20,000	20,000
Corporate Partnerships	3,375	-
<b>Total</b>	<b>\$ 107,689</b>	<b>\$ 125,745</b>

### 9. EMPLOYEES' PENSION PLAN

The Authority provides pension benefits for substantially all of its full-time employees through a defined contribution plan called the Ann Arbor Area Transportation Authority Employees’ Pension Plan (“Plan”). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Non-bargaining unit employees are eligible to participate the first of the month following the date of hire as of January 1, 2021. Bargaining unit employees are eligible to participate after one year of employment. The Authority’s contributions for each employee and investment earnings allocated to the employee’s account are fully vested after five years of employment. Authority contributions for, and investment earnings forfeited by, employees who leave employment before five years of service are used to reduce the Authority’s current year contribution requirement. Employees contribute 5% of their gross earnings to the plan. Employee contributions amounted to \$898,944 and \$800,287 for the years ended September 30, 2023 and 2022. The Authority’s contribution to the plan is 9% of the employees’ gross earnings, less forfeitures. Authority contributions amounted to \$1,625,400 and \$1,630,908 for the years ended September 30, 2023 and 2022, respectively. Total payroll and covered payroll was \$21,242,580 and \$18,060,000 for 2023 and \$20,142,534 and \$18,121,207 for 2022.

The Authority’s Board of Directors administers the Plan and also establishes contribution requirements and approves any plan amendments.

### 10. PROPERTY TAXES

In 1974, voters in the City of Ann Arbor approved a 2.5 mills property tax dedicated to public transportation. Through the Headlee Amendment (1978) to the State of Michigan Constitution, the property tax millage has been reduced and is currently 1.9321 mills. In 2010, voters in the City of Ypsilanti approved a 0.8890 mill property tax dedicated to public transportation and is currently 0.9424 mills (Headlee). In May 2014 and May 2018, voters in the three member communities (cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti) approved a 0.7 mill property tax dedicated to public transportation (reduced to 0.6805 due to the Headlee Amendment).

Property tax revenues received by the Authority for the years ended September 30, 2023 and 2022 totaled approximately \$20,621,601 and \$19,597,997 respectively.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

In November 2015, voters in Scio Township approved a 0.3468 mill property tax dedicated to public transportation, where Scio Township will levy the property tax and purchase public transportation services from the Authority under a Purchase of Service Agreement (POSA).

### 11. PROPERTY TAX ABATEMENTS

The Authority receives reduced property tax revenue because of Industrial Facilities Tax Exemptions and Brownfield Redevelopment Agreements granted by the cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti. Industrial facilities exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. Properties qualifying for these tax exemptions, as approved by the applicable governing bodies, are taxed at 50% of the millage rate applicable to the specified property. The amounts of such abatements related to the Cities of Ann Arbor and Ypsilanti, and the Charter Township of Ypsilanti are less than \$500,000 and are not significant to the current property tax revenues of the Authority. The Authority is ineligible to give a tax abatement directly.

### 12. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to vehicle liability, property loss, torts, errors and omissions, underground storage tanks and employee injuries (workers' compensation). The Authority is also a defendant in several pending personal injury lawsuits. The Authority has purchased commercial insurance for cybersecurity, personal injury, vehicle liability, property loss, general commercial liability, public officials, employee practices liability, premises pollution liability and workers' compensation insurance. In the opinion of management, the outcome of this litigation and other matters will not significantly affect the Authority's financial position or results of its operations.

### 13. SUBCONTRACT SERVICE

The Authority subcontracts with other transportation companies to provide certain services. The Authority pays the companies fees based on the level of service provided, and the companies collect and retain the passenger fares as an advance against the monthly billings. Operating revenues and operating expenses include approximately \$186,625 and \$163,799 of fares for these services in the years ended September 30, 2023 and 2022, respectively. These amounts are disclosed as noncash transactions on the Statements of Cash Flows.

### 14. COST ALLOCATION PLANS

The Bus Transit Division of the Michigan Department of Transportation has approved the Authority's cost allocation plans for all material allocated expenses. The Nonurban Service Cost Allocation Plan and the Specialized Service Cost Allocation Plan have been used in the preparation of the financial statements.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 15. POSTEMPLOYMENT RETIREMENT BENEFITS OTHER THAN PENSIONS

**Plan Description.** The Authority provides other postemployment benefits (OPEB) for eligible retirees and their spouses. These OPEB benefits for bargaining employees are specified by union contract while the Chief Executive Officer establishes those for non-bargaining employees. These OPEB benefits are provided by the Authority directly to the retiree and beneficiary monthly. The Authority also maintains a retiree health funding vehicle (RHFV) account with MERS of Michigan. Effective January 1, 2008, the medical benefits portion of this plan was significantly modified. This Plan was closed and active bargaining and non-bargaining employees who were eligible to retire based upon attaining age 62 with at least 15 years of service were eligible to elect to stay in this plan when they retire. Also, active employees who had over 30 years of service, regardless of their age, were also eligible to elect to stay covered by this plan when they retire. The plan does not issue a stand-alone financial report.

**Benefits Provided.** The Authority provides contributory and noncontributory defined benefit postemployment health care insurance, prescription, and life insurance benefits to eligible employees and beneficiaries. For health insurance and prescription coverage, eligible employees include those, as of January 1, 2008, who elected to stay in the plan instead of electing to participate in the Health Care Savings Plan (HCSP). Eligible retirees have the option to select an alternate medical insurance carrier and be reimbursed for such coverage at a rate of up to 130% of that year’s Care Choice HMO single-person premium. For retirees who retired between July 1, 2002 and December 31, 2007, their spouses are eligible to receive 50% of the monthly premium for the core HMO single person premium toward medical coverage.

For life insurance benefits, eligible bargaining and non-bargaining employees who retire at or after age 59-1/2 with at least 15 years of service are eligible for life insurance coverage in the amount of \$30,000 until age 65, \$20,000 from age 65 to 69, and \$10,000 age 70 and over.

**Employees Covered by Benefit Terms.** The health care insurance and prescription coverage plan is closed to new employees. Substantially all Authority employees are eligible for retiree life insurance except those that were hired less than 90 days prior to September 30th of the valuation and measurement year. At the OPEB liability valuation date of September 30, 2022, the following employees were covered by the plan:

	Health	Life
Current retirees and spouses	9	56
Current Active members	0	268
Total plan members	9	324

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**Contributions.** The Authority contributes 100 percent of the actual monthly costs for current benefits and administrative expenses to the plan (pay-as-you-go funding). For the fiscal year ended September 30, 2023, the Authority paid postemployment health care benefit premiums and life insurance premiums of \$31,526.

**Net OPEB Liability.** The net OPEB liability was measured as of September 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. See ‘Assumption Changes’ below.

Changes in the net OPEB liability during the measurement year were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset) Liability
<b>Changes in Net OPEB (Asset) Liability:</b>			
Balance at October 1, 2022	\$ 781,874	\$ 761,927	\$ 19,947
Changes for the year:			
Service Cost	8,260	-	8,260
Interest	50,334	-	50,334
Contributions - Employer	-	31,526	(31,526)
Difference between expected and actual experience	(99,448)	-	(99,448)
Changes in assumptions	84,554	-	84,554
Difference between projected and actual earnings	-	40,574	(40,574)
Net investment earnings	-	49,473	(49,473)
Benefit payments, including refunds	(31,526)	(31,526)	-
Administrative expenses	-	(1,604)	1,604
Net Changes	12,174	88,443	(76,269)
<b>OPEB obligation, end of year</b>	<b>\$ 794,048</b>	<b>\$ 850,370</b>	<b>\$ (56,322)</b>

The plan’s fiduciary net position represents 107% of the total OPEB liability.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.** For the year ended September 30, 2023, the Authority recognized an OPEB income of \$90,330.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,711	\$ 249,814
Changes in assumption	72,923	399,261
Net difference between projected and actual earnings	56,603	-
Total	<u>\$ 148,237</u>	<u>\$ 649,075</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	
2024	\$ (99,369)
2025	(98,564)
2026	(90,822)
2027	(125,938)
2028	(74,151)
2029 and years after	(11,994)
Total	<u>\$ (500,838)</u>

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of September 30, 2022 using the following actuarial assumptions:

Actuarial valuation date	September 30, 2022
Actuarial cost method	Individual Entry Age Normal as a Level % of Payroll
Asset valuation method	Market value of assets
Discount rate - measurement period ending September 30, 2022 and 2023	6.50%
Annual wage increases	3.00%
Price inflation	2.50%
Investment rate of return	6.50%
Health care cost trend rate	5.5% for 2022, declining .25% from 2023 to 2025, then 4.5% thereafter
Mortality	Pub-2010 General Mortality Table with rates multiplied by 106% and using Scale MP-2019 Based on an experience study conducted from 2014-2018



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

**Discount Rate.** The discount rate is the single rate that reflects 1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and 2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

Single Equivalent Interest Rate (SEIR):

Long-term expected rate of return	6.50%
Municipal bond index rate*	4.87%
Administrative Expenses Paid from the Trust	0.18%
Fiscal year in which fiduciary net position is projected to be depleted	N/A
Single Equivalent interest rate	6.50%

\*(S&P Municipal Bond 20-year high grade rate index)

Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate was determined by blending the long-term expected rate of return on OPEB plan investments of 6.5% with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 4.87%.

**Investment Rate of Return.** The investment policy of the Authority is determined based on goals and objectives of the Plan and the Authority’s risk tolerance. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance, however, the targeted OPEB asset allocation is as described below. The Authority's objective in selecting the expected long-term rate of return on investments is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the mix of the plan assets. The Authority is 100% invested in the Total Market Portfolio administered by the Municipal Employee Retirement System (MERS) of Michigan, as shown below.

	Target Allocation	Inflation	Real Rate of Return
Global Equity	60%	2.50%	4.00%
Global Fixed Income	20%	2.50%	1.78%
Private Investments	20%	2.50%	6.22%

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

The portfolio allocation and assumptions stated above was at the time of plan measurement date (September 30, 2023).

**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate.** The following presents the net OPEB asset of the Authority, calculated using the discount rate of 6.5%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current 6.5%	1% Increase
Net OPEB Liability	\$ 36,825	\$ (56,322)	\$ (133,999)

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend.** The following presents the net OPEB liability of the Authority, calculated using the health care cost trend rate of 5.5%, as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current 5.5%	1% Increase
Net OPEB Liability	\$ (78,153)	\$ (56,322)	\$ (32,230)

**Assumption Changes.** Changes in assumptions for the OPEB Plan as of September 30, 2023 (measurement date) from the valuation date of September 30, 2022, are as below:

- Municipal bond index rate increased from 4.77% to 4.87%.
- Mortality improvement scale was changed from Scale MP-2021 to MP-2019.

## 16. HEALTH CARE SAVINGS PLAN

Effective January 1, 2008, the Authority established a defined contribution Health Care Savings Plan (HCSP) under Internal Revenue Code. The HCSP is a public employer-sponsored program administered by the Municipal Employees Retirement System of Michigan (MERS) that allows employees to save pretax money to pay postemployment medical expenses and/or health insurance premiums. Virtually all full-time active employees participate and vested funds that accumulate in the plan shall become accessible to the employee upon employee's separation from employment, due to retirement, resignation, termination or any other reason. Employees are vested in employer contributions after five years of service.

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### Notes to Financial Statements

For each employee who was actively employed as of January 1, 2008, the Authority made a one-time lump-sum contribution on a graduated scale between \$100 and \$150 per month into each employee's HCSP account based upon their accumulated months of service. The total of this one-time contribution was approximately \$3,442,000. Of this total, approximately \$1,714,000 was funded from the accrued postretirement benefit obligation as of September 30, 2007 and the remaining amount of approximately \$1,728,000 was expensed as a fringe benefit in the year ended September 30, 2008.

Effective April 1, 2022, the Authority made pretax contributions of \$175 each month into each eligible employee's HCSP account. From January 1, 2021 to March 31, 2022, the Authority made pretax contributions of \$155 each month into each eligible employee's HCSP account. The employees shall make a mandatory monthly pretax contribution of \$10 per pay period. Employees may make voluntary pre-tax contributions to the HCSP to the extent allowable by the HCSP or by law. Employer contributions amounted to \$574,525 and \$522,930 for the years ended September 30, 2023 and 2022, respectively. Employee contributions amounted to \$97,232 and \$100,572 for the years ended September 30, 2023 and 2022, respectively.

### 17. NEW ACCOUNTING STANDARD

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Authority is currently evaluating the impact of this standard will have on the financial statements when adopted. The provisions of this statement were effective for the Authority's financial statements for the year ending September 30, 2023 and its impact was immaterial to the financial statements as a whole.

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## Notes to Financial Statements

### 18. UPCOMING ACCOUNTING AND REPORTING CHANGES

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 year.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also established guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 year.

### 19. SUBSEQUENT EVENTS

The Authority has performed a review of events subsequent to the statements of net position date through \_\_\_\_\_, 2024, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

Draft

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

	For Fiscal Year Ending					
	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
<b>Total OPEB Liability</b>						
Service cost	\$ 8,260	\$ 7,699	\$ 14,567	\$ 19,247	\$ 18,778	\$ 4,640
Interest	50,334	61,403	51,532	68,575	68,282	27,287
Benefit payments, including refunds	(31,526)	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Differences between expected and actual experience	(99,448)	(113,364)	31,587	(152,039)	-	-
Changes in assumptions	84,554	(78,633)	(303,122)	(303,061)	-	-
Net Change in Total OPEB Liability	12,174	(187,298)	(295,572)	(429,109)	(11,390)	(85,739)
Total OPEB Liability - Beginning of year	781,874	969,172	1,264,744	1,693,853	1,705,243	1,790,982
<b>Total OPEB Liability - End of Year</b>	<b>\$ 794,048</b>	<b>\$ 781,874</b>	<b>\$ 969,172</b>	<b>\$ 1,264,744</b>	<b>\$ 1,693,853</b>	<b>\$ 1,705,243</b>
Plan Fiduciary Net Position						
Net investment income	\$ 90,047	\$ (118,319)	\$ 72,716	\$ 37,321	\$ 6,555	\$ 2,757
Employer contributions	31,526	64,403	90,136	61,831	758,450	117,666
Benefit payments	(31,526)	(64,403)	(90,136)	(61,831)	(98,450)	(117,666)
Administrative expenses	(1,604)	(1,540)	(1,545)	(1,424)	(231)	(258)
Net Change in Plan Fiduciary Net Position	88,443	(119,859)	71,171	35,897	666,324	2,499
Plan Fiduciary Net Position - Beginning of year	761,927	881,786	810,615	774,718	108,394	105,895
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 850,370</b>	<b>\$ 761,927</b>	<b>\$ 881,786</b>	<b>\$ 810,615</b>	<b>\$ 774,718</b>	<b>\$ 108,394</b>
<b>Net OPEB (Asset) Liability - End of Year</b>	<b>\$ (56,322)</b>	<b>\$ 19,947</b>	<b>\$ 87,386</b>	<b>\$ 454,129</b>	<b>\$ 919,135</b>	<b>\$ 1,596,849</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	107.09%	97.45%	90.98%	64.09%	45.74%	6.36%
Covered Employee	\$ 21,242,580	\$ 16,075,956	\$ 16,579,071	\$ 15,718,897	\$ 16,826,037	\$ 16,567,739
Net OPEB (Asset) Liability as a Percentage of Covered Payroll	-0.27%	0.12%	0.53%	2.89%	5.46%	9.64%

Schedule is built prospectively upon implementation of GASB 75.

The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

See notes to required supplemental information.

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB CONTRIBUTIONS - LAST TEN FISCAL YEARS

Fiscal Year Ending	Actuarially Determined Contribution	Historical Contribution	Contribution Excess (Deficiency)	Covered Employee	Contributions as a Percentage of Covered Employee
9/30/2014	\$ 82,701	\$ 65,687	\$ (17,014)	91,396	71.87%
9/30/2015	76,321	86,459	10,138	67,196	128.67%
9/30/2016	98,233	67,975	(30,258)	107,142	63.44%
9/30/2017	85,212	84,949	(263)	43,556	195.03%
9/30/2018	85,204	117,666	32,462	16,567,739	0.71%
9/30/2019	127,617	758,450	630,833	16,826,037	4.51%
9/30/2020	130,808	61,831	(68,977)	15,718,897	0.39%
9/30/2021	49,040	90,136	41,096	16,579,071	0.54%
9/30/2022	50,512	64,403	13,891	16,075,956	0.40%
9/30/2023	10,778	31,526	20,748	21,242,580	0.15%

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date September 30, 2023

Methods and assumptions used to determine contribution rates based on measurement as of September 30, 2023

Actuarial cost method	Entry age normal
Amortization period	Level percent of payroll
Asset valuation method	Market
Inflation	2.5 percent
Healthcare cost trend rates	5.50 percent for 2023, declining by .25 percent from 2024 to 2026, then 4.5 percent thereafter
Salary increase	3.0 percent
Investment rate of return	6.5 percent
Discount rate	6.5 percent
Retirement age	59.5 years of age

Mortality Pub-2010 General Mortality Tables with rates multiplied by 106 percent and using Scale MP-2019

See notes to required supplemental information.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB INVESTMENT RETURNS - LAST TEN FISCAL YEARS**

	For Fiscal Year Ending					
	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
<b>Annual money-weighted rate of return- Net of investment expense</b>	11.83%	-13.43%	8.98%	4.82%	4.30%	2.61%

Schedule is built prospectively upon implementation of GASB 75.

The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

See notes to required supplemental information.



# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## GASB STATEMENT NO. 75 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED SEPTEMBER 30, 2023

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### A. CHANGES IN PLAN PROVISIONS SINCE PRIOR VALUATION

No changes to the plan provisions since the prior valuation date of September 30, 2023

### B. CHANGES IN ASSUMPTIONS

- Municipal bond index rate increased from 4.77% to 4.87%.
- Mortality improvement scale was changed from Scale MP-2021 to MP-2019.

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**ADDITIONAL INFORMATION FOR THE YEAR ENDED  
SEPTEMBER 30, 2023**

Draft

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF REVENUES

	Years Ended September 30,	
	2023	2022
<b>LOCAL OPERATING REVENUES:</b>		
<b>Passenger fares:</b>		
Urban fixed route	\$ 1,676,750	\$ 1,304,163
Urban demand response	276,532	249,879
Nonurban demand response	143,419	143,419
<b>Special fares:</b>		
City of Ann Arbor - DDA (go!pass)	350,546	274,319
City of Ann Arbor - DDA (NightRide)	1,902	2,466
Ann Arbor Public Schools	56,784	46,884
Eastern Michigan University	16,110	9,551
University of Michigan (Mride)	1,793,563	962,876
<b>Total Local Operating Revenues</b>	<u>\$ 4,315,606</u>	<u>\$ 2,993,557</u>
<b>LOCAL NONOPERATING REVENUES:</b>		
<b>Purchase of service agreements:</b>		
Pittsfield Township	\$ 686,734	\$ 639,160
Scio Township	468,875	446,902
Superior Township	100,038	95,632
D2A2	140,119	90,852
<b>Total purchase of service agreements</b>	<u>1,395,766</u>	<u>1,272,546</u>
City of Ann Arbor - property tax levy	18,859,391	17,970,195
City of Ypsilanti - property tax levy	620,347	564,260
Ypsilanti Township - property tax levy	1,141,863	1,063,542
City of Ann Arbor - Downtown Development Authority (GetDowntown)	53,939	25
Non-urban - Other governmental and local sources	809,361	566,914
Corporate Partnerships	-	-
Interest Income (Loss)	1,154,689	(539,223)
Advertising income	129,140	292,430
Other revenue	32,761	23,890
Post-Retirement actuary adjustment	90,330	97,738
Gain (loss) on sale of equipment	-	7,450
<b>Total local nonoperating revenues</b>	<u>24,287,587</u>	<u>21,319,767</u>
<b>Total local operating and nonoperating revenues</b>	<u>28,603,193</u>	<u>24,313,324</u>
<b>STATE OF MICHIGAN NONOPERATING REVENUES:</b>		
Formula operating assistance - urban (Act 51)	14,323,324	13,365,679
Formula operating assistance - nonurban (Act 51)	1,137,362	986,529
Prior years formula adjustments - urban and nonurban	2,127,794	570,987
Capital cost of contracting/Planning	152,000	91,500
Planning	99,284	-
Preventive maintenance	10,000	7,500
Job Access/Reverse Commute (State Match)	-	73,394
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310 - State Match)	29,501	58,293
Specialized services	110,580	110,580
<b>Total state nonoperating revenues</b>	<u>17,989,845</u>	<u>15,264,462</u>
<b>FEDERAL NONOPERATING REVENUES:</b>		
Operating Assistance (Section 5307)	-	-
Unified planning program passed through SEMCOG (Section 5303/PL112)	97,935	108,116
Capital cost of contracting (Section 5307)	608,000	366,000
Preventive maintenance (Section 5307)	40,000	30,000
RTA D2A2 program	2,291,503	2,027,473
Federal operating assistance - nonurban (Section 5311) - passed through the State	890,737	956,124
Job Access/Reverse Commute	-	73,395
Enhanced Mobility of Seniors & Individuals with Disabilities (Section 5310) ARP/CARES ACT	144,352	222,511
	15,041,000	18,398,909
<b>Total federal nonoperating revenues</b>	<u>19,113,527</u>	<u>22,182,528</u>
<b>TOTAL NONOPERATING REVENUES</b>	<u>\$ 61,390,959</u>	<u>\$ 58,766,757</u>

## ANN ARBOR AREA TRANSPORTATION AUTHORITY

### ADDITIONAL INFORMATION - SCHEDULE OF OPERATING EXPENSES YEAR ENDED SEPTEMBER 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

	2023	2022
LABOR:		
Operators' salaries and wages	\$ 9,491,285	\$ 8,753,494
Other salaries and wages	8,520,301	7,111,330
FRINGE BENEFITS		
Fringe wages	3,282,235	4,277,710
Social security payroll taxes	1,542,495	1,488,303
Medical insurance	3,626,838	3,025,648
Pension	1,527,631	1,628,651
Health care savings plan	442,090	522,425
Other fringe benefits	996,975	930,877
SERVICES:		
Advertising fees/promotion media	113,624	412,761
Other services	4,247,071	3,069,813
Auditing fees	82,900	32,880
MATERIALS AND SUPPLIES CONSUMED:		
Fuel and lubricants	2,835,476	2,860,719
Tires and tubes	201,111	212,574
Materials and supplies	2,740,012	2,348,564
UTILITIES	770,427	671,415
CASUALTY AND LIABILITY COSTS:		
Premiums for public liability and property damage insurance	1,214,926	982,325
Other casualty and liability costs	527,456	501,604
PURCHASED TRANSPORTATION	12,520,026	11,584,568
MISCELLANEOUS EXPENSES:		
Association dues & subscriptions	98,970	84,712
Travel and meetings	96,277	49,882
Other	274,742	254,439
LEASES AND RENTALS	108,173	79,875
DEPRECIATION	<u>6,560,033</u>	<u>6,471,482</u>
TOTAL OPERATING EXPENSES	<u>\$ 61,821,074</u>	<u>\$ 57,356,051</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)  
YEAR ENDED SEPTEMBER 30, 2023**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Grant Number	Program or Award Amount	Current Year's Expenditures			Local	Prior Years' Expenditures	Amount Remaining
				Total	Federal	State			
<b>Michigan Department of Transportation (State):</b>									
<b>Direct assistance - Capital grants:</b>									
Capital (Section 5339 Match) (FY 2013)	N/A	2012-0033/P8	\$542,774	\$0	\$0	\$0	\$519,261	\$23,513	
Capital (FY 2016 and FY 2017)	N/A	2012-0033/P24	1,385,880	58	58	0	1,385,822	(0)	
Capital (FY 2018)	N/A	2017-0008/P5	1,052,781	4,039	4,039	0	1,048,742	(0)	
Capital (FY 2019)	N/A	2017-0008/P13	1,527,141	119,985	119,985	0	1,032,172	374,984	
Capital (Section 5310 Match) (FY 2019)	N/A	2017-0008/P14	46,000	6,000	6,000	0	18,000	22,000	
Capital (Section 5307-STP) (FY 2019)	N/A	2017-0008/P15	15,046	0	0	0	0	15,046	
Capital (FY 2020)	N/A	2017-0008/P17	1,735,040	179,991	179,991	0	967,092	587,957	
Capital (Section 5310 Match) (FY 2020)	N/A	2017-0008/P18	33,200	0	0	0	0	33,200	
Capital (Section 5310 Match) (FY 2021)	N/A	2017-0008/P24	27,000	1,555	1,555	0	8,199	17,246	
Capital (FY 19 and 20 State Service Initiatives)	N/A	2017-0008/P12	1,020,000	99,284	99,284	0	0	920,716	
Capital (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	120,000	0	0	0	119,110	890	
Capital (Section 5307) (FY 2022) (80/20)	N/A	2021-2022/P3	3,606,834	951,782	951,782	0	6,261	2,648,791	
Subtotal - Direct State Capital			\$11,111,695	\$1,362,694	\$1,362,694	\$0	\$5,104,659	\$4,644,342	
<b>Direct assistance - Operating grants:</b>									
Operating assistance - Act 51 Urban	N/A	N/A	\$14,323,324	\$0	\$14,323,324	\$0	\$0	\$0	
Operating assistance - Act 51 Nonurban	N/A	N/A	1,137,362	0	1,137,362	0	0	0	
Prior year formula adjustments	N/A	N/A	2,127,794	0	2,127,794	0	0	0	
Capital Cost of Contracting (FY 2020)	N/A	2017-0008/P17	152,000	0	152,000	0	0	0	
Preventive Maintenance (FY 2020)	N/A	2017-0008/P17	10,000	10,000	10,000	0	0	0	
Enhanced Mobility (Section 5310) (FY 2018)	N/A	2017-0008/P6	27,500	13,750	13,750	0	13,750	0	
Enhanced Mobility (Section 5310) (FY 2021)	N/A	2017-0008/P24	10,000	8,196	8,196	0	0	1,804	
Specialized Services (FY 2020 & 2021)	N/A	2022-0006/P6	110,584	110,584	110,584	0	0	0	
Operating (MI Mobility Challenge) (FY 2019)	N/A	2017-0008/P8	37,000	0	0	0	32,809	4,191	
Subtotal - Direct State Operating			\$17,935,564	\$17,883,010	\$17,883,010	\$0	\$46,559	\$5,995	
<b>TOTAL DIRECT STATE EXPENDITURES</b>			\$29,047,259	\$0	\$19,245,704	\$0	\$5,151,218	\$4,650,337	
STATE FUNDS PASSED BY AAATA TO SUBRECIPIENTS:									
Specialized Services (FY 2020 & 2021)	N/A	2022-0006/P1	96,440	0	96,440	0	0	0	
Total - State Pass-through Specialized Services			\$96,440	\$0	\$96,440	\$0	\$0	\$0	

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2023**

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or Authorization Number	Purchase Order Number	Program or Award Amount	Current Year's Expenditures			Local	Prior Years' Federal Expenditures	Federal Amount Remaining
					Total	Federal	State			
<b>U. S. Department of Transportation (Federal):</b>										
<b>Direct Assistance - Capital Grants:</b>										
Capital (Section 5307) (FY 2016 & 2017) (80/20)	20.507	MI-2016-X26-01	MI90-X778	\$2,209,279	\$234	\$234	\$0	\$0	\$2,209,045	\$0
Capital (Section 5307) (FY 2018) (80/20)	20.507	MI-2018-X28-00	MI90-0082	2,322,400	16,157	16,157	0	0	2,306,243	0
Capital (Section 5307) (FY 2019) (80/20)	20.507	MI-2019-X34-00	MI90-X822	3,608,298	479,946	479,946	0	0	1,616,695	1,511,657
Capital (Section 5307-STP) (FY 2019) (80/20)	20.507	MI-2019-X35-00	MI95-4001	60,184	0	0	0	0	0	60,184
Capital (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	4,689,148	344,043	344,043	0	0	2,827,631	1,517,474
Capital (Section 5307-CMAQ) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI95-0018	1,137,205	377,819	377,819	0	0	759,386	0
Capital (Section 5339) (FY 2020) (80/20)	20.526	MI-2020-X38-00	MI34-0086	1,113,809	0	0	0	0	281,372	832,437
Capital (Section 5310) (FY 2016 & 2017) (80/20)	20.513	MI-2016-X40-01	MI16-X019	118,400	0	0	0	0	86,764	31,636
Capital (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	108,000	0	0	0	0	107,994	6
Capital (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	132,000	0	0	0	0	72,000	60,000
Capital (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	132,800	0	0	0	0	0	132,800
Capital (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	148,000	59,512	59,512	0	0	12,286	76,202
CRRSAA (Section 5339)(FY 2022) (80/20)	20.526	MI-2022-050-00	MI22-X050	1,865,339	0	0	0	0	0	1,865,339
CRRSAA (Section 5307)(FY 2022) (80/20)	20.507	MI-2022-050-00	MI22-X050	12,561,997	3,807,129	3,807,129	0	0	25,042	8,729,826
Subtotal - Federal Capital				\$30,206,859	\$5,084,840	\$5,084,840	\$0	\$0	\$10,304,458	\$14,817,561
<b>Direct Assistance - Operating Grants:</b>										
Capital Cost of Contracting (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	608,000	608,000	608,000	0	0	0	0
Preventive Maintenance (Section 5307) (FY 2020) (80/20)	20.507	MI-2020-X38-00	MI90-X840	40,000	40,000	40,000	0	0	0	0
Operating Assistance (Section 5307) (FY 2020) (50/50)	20.507	MI-2020-X38-00	MI90-X840	4,406,790	0	0	0	0	520,000	3,886,790
Enhanced Mobility (Section 5310) (FY 2019) (80/20)	20.513	MI-2019-X39-00	MI16-0039	100,000	24,000	24,000	0	0	48,000	28,000
Enhanced Mobility (Section 5310) (FY 2016 & 2017) (80/20 or 50/50)	20.513	MI-2016-X40-01	MI16-X019	360,984	0	0	0	0	134,631	226,353
Enhanced Mobility (Section 5310) (FY 2018) (80/20)	20.513	MI-2018-X31-00	MI16-0035	110,000	55,000	55,000	0	0	55,000	0
Enhanced Mobility (Section 5310) (FY 2020) (80/20)	20.513	MI-2020-X66-00	MI16-X033	128,800	0	0	0	0	98,074	30,726
Enhanced Mobility (Section 5310) (FY 2021) (80/20)	20.513	MI-2021-X52-00	MI16-X038	96,746	5,840	5,840	0	0	20,510	70,396
ARP Urban Operating Assistance (5307) (FY 2022) (100/0)	20.507	MI-2022-008-00	MI22-X008	22,269,092	6,069,092	6,069,092	0	0	16,200,000	0
CRRSAA Operating Assistance (5307)(FY 2022)(100/0)	20.507	MI-2022-009-01	MI22-X009	15,771,805	8,971,908	8,971,908	0	0	0	6,799,897
<b>Passed Through Regional Transit Authority of Southeast Michigan:</b>										
RTA CMAQ D2A2 Service	20.507	M2022-06	M2022-06	2,108,162	0	0	0	0	2,027,473	80,689
RTA CMAQ D2A2 Service	20.507	M2023-01	M2023-01	2,123,060	2,291,503	2,291,503	0	0	0	-168,443
<b>Passed Through Michigan Department of Transportation:</b>										
Nonurban Operating Assistance (Section 5311) (FY 2023)	20.509	MI-2020-008-007	MI-2020-008-007	890,737	890,737	890,737	0	0	0	0
<b>Passed Through Southeast Michigan Council of Governments:</b>										
Unified Planning (Section 5303) (81.85/18.15)	20.205	23001	23001	47,352	57,852	47,352	0	10,500	0	0
Unified Planning (Section 5303) (81.85/18.15)	20.205	23005	23005	50,583	61,800	50,583	0	11,217	0	0
Subtotal - Federal Operating				\$49,112,111	\$19,075,732	\$19,054,015	\$0	\$21,717	\$19,103,688	\$10,954,408
<b>TOTAL FEDERAL EXPENDITURES</b>				\$79,318,970	\$24,160,572	\$24,138,855	\$0	\$21,717	\$29,408,146	\$25,771,969

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING AND CONTRACT EXPENSES  
YEAR ENDED SEPTEMBER 30, 2023, WITH COMPARATIVE TOTALS FOR 2022**

	Specialized Services		Nonurban Operations		Urban Operations		2023 Total	2022 Total
	2022-0006/P1	Sec. 5311: 2022-0006 P3	Demand-response	Fixed-route	2023 Total	2022 Total		
<b>OPERATING EXPENSES:</b>								
Labor	\$ -	\$ 41,075	\$ 3,146,567	\$ 14,823,945	\$ 18,011,587	\$ 15,864,824		
Fringe benefits	-	24,045	1,989,214	9,405,006	11,418,265	11,873,614		
Services	-	28,554	702,624	3,712,417	4,443,595	3,515,454		
Materials and supplies	-	16,508	799,245	4,960,846	5,776,599	5,421,857		
Utilities	-	-	143,916	626,511	770,427	671,415		
Casualty and liability costs	-	10,845	312,838	1,418,699	1,742,382	1,483,929		
Purchased transportation	110,580	3,164,206	6,277,072	2,968,165	12,520,023	11,584,568		
Other	-	3,376	79,585	387,028	469,989	389,033		
Leases and rentals	-	-	28,644	79,529	108,173	79,875		
Depreciation	-	-	1,135,715	5,424,319	6,560,034	6,471,482		
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 110,580</b>	<b>\$ 3,288,609</b>	<b>\$ 14,615,420</b>	<b>\$ 43,806,465</b>	<b>\$ 61,821,074</b>	<b>\$ 57,356,051</b>		

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE REVENUES  
YEAR ENDED SEPTEMBER 30, 2023**

Code	Description	Fixed-route	Demand-response	Total Urban
<b>401 :</b>	<b>Farebox Revenue</b>			
40100	Passenger Fares	\$ 1,676,750	\$ 276,532	\$ 1,953,282
40200	Contract Fares	2,218,905		2,218,905
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>			
40615	Advertising Revenue	129,140	-	129,140
<b>407 :</b>	<b>NonTransit Revenue</b>			
40799	Gain on Sale/Disposal of Equipment	-	-	-
40799	Other NonTransportation Revenue	123,091	-	123,091
<b>408 :</b>	<b>Local Revenue</b>			
40800	Taxes Levied Directly for Transit Agency	15,981,741	4,639,860	20,621,601
<b>409 :</b>	<b>Local Revenue</b>			
40910	Local Operating Assistance	1,081,719	314,047	1,395,766
40999	Other Local - Local Match	53,939	-	53,939
<b>411 :</b>	<b>State Formula and Contracts</b>			
41101	State Operating Assistance	10,562,620	3,760,704	14,323,324
41111	Preventive Maintenance (20% State Share)	10,000		10,000
41112	Planning/Capital Cost of Contracting		251,284	251,284
41199	Enhanced Mobility (Section 5310)	-	29,501	29,501
<b>413 :</b>	<b>Federal Contracts</b>			
41311	Preventive Maintenance (80% Federal Share)	40,000		40,000
41312	Unified Planning/Capital Cost of Contracting (Sec 5303)	97,935	608,000	705,935
41361	ARP Act	13,536,900	1,504,100	15,041,000
41399	Enhanced Mobility (Section 5310)	-	144,352	144,352
41399	Other - RTA	2,291,503	-	2,291,503
<b>414 :</b>	<b>Other Revenue</b>			
41400	Interest Income	1,154,689	-	1,154,689
<b>550:</b>	<b>Ineligible Revenue:</b>			
55005	Net unrealized and realized investment gains	(232,953)	-	(232,953)
<b>Total</b>		<b>\$ 48,725,978</b>	<b>\$ 11,528,381</b>	<b>\$ 60,254,359</b>



**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF URBAN REGULAR SERVICE EXPENSES  
YEAR ENDED SEPTEMBER 30, 2023**

Code	Description	Fixed-route	Demand-response	Total
<b>501:</b>	<b>Labor</b>			
50101	Operators Salaries & Wages	\$ 7,833,625	\$ 1,657,661	\$ 9,491,286
50102	Other Salaries & Wages	6,990,320	1,488,906	8,479,226
<b>502:</b>	<b>Fringe Benefits</b>			
50200	Other Fringe Benefits	7,632,353	1,796,718	9,429,071
50210	Defined Contribution Pension	1,366,446	148,421	1,514,867
50240	Defined Contribution OPEB	406,207	44,075	450,282
<b>503:</b>	<b>Services</b>			
50302	Advertising Fees	64,099	12,039	76,138
50305	Audit Costs	69,792	13,108	82,900
50399	Other Services	3,578,526	677,477	4,256,003
<b>504:</b>	<b>Materials and Supplies</b>			
50401	Fuel & Lubricants	2,541,393	294,083	2,835,476
50402	Tires & Tubes	170,317	30,794	201,111
50499	Other Materials & Supplies	2,249,136	474,368	2,723,504
<b>505:</b>	<b>Utilities</b>			
50500	Utilities	626,511	143,916	770,427
<b>506:</b>	<b>Insurance</b>			
50603	Liability Insurance	828,488	190,312	1,018,800
50699	Other Insurance	590,211	122,526	712,737
<b>508:</b>	<b>Purchased Transportation</b>			
50800	Purchased Transportation	2,968,165	6,277,072	9,245,237
<b>509:</b>	<b>Miscellaneous Expenses</b>			
50902	Travel, Meeting & Training	79,974	16,303	96,277
50903	Association Dues & Subscriptions	82,211	16,759	98,970
50999	Other Misc. Expenses	224,843	46,523	271,366
<b>512:</b>	<b>Operating Leases &amp; Rentals</b>			
51200	Operating Leases & Rentals	79,529	28,644	108,173
<b>513:</b>	<b>Depreciation</b>			
51300	Depreciation	5,424,319	1,135,715	6,560,034
	<b>Total Urban Expenses</b>	<b>\$ 43,806,465</b>	<b>\$ 14,615,420</b>	<b>\$ 58,421,885</b>
<b>550:</b>	<b>Ineligible Expenses</b>			
55007	Ineligible Depreciation	5,011,029	803,104	5,814,133
55008	Ineligible other (bad debt/employee events)	62,823	-	62,823
55009	Ineligible Association Dues	8,397	-	8,397
55010	Ineligible Non-transportation Revenue	32,761	-	32,761
55011	Ineligible Preventive Maintenance	50,000	-	50,000
<b>570:</b>	<b>Ineligible Expenses</b>			
57099	Ineligible - Federal RTA D2A2	2,291,503	-	2,291,503
57602	Ineligible - Capital Cost of Contracting	-	760,000	760,000
57602	Ineligible - Unified Planning (Sec 5303)	119,652	-	119,652
57604	Ineligible - Enhanced Mobility (Sec 5310)	-	173,853	173,853
<b>580:</b>	<b>Ineligible Expenses</b>			
58050	Ineligible - Postretirement Benefit Revenue	90,330	-	90,330
58050	Ineligible - Postretirement Benefits Paid	(31,526)	-	(31,526)
	<b>Total Ineligible Expenses</b>	<b>\$ 7,634,969</b>	<b>\$ 1,736,957</b>	<b>\$ 9,371,926</b>
		<b>Fixed-route</b>	<b>Demand-response</b>	<b>Total</b>
	Total Expenses	\$ 43,806,465	\$ 14,615,420	\$ 58,421,885
	Total Ineligible Expenses	(7,634,969)	(1,736,957)	(9,371,926)
	Total Eligible Expenses	\$ 36,171,496	\$ 12,878,463	\$ 49,049,959

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE REVENUES YEAR ENDED SEPTEMBER 30, 2023

Code	Description	Total Nonurban
<b>401 :</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 143,419
40200	Contract Fares	-
<b>406 :</b>	<b>Auxiliary Transit Revenue</b>	
40615	Advertising	-
<b>407 :</b>	<b>Non-Transit Revenue</b>	
40799	Gain (Loss) on Sale of Equipment	-
40799	Other Revenue	-
<b>408 :</b>	<b>Local Revenue</b>	
40800	Taxes Levied Directly for Transit Agency	-
<b>409 :</b>	<b>Local Revenue</b>	
40910	Local Operating Assistance	809,361
40999	Other Local	
<b>411 :</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	1,137,362
411	Prior Year Formula Adjustments	-
<b>413 :</b>	<b>Federal Contracts</b>	
41301	5311	890,737
<b>414 :</b>	<b>Other Revenue</b>	
41400	Interest Revenue	-
	Other	-
<b>Total</b>		<b>\$ 2,980,879</b>

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## ADDITIONAL INFORMATION - SCHEDULE OF NONURBAN REGULAR SERVICE EXPENSES YEAR ENDED SEPTEMBER 30, 2023

Code	Description	Demand Response Total
<b>501:</b>	<b>Labor</b>	
50102	Other Salaries & Wages	\$ 41,075
<b>502:</b>	<b>Fringe Benefits</b>	
50200	Other Fringe Benefits	19,472
50210	Defined Contribution Pension	3,860
50240	Defined Contribution OPEB	713
<b>503:</b>	<b>Services</b>	
50305	Other Services	28,554
<b>504:</b>	<b>Materials and Supplies</b>	
50499	Other Materials & Supplies	16,508
<b>506:</b>	<b>Insurance</b>	
50699	Other Insurance	10,845
<b>508:</b>	<b>Purchased Transportation</b>	
50800	Purchased Transportation	3,164,206
<b>509:</b>	<b>Miscellaneous Expenses</b>	
50999	Other Misc. Expenses	3,376
<b>550:</b>	<b>Ineligible Expenses</b>	-
<b>570:</b>	<b>Ineligible Expenses</b>	-
Total Expenses \$		3,288,609
Total Ineligible Expenses		-
Total Eligible Expenses \$		<u>3,288,609</u>

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - URBAN AND NONURBAN SERVICE NONFINANCIAL INFORMATION  
YEAR ENDED SEPTEMBER 30, 2023**

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**PUBLIC SERVICE - URBAN FIXED-ROUTE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	326,836
611	Vehicle Miles	5,799,291

**PUBLIC SERVICE - URBAN DEMAND RESPONSE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	57,066
611	Vehicle Miles	856,068

**PUBLIC SERVICE - NONURBAN DEMAND RESPONSE**

<b>Code</b>	<b>Description</b>	<b>Total</b>
610	Vehicle Hours	53,466
611	Vehicle Miles	731,774

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**

**ADDITIONAL INFORMATION - SCHEDULE OF OPERATING ASSISTANCE CALCULATION  
YEAR ENDED SEPTEMBER 30, 2023**

	Urban		Nonurban
	Fixed-Route	Demand Response	
Total Expenses	\$ 43,806,465	\$ 14,615,420	\$ 3,288,609
Less Ineligible Expenses:			
Federal Planning (Section 5303, w/Local Match)	119,652	-	
Federal and State Depreciation Expense	5,011,029	803,104	
Federal Enhanced Mobility (Section 5310)	-	144,352	
State Enhanced Mobility (Section 5310)	-	29,501	
Federal and State Preventive Maintenance	50,000	-	
Federal and State Capital Cost of Contracting	-	760,000	
Federal RTA D2A2	2,291,503		
Post-Retirement Medical Benefits Accrual	90,330	-	
Post-Retirement Medical Benefits Paid	(31,526)	-	
Other revenue	32,761	-	
Other expenses (bad debts, ineligible interest)	62,823	-	
Association Dues (Ineligible Portion)	8,397	-	
Total Ineligible Expenses	\$ 7,634,969	\$ 1,736,957	\$ -
<b>Total State Eligible Expenses</b>	<b>\$ 36,171,496</b>	<b>\$ 12,878,463</b>	<b>\$ 3,288,609</b>

Eligible Expenses for State Reimbursement	\$ 36,171,496	\$ 12,878,463	\$ 3,288,609
x Reimbursement Percentage	29.2015%	29.2015%	34.5849%
State Operating Assistance	\$ 10,562,620	\$ 3,760,704	\$ 1,137,362
Total Operating Assistance - Urban		<u>\$ 14,323,324</u>	

**Total Federal Eligible Expenses**

Total Eligible Expenses for State Reimbursement	\$ 3,288,609
Less: Ineligible Auditing Expenses	-
Eligible Expenses for Federal Reimbursement	\$ 3,288,609
x Reimbursement Percentage	36%
Eligible expenses	1,183,899
Less expenses over the capped funding	(293,162)
Federal Operating Assistance (Section 5311)	<u>\$ 890,737</u>

## **ANN ARBOR AREA TRANSPORTATION AUTHORITY**

### **ADDITIONAL INFORMATION - NOTES TO SCHEDULE OF OPERATING ASSISTANCE CALCULATION AND NONFINANCIAL INFORMATION YEAR ENDED SEPTEMBER 30, 2023**

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#### **A. ITEMS REIMBURSED BY FEDERAL GRANTS**

Items reimbursed directly by federal operating and capital grants, including Sections 5303 and 5310, are deducted from total expenses in arriving at the net eligible expense total.

#### **B. FEDERAL AND STATE DEPRECIATION AND AMORTIZATION EXPENSE**

Depreciation and amortization incurred on assets funded with state and federal grants is an ineligible expense pursuant to State of Michigan regulations. The depreciation expense included to be reimbursed with State Formula Assistance Funds only includes assets purchased with local funds where the useful life of the asset has been approved by the Michigan Department of Transportation, Bureau of Passenger Transportation.

#### **C. POSTRETIREMENT MEDICAL BENEFITS PLAN EXPENSE**

The amount of postretirement medical benefits accrued under the provisions of GASB No. 75 are ineligible expenses. The amount paid for postretirement medical benefits during the current year are eligible and are therefore subtracted out from the ineligible expenses.

#### **D. OTHER REVENUES**

Other income includes other miscellaneous income such as lost ID fees or Freedom of Information Act (FOIA) fees paid. These items are subtracted out as ineligible expenses.

#### **E. ADVERTISING**

Advertising revenues are earned from displaying advertising materials on Authority vehicles and are recorded net of expenses associated with equipping the vehicles with advertising media by a third party. Therefore, advertising revenues are not subtracted as ineligible expenses.

#### **F. OTHER EXPENSE**

Other expenses includes bad debt expense, property tax write-offs, and any other miscellaneous expense that is ineligible for state operating assistance. These costs are subtracted as ineligible expenses.

**G. ASSOCIATION DUES**

The amounts disallowed represent a percentage of the annual dues paid to the American Public Transit Association and the Michigan Public Transit Association. It was determined that these organizations devote a portion of their efforts, 11.0% and 13.60%, respectively, to influencing legislation which is not eligible for reimbursement according to the Uniform Guidance issued by the Office of Management and Budget.

**H. MILEAGE INFORMATION**

The methodology used for compiling mileage and other nonfinancial information used to allocate costs has been reviewed and found to be an adequate and reliable method.

Draft

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Ann Arbor Area Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of the Ann Arbor Area Transportation Authority (the "Authority") as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated [REPORT DATE].

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.



To the Board of Directors  
Ann Arbor Area Transportation Authority

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Farmington Hills, Michigan  
[REPORT DATE]

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Ann Arbor Area Transportation Authority

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Ann Arbor Area Transportation Authority’s (the “Authority”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended September 30, 2023. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority’s compliance with the compliance requirements referred to above.

To the Board of Directors  
Ann Arbor Area Transportation Authority

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors  
Ann Arbor Area Transportation Authority

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Farmington Hills, Michigan  
[REPORT DATE]

ANN ARBOR AREA TRANSPORTATION AUTHORITY  
 SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
 Year ended September 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance		Pass-through Entity		Project Number	Total Amount Provided to Subrecipients	Federal Expenditures
	Listing Number	Number	Identifying Number	Number			
<b>Department of Transportation:</b>							
<i>Federal Transit Cluster - Direct Awards:</i>							
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	M190-X778	\$ -	234		
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	M190-0082	-	16,157		
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	M190-X822	-	479,946		
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	M195-0018	-	377,819		
Federal Transit – Formula Grants (Urbanized Area Formula Program)	20.507	n/a	M190-X840	-	992,043		
CRRSAA - Federal Transit (Urbanized Area Formula Program)	20.507	n/a	M122-X050	-	3,807,129		
ARP Urban Operating Assistance - Federal Transit (Urbanized Area Formula Program)	20.507	n/a	M122-X008	-	6,069,092		
CRRSAA Operating Assistance	20.507	n/a	M122-X009	-	8,971,908		
Subtotal					20,714,328		
<i>Passed Through Regional Transit Authority of Southeast Michigan</i>							
RTA CMAQ D2A2 Service	20.507	M2023-01	M2023-01	-	2,291,503		
<b>Total Federal Transit Cluster</b>					<b>23,005,831</b>		
<i>Transit Services Programs Cluster - Direct Awards:</i>							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	M116-0039	-	24,000		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	M116-0038	65,352	65,352		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	n/a	M116-0035	-	55,000		
<b>Total Transit Services Programs Cluster</b>					<b>65,352</b>	<b>144,352</b>	
<i>Passed Through Michigan Department of Transportation:</i>							
CRRSAA – Formula Grants for Rural Areas	20.509	MI-2020-008-007	MI-2020-008-007	890,737	890,737		
<i>Passed through Southeastern Michigan Council of Governments (SEMCOG):</i>							
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	23005		-	50,583		
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	23001		-	47,352		
<b>Total</b>					<b>97,935</b>		
<b>Total Department of Transportation</b>					<b>956,089</b>	<b>24,138,855</b>	
<b>Total Expenditures of Federal Awards</b>					<b>\$ 956,089</b>	<b>\$ 24,138,855</b>	

# ANN ARBOR AREA TRANSPORTATION AUTHORITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS September 30, 2023

### NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Ann Arbor Area Transportation Authority (the “Authority”) under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

### NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting as the financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### NOTE – 3 SUB-RECIPIENTS

The Authority provided federal awards to sub-recipients in the amount of \$956,089 as presented in the Schedule.

### NOTE – 4 INDIRECT COST RATE

The Authority has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### NOTE – 5 SUBSEQUENT EVENTS

All subsequent events relative to the major programs were evaluated through **Report date**, the date the accompanying reports were available to be issued.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year ended September 30, 2023

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None noted

Noncompliance material to the financial statements noted?  Yes  None noted

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?  Yes  No

Identification of major program:

<b>Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>	<b>Opinion</b>
20.507	Federal Transit Cluster	Unmodified
20.509	CRRSAA – Formula Grants for Rural Areas	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Is the auditee qualified as a low-risk auditee?  Yes  No

**Section II – Financial Statement Audit Findings**

Prior Year – Yes  
 Current Year – Yes

**Section III – Federal Program Audit Findings**

Prior Year – None  
 Current Year – None

**ANN ARBOR AREA TRANSPORTATION AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
Year ended September 30, 2023

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Reference  
Number**

**Finding**

**2023-001**

**Finding Type – Significant Deficiency**

**Repeat Finding – No**

**Criteria –** There should be a system in place to ensure that account balances are reconciled to supporting documentation and the related journal entries are made to the general ledger prior to the start of the audit.

**Condition –** It was noted that certain account balances were not reconciled or did not agree to the underlying documentation.

**Cause –** This process led to adjusting journal entries for certain class of transactions, account balances or disclosures that in aggregate had a material impact in the presentation of the financial statements as a whole.

**Effect –**Numerous adjusting entries were made by the client after the start of the audit process.

**Recommendation –** We recommend that the Authority perform a review and reconciliation to ensure accuracy of financial data reported.

**View of Responsible Officials and Corrective Action Plan –** The Authority acknowledges that numerous adjusting entries were made throughout the audit process. While the Authority did communicate progress on pre-audit work and the intent to continue to make adjusting entries to the auditors, the Authority agrees that monthly and annual closing processes need to be improved, resulting in fewer adjusting entries during the audit and a timelier closing process. Although significant progress was made in meeting timelines for closing procedures in the last half of the fiscal year, staff transitions affected the timing of some closing entries. Authority management will improve the closing process by documenting the review of year-end balances, closing procedures and reconciliations to minimize adjusting entries during the audit process.



## Board Self-Monitoring: Board-Management Delegation

**Governance Committee Meeting Date: February 1, 2024**

**Board of Directors Meeting Date: February 22, 2024**

<b>INFORMATION TYPE</b>
Monitoring
<b>RECOMMENDED ACTION(S)</b>
Discuss
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
List of previous Board or Committee discussions or actions, to allow cross referencing and context.
<b>ISSUE SUMMARY</b>
<p>Every year the Board monitors its own behaviors and compliance with policies pertaining to Board-Management Delegation.</p> <p>The Board’s self-assessment is presented in the attachment.</p>
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: N/A</li> <li>• Social: N/A</li> <li>• Environmental: N/A</li> <li>• Governance: Board self-monitoring is an important practice.</li> </ul>
<b>ATTACHMENTS</b>
<ol style="list-style-type: none"> <li>1. Board-Management Delegation Policies 4.0-4.4</li> <li>2. Worksheet Results for policies 4.0-4.4</li> </ol>

## 4: BOARD-MANAGEMENT DELEGATION

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*These policies define how the Board will delegate to its CEO AAATA's accomplishment of Ends and operation within the Executive Limitations boundaries.*

### 4.0 GLOBAL BOARD-MANAGEMENT DELEGATION

The Board's sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).

### 4.1 UNITY OF CONTROL

Only officially passed motions of the Board are binding on the CEO.

Accordingly:

- 4.1.1 Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically authorized such exercise of authority.
- 4.1.2 In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds or is disruptive.

## 4.2 ACCOUNTABILITY OF THE CEO

The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.

Accordingly:

- 4.2.1 The Board will never give instructions to persons who report directly or indirectly to the CEO.
- 4.2.2 The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO.
- 4.2.3 The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance.

## 4.3 DELEGATION TO THE CEO

The Board will instruct the CEO through officially passed motions of the Board or written policies which prescribe the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies.

Accordingly:

- 4.3.1 The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.
- 4.3.2 The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.

- 4.3.3 As long as the CEO uses *any reasonable interpretation* of the Board’s Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.
- 4.3.4 The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO’s choices with the boundaries described herein.

#### 4.4 MONITORING CEO PERFORMANCE

Organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations shall be evaluated rigorously by the Board and its appointed committees.

Accordingly:

- 4.4.1 Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be considered to be monitoring data.
- 4.4.2 The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.
- 4.4.3 In every case, the Board will judge the reasonableness of the CEO’s interpretation and whether data demonstrate accomplishment of the interpretation
- 4.4.4 The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a “reasonable person” test rather than with an interpretation favored by Board members or by the Board as a whole.
- 4.4.5 All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).

**WORKSHEET RESULTS:**

**Board Management Delegation (Policies 4.0 - 4.4)**

**Participants: 7 Board Members**

Performance on reasonable interpretation and verifiable evidence		
		Please provide specific examples to support your response
<p><b>Policy 4.0 Global Board-Management Delegation</b> The Board’s sole official connection to the operational organization, its achievements and conduct will be through a Chief Executive Officer (CEO).</p>	<p>ALWAYS – 4 MOST OF THE TIME - 3</p>	<ul style="list-style-type: none"> <li>We sometimes work directly with the deputy CEOs and other staff on various initiatives.</li> </ul>
<p><b>Policy 4.1 Unity of Control</b> Only officially passed motions of the Board are binding on the CEO. Accordingly:</p>	<p>ALWAYS – 6 MOST OF THE TIME - 1</p>	
<p><b>Policy 4.1.1</b> Decisions or instructions of individual Board members, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically</p>	<p>ALWAYS – 7</p>	

<p>authorized such exercise of authority.</p>		
<p><b>Policy 4.1.2</b> In the case of Board members or committees requesting information or assistance without Board authorization, the CEO can defer or refuse such requests that require, in the CEO's opinion, a material amount of staff time or funds or is disruptive.</p>	<p>ALWAYS – 4 MOST OF THE TIME - 3</p>	<ul style="list-style-type: none"> <li>Individual Board members and Committees have requested information and I have observed the CEO both honor the request or deny the request as it pertains to this policy.</li> <li>I believe that the CEO is comfortable doing this, but since I am not privy to what goes on at other committees, I am noting "most of the time"</li> </ul>
<p><b>Policy 4.2 Accountability of the CEO</b> The CEO is the Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the CEO.</p>	<p>ALWAYS – 6 MOST OF THE TIME - 1</p>	<ul style="list-style-type: none"> <li>CEO may delegate authority in certain instances.</li> </ul>
<p><b>Policy 4.2.1</b> The Board will never give instructions to persons who report directly or</p>	<p>ALWAYS – 5 MOST OF THE TIME - 2</p>	<ul style="list-style-type: none"> <li>I am unaware of this occurring. But I ask, how would we know unless the CEO informs the Board.</li> <li>Sometimes it's fuzzy whether a board member's comment is a suggestion or an instruction.</li> </ul>

<p>indirectly to the CEO.</p>		<ul style="list-style-type: none"> <li>We sometimes work directly with the deputy CEOs and other staff on various initiatives. In those cases we get permission from the CEO.</li> </ul>
<p><b>Policy 4.2.2</b> The Board will not evaluate, either formally or informally, any staff other than the CEO. Board members are not restricted from expressing any level of satisfaction in a confidential conversation with the CEO.</p>	<p>ALWAYS – 6 MOST OF THE TIME - 1</p>	<ul style="list-style-type: none"> <li>Board and Staff appear to agree that sometimes it’s appropriate for a board member to say positive things about staff.</li> </ul>
<p><b>Policy 4.2.3</b> The Board will view organizational performance as integral to CEO performance and shall consider Board stated Ends and avoidance of Board-proscribed executive limitations as a foundation of successful CEO performance.</p>	<p>ALWAYS – 6 MOST OF THE TIME - 1</p>	
<p><b>Policy 4.3 Delegation to the CEO</b> The Board will instruct the CEO through officially passed motions of the Board or written policies which prescribe</p>	<p>ALWAYS – 4 MOST OF THE TIME - 3</p>	

<p>the organizational Ends to be achieved, and describe organizational situations and actions to be avoided, allowing the CEO to use any reasonable interpretation of these policies. Accordingly:</p>		
<p><b>Policy 4.3.1</b> The Board will develop policies instructing the CEO to achieve certain results, for certain recipients at a specified cost. These policies will be developed systematically from the broadest, most general level to more defined levels, and will be called Ends policies.</p>	<p>ALWAYS – 4  MOST OF THE TIME - 3</p>	<ul style="list-style-type: none"> <li>• I'm not sure that all policies have been developed at the broadest possible level.</li> <li>• Sometimes cost is not specified.</li> </ul>
<p><b>Policy 4.3.2</b> The Board will develop policies which limit the latitude the CEO may exercise in choosing the organizational means. These limiting policies will describe those practices, active, decisions, and circumstances that would be</p>	<p>ALWAYS – 4  MOST OF THE TIME - 3</p>	<ul style="list-style-type: none"> <li>• Same comment as above.</li> </ul> <p><i>I'm not sure that all policies have been developed at the broadest possible level.</i></p> <ul style="list-style-type: none"> <li>• At times, “shalt not” policies creep into means.</li> </ul>



<p>unacceptable to the Board even if they were effective. These policies will be developed systematically from the broadest, most general level to more defined levels, and they will be called Executive Limitations policies. The Board will never prescribe organizational means delegated to the CEO.</p>		
<p><b>Policy 4.3.3</b> As long as the CEO uses <i>any reasonable interpretation</i> of the Board's Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, make all decisions, take all actions, establish all practices and develop all activities.</p>	<p>MOST OF THE TIME - 7</p>	<ul style="list-style-type: none"> <li>• We don't always accept the CEO's interpretations.</li> </ul>
<p><b>Policy 4.3.4</b> The Board may change its Ends and Executive Limitations policies, thereby shifting the boundary between</p>	<p>ALWAYS – 3 MOST OF THE TIME - 4</p>	<ul style="list-style-type: none"> <li>• Over the past year we have reviewed several policies and made changes as needed. A new Sustainability policy was established. The board has developed a mechanism for policy review by developing a schedule. However, any policy at any time may be changed by the Board if it so choses.</li> </ul>

<p>Board and CEO domains. By doing so, the Board changes the latitude of choice given to the CEO. But as long as any particular delegation is in place, the Board will respect and support the CEO's choices with the boundaries described herein.</p>		
<p><b>Policy 4.4 Monitoring CEO Performance</b> Organizational accomplishment of Board policies on Ends and organizational operation within the boundaries established in Board policies on Executive Limitations shall be evaluated rigorously by the Board and its appointed committees. Accordingly:</p>	<p>ALWAYS – 5 MOST OF THE TIME - 2</p>	<ul style="list-style-type: none"> <li>Based on deliberations at Board meetings I believe this is occurring. However, I also believe that we can do better by following the Carver guidelines on what makes a report reasonable etc... Sometimes we go too far in the weeds.</li> </ul>
<p><b>Policy 4.4.1</b> Monitoring is simply to determine the degree to which Board policies are being met. Data which do not do this will not be</p>	<p>ALWAYS – 1 MOST OF THE TIME - 6</p>	<ul style="list-style-type: none"> <li>At times, members are not satisfied with the amount of detail in a monitoring report and request more data. Are we serving individual wants over the entire board? What is enough data?</li> </ul>

<p>considered to be monitoring data.</p>		<ul style="list-style-type: none"> <li>Monitoring is an evaluation of compliance or achievement. Some monitoring responses are not quantitative, which is what I think this question is solely referring to?</li> </ul>
<p><b>Policy 4.4.2</b> The Board will acquire monitoring data by one or more of three methods: (a) by internal report, in which the CEO discloses compliance information to the Board, (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies, and (c) by direct Board inspection, in which a designated member or members of the Board assess compliance with the appropriate policy criteria.</p>	<p>ALWAYS – 5 MOST OF THE TIME - 2</p>	<ul style="list-style-type: none"> <li>I can't recall b or c ever being used.</li> </ul>
<p><b>Policy 4.4.3</b> In every case, the Board will judge the reasonableness of the CEO's interpretation and whether data demonstrate accomplishment of the interpretation</p>	<p>ALWAYS – 5 MOST OF THE TIME - 2</p>	<ul style="list-style-type: none"> <li>Monitoring report reviews frequently results in diverse opinions and feedback.</li> </ul>

<p><b>Policy 4.4.4</b> The standard for compliance shall be any reasonable CEO interpretation of the Board policy being monitored. The Board is the final arbiter of reasonableness, but will always judge with a “reasonable person” test rather than with an interpretation favored by Board members or by the Board as a whole.</p>	<p>MOST OF THE TIME – 6  SOME OF THE TIME - 1</p>	<ul style="list-style-type: none"> <li>• This is an area that the Board struggles with. It seems, at times, that some wish to use the reports as a way to "manage" the CEO.</li> <li>• Sometimes our gauge of reasonableness is subjective board member to board member and can cause challenges getting to the "reasonable person" evaluation.</li> <li>• Occasionally there are differing opinions on interpretations; however, the Board ultimately speaks as one.</li> </ul>
<p><b>Policy 4.4.5</b> All policies which instruct the CEO will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any method, but will ordinarily depend on a routine schedule (Appendix A).</p>	<p>ALWAYS - 7</p>	<ul style="list-style-type: none"> <li>• Yes, we have a schedule in place. The current schedule is the result of the work of the Monitoring Task Force. They presented their recommendation to the full Board last fall and it was approved for implementation.</li> </ul>

### Additional context questions

#### 1. ADDITIONAL CONTEXT ON OVERAL POLICY (OPTIONAL)

- Note about survey request. This survey was sent out the afternoon of January 17, 2024 and board members were given a due date of January 24 noon, effectively 1 week or 5 business days. I am highly disappointed that a report that requires thoughtful consideration was not given at least 2 weeks' notice for our board members consideration.

#### 2. APPROXIMATELY HOW MANY MINUTES DID IT TAKE YOU TO FILL OUT THS FORM?

25, 60, 12, 20, 13, 30

## Board Education: Ridership Growth

**Meeting: Board of Directors**

**Meeting Date: February 22, 2024**

<b>INFORMATION TYPE</b>
Other
<b>RECOMMENDED ACTION(S)</b>
Receive for information as Board Education.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
In December 2023 the Board approved its Annual Plan of Work which included an education item for “Ridership”.
<b>ISSUE SUMMARY</b>
<p>The CEO is making an initial presentation on transit ridership and ridership growth. He will provide background and context, as well as a high-level overview of TheRide’s efforts to increase ridership. He will also ask the Board if further information is desired or if the educational item has been completed.</p> <p>This presentation will segue into a March presentation on innovation and important trends.</p>
<b>IMPACTS OF RECOMMENDED ACTION(S)</b>
<ul style="list-style-type: none"> <li>• Budgetary/Fiscal: N/A</li> <li>• Social: N/A</li> <li>• Environmental: N/A</li> <li>• Governance: N/A</li> </ul>
<b>ATTACHMENTS</b>
1. Ridership Presentation

# Transit Ridership Growth

Board Education  
Matt Carpenter, CEO  
February 2024



# Agenda

- Context
- How Ridership Grows
- TheRide's Approach
- Next Steps & Discussion

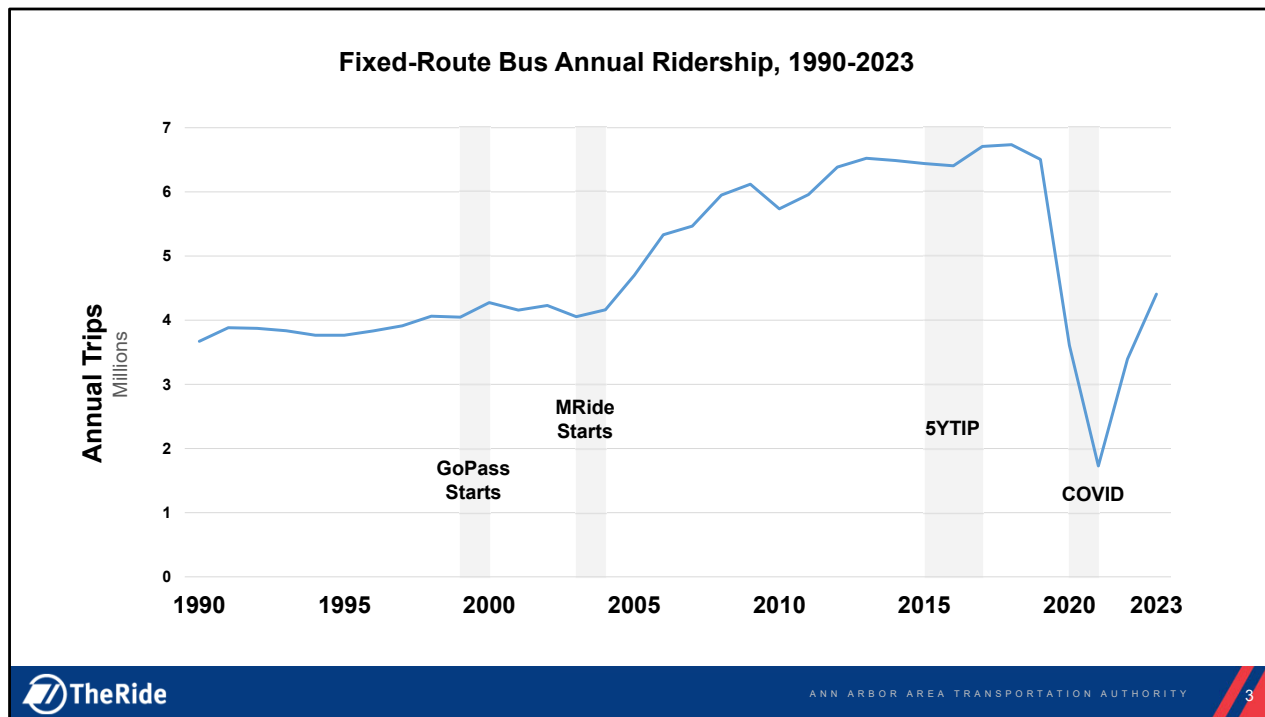


The purpose of this presentation is to educate the Board on the business of TheRide. Specially, to provide

1. a high-level, simplified introduction to the subject of growing transit ridership, and
2. An overview of TheRide's ongoing activities to grow ridership.

We look forward to discussion with the Board and hearing where they would like to go next with this education topic.



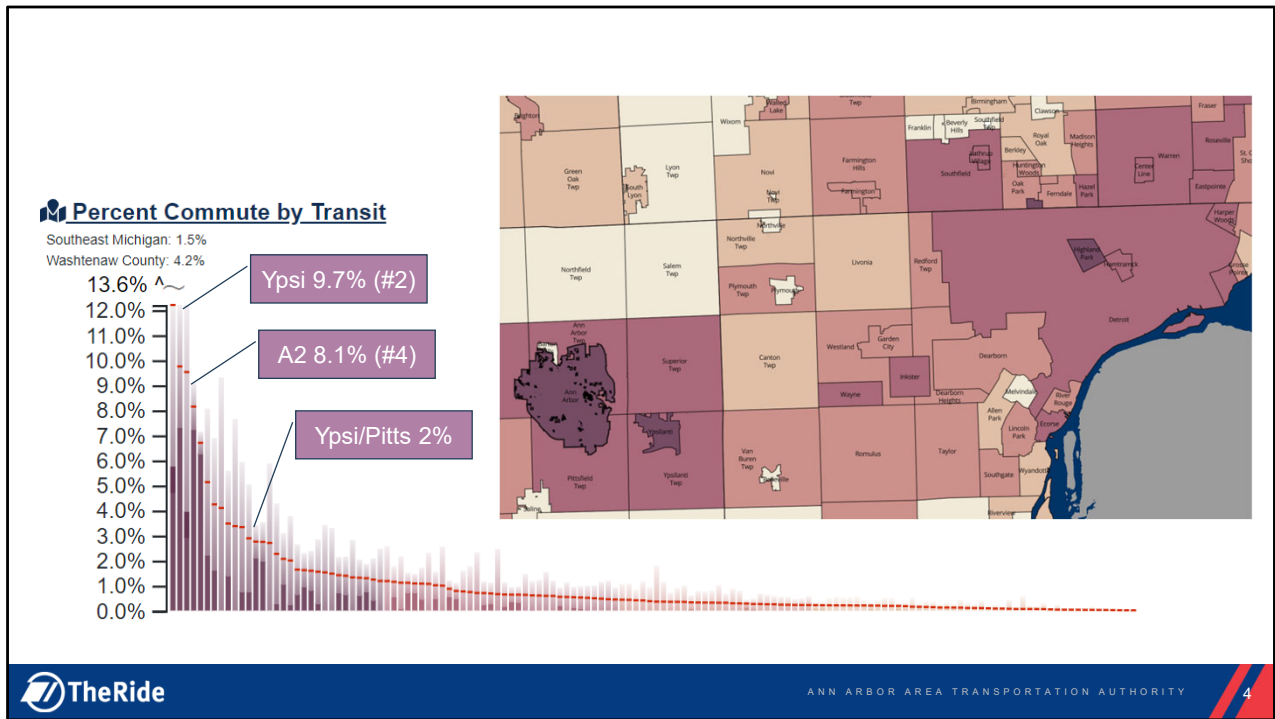


After growing slowly since 1969, ridership saw a large jump with the creation of the first MRide program in 2004. This new fare program for UM faculty, staff and students contributed to a 47% increase in ridership by 2009. By 2013 the MRide bump had peaked and ridership stabilized at around 6.5 million trips/year. Being a college town has important implications and TheRide’s ridership is generally higher than national norms.

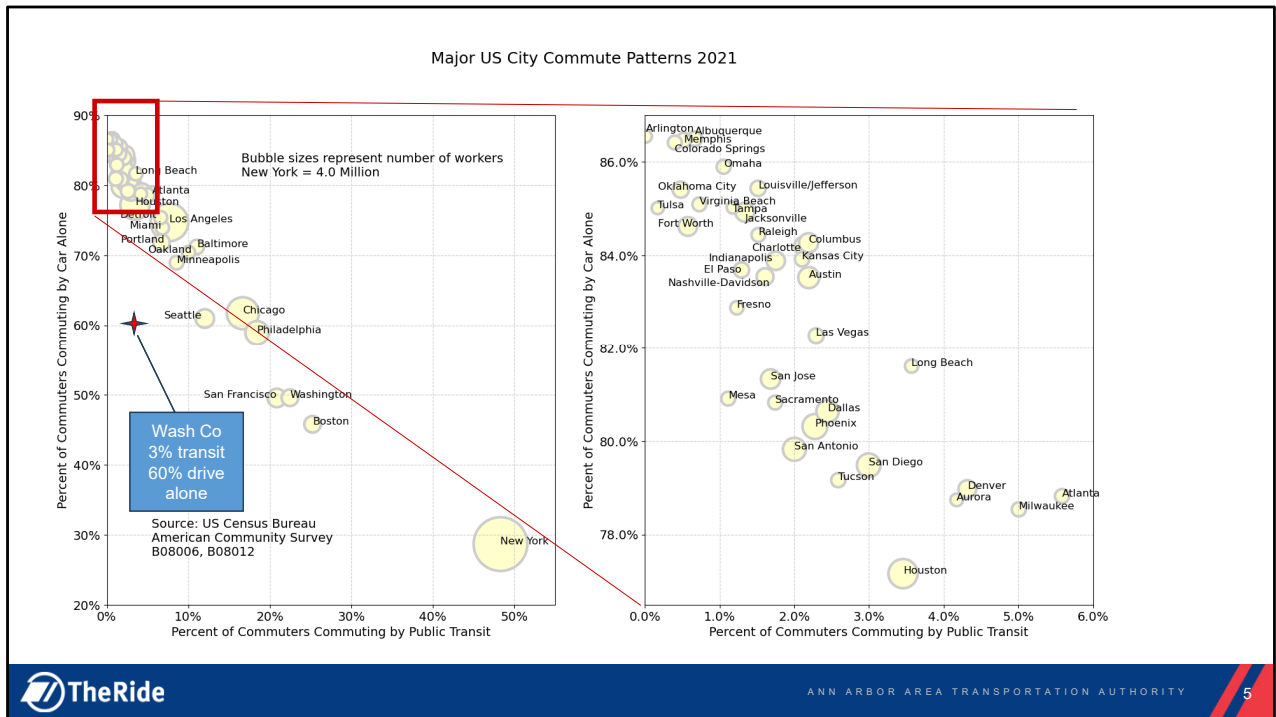
In 2015 TheRide began implementing new services via the 5-Year Transit Improvement Program (5YTIP), from a 2014 millage. Ridership grew but was likely undercut by ride hailing. Between 2012-2018 bus ridership nationally declined 15%, largely due to ride hailing (ie Uber), which was aggressively capturing market share globally and was heavily subsidized by venture capital firms. The 2020-2022 COVID pandemic hurt ridership significantly, as was true around the world. Today, TheRide has restored 100% of services and has recovered about 70%-75% of pre-pandemic ridership, one of the best recoveries in Michigan (NTD). However, work-from-home and office vacancies have reduced the number of people traveling.

This growth is impressive when seen against the headwinds of declining population and economic activity, and a strong cultural preference for the personal automobile in Michigan. Many mid-west transit agencies were losing ridership during this period.

Also, as a “Home Rule” state, Michigan’s tax structure makes funding and expanding transit difficult. Between 1973-2013 tax revenue was limited to a single millage. MRide injected more funds, and supplemental tax millages in 2014, 2018, and 2022 have added resources.



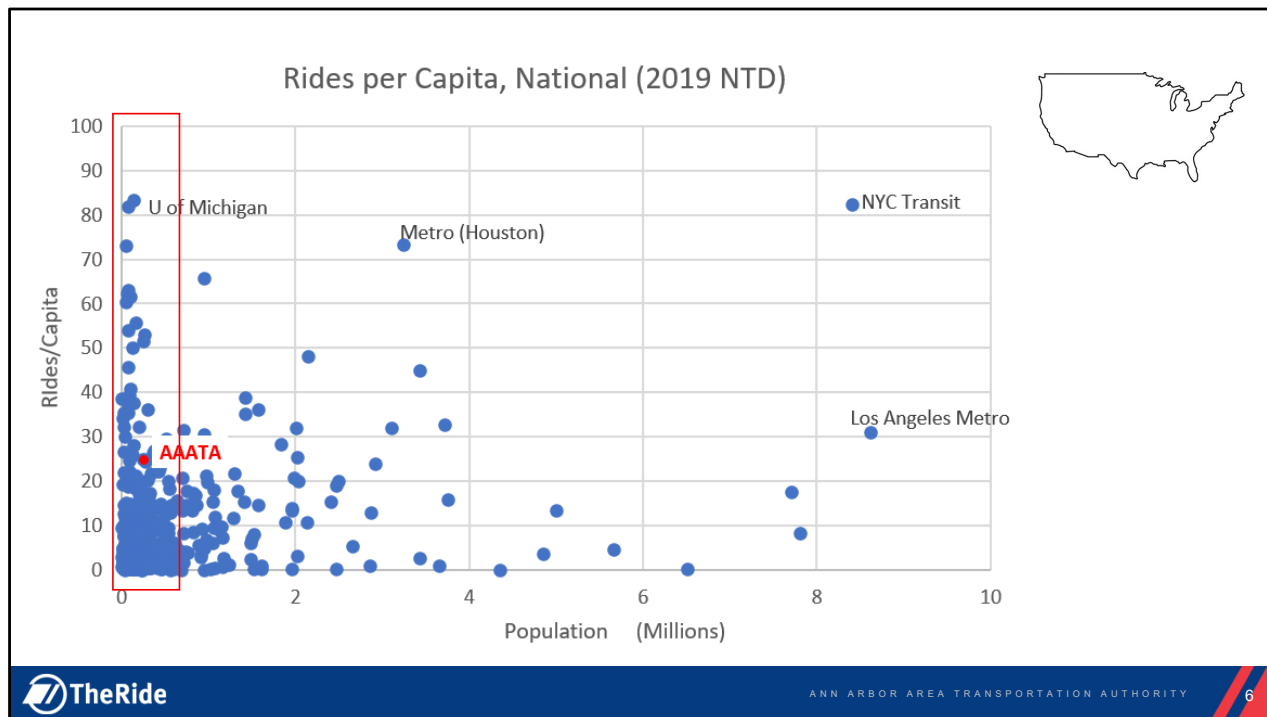
In spite of COVID, by 2023 transit use in the AAATA area was still higher than almost all of southeast Michigan. Transit ridership here includes AAATA and UM bus riders. Globally the midwestern US has a generally very low ridership due to low population density and sprawling land uses, cheap car use, population loss, and weak urban cores. Source SEMCOG.



These charts illustrate mid-pandemic statistics for the percentage of commuters traveling by transit, and by car alone. Nationally, the Ann Arbor/Ypsilanti area's transit ridership is already relatively high and car use relatively low.

Key observations include:

- A 3% transit mode share (of all commuting trips) may not sound like a lot, but it is pretty good for a small community in the midwest US. We have a higher mode share than many larger cities.
- We also have a much lower share of people driving alone, illustrating how many people walk, bike or take transit.
- These trends are likely related to being a college town but also to the many robust transport alternatives provided in Ann Arbor.

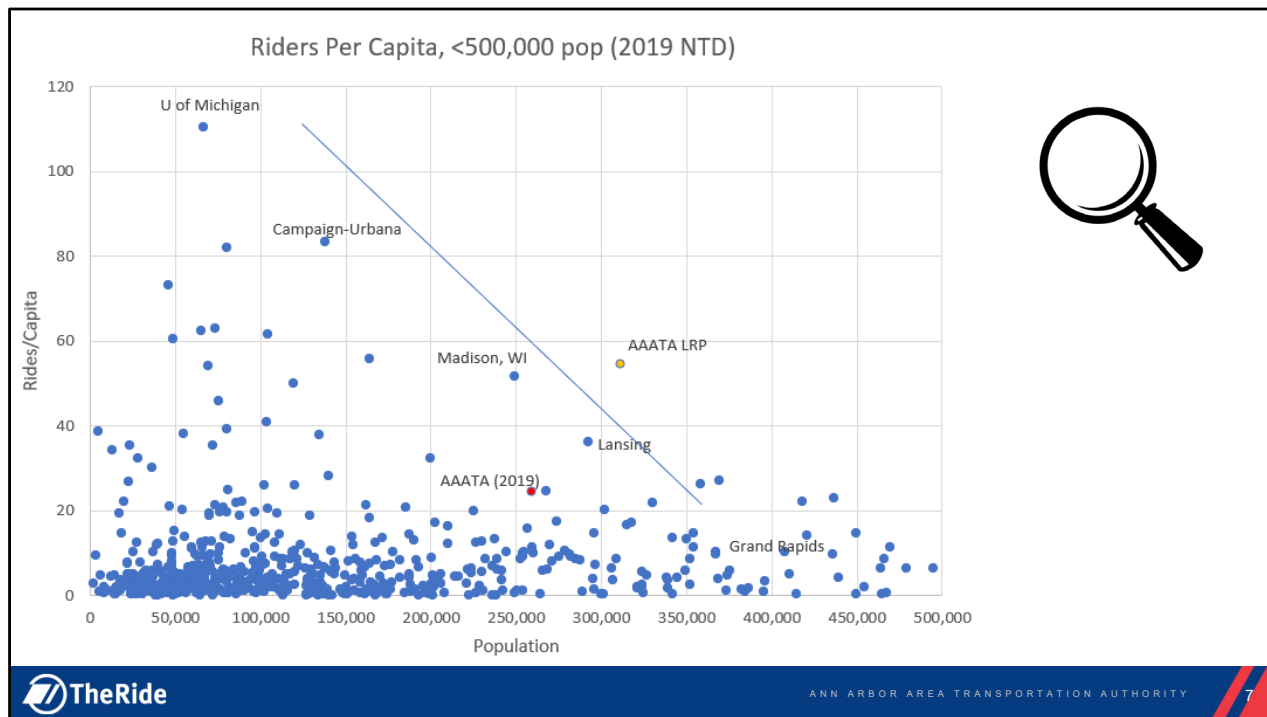


This graph illustrates ridership per capita (trips/population). Data is from the National Transit Database and good only for making broad comparisons. Staff will be updating this preliminary chart with more recent data.

At the national level we can see:

- How most communities have very low rides/capita – a reflection of how auto-oriented the US is. European and even Canadian levels can be much higher due to cultural norms, urban form, and public policies.
- Transit-oriented urban form matters a lot (see NYC vs LA).
- AAATA does pretty well for a small community. Let’s zoom in on the smaller communities...

(The area in red is highlighted on the next page.)



Looking at communities with <500,000 residents:

- With 24 rides/capita (2019), the AAATA (in red) outperforms most communities. There are only two in our population group doing better (Lansing, Madison). Most communities doing better are college towns where the public transit agency carries many more students than AAATA. We may need to combine UM and AAATA ridership to make a fair comparison.
- The UM’s bus service has a very high rides/capita mostly because the population served (UM students + staff) is small (60,000). UM has about as many annual trips as the AAATA.
- There seems to be an threshold (blue line) beyond which there are no communities achieving higher rides/capita. This suggests a limit to reasonable expectations within the current US paradigm of urban form and preferences for cars.
- The AAATA’s long-range plan (in yellow) sees us doubling ridership as the population grows. It is very aggressive but not impossible (more later).

Staff will be reaching out the high-performing agencies to learn what they are doing differently. Madison, Houston and Champaign-Urbana in particular.

## Implications

- Low mode share is normal for US cities built around the car
- AAATA ridership is doing pretty well
- We should manage our expectations – rapid growth is unlikely
- Opportunities to grow ridership do exist, but may not be easy or fast
- Higher performing communities should be investigated



# Agenda

- Context
- How Ridership Grows
- TheRide's Approach
- Next Steps & Discussion



## Why Does Ridership Increase?

- Demand Increases
  - Pop/Economic growth
  - Pop density/urban form
  - Pricing, marketing, etc
  - *Competitiveness of alternatives*
- Supply Improves (Services)
  - Quantity and Quality of Service



Transportation is an economic phenomena:

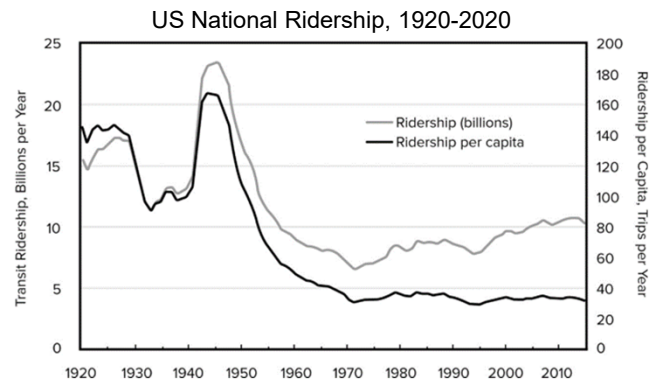
- The **Supply of transportation** is what transit agencies provide. We provide a certain Level of Service (LOS) in terms of frequency, hours of operation, etc; and Quality of Service (QOS) in terms of reliability, crowding, directness of travel, cleanliness, etc. Increasing the Supply of transportation (eg frequency of service) can attract new riders (ie induce demand).
- The **Demand for Travel** arises from millions of individual human decisions, for example the growth/relocation of populations and economic activity. As a society we then shape the Hows of transportation (competing modes like car, transit, bikes, etc). We all seek to reduce the time and money costs of transportation since it is essentially an unproductive overhead cost we incur to achieve access to the opportunity at a destination (ie derived demand). We then further shape the transport systems to our social preferences in line with what we are willing to pay for. This calculation *should* factor in externalities (a side-effect impacting others) such as air pollution, traffic fatalities, etc, However cultural and political resistance can limit the willingness to acknowledge all costs. For example, American preferences for personal mobility led to the construction of the freeways network and dismantling of streetcar and intercity train networks.

Generally, transit agencies focus on the issues they direction control such as services (supply), fare prices and advertising. Most Demand decisions are made outside transit agencies, are difficult to influence, and overwhelmingly pro-car.



## Why Does Ridership Increase?

- Demand Increases
  - Pop/Economic growth
  - Pop density/urban form
  - Pricing, marketing, etc
  - *Competitiveness of alternatives*
- Supply Improves (Services)
  - Quantity and Quality of Service
- TheRide is working on both sides...



The chief competitor for transit is the personal car. Since 1920, American society has been aggressively rebuilt to *promote* car use with broad subsidies and supportive public policies. This has been widely embraced by society and has facilitated auto-oriented lifestyle and economy. This is the paradigm in which we still exist and will not be easy to change. Most households have at least one car, and reliance on public transit has been reduced to major cities, people who cannot drive, and spaces where parking is prohibitively expensive.

Building transit ridership is about carving out economic niches in an environment *almost entirely dominated* by preference for, and support of, the personal automobile. Transit's main advantage lies in economies of scale and being able to transport large numbers of people in crowded spaces at a lower per trip cost than cars/parking. To grow ridership in an auto-oriented society, TheRide will need to work on both the Supply and the Demand.

# Agenda

- Context
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- Next Steps & Discussion




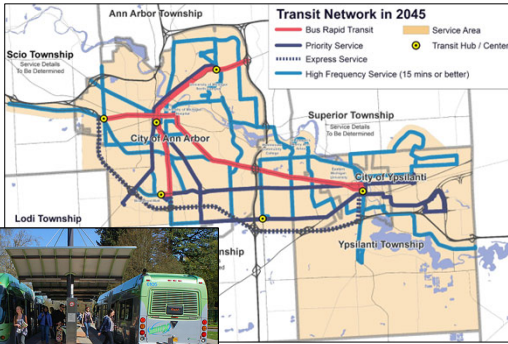


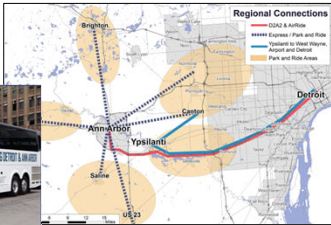
# TheRide's To-Do List



TheRide has plans in place to work on both the Supply and Demand sides of growing ridership although Supply has come first in recent years. We have been focused on institutional health, quality, and developing a new vision of transit (long-range plan, TheRide2045). No institution but TheRide is capable of leading that effort since we are also responsible for delivering it. We also needed to get started on major capital projects that will take years to build.

With plans for the Supply now in order, we are able to focus more attention on increasing Demand. An important new area of activity will be advocacy and actively pushing for changes to outside public policies that favor the personal automobile. As with Supply, this will also be a long-term effort. Initial discussions regarding advocacy goals with the Board are anticipated in June 2024. New marketing efforts are also in development.

So let's discuss the single biggest part of TheRide's plan to increase ridership – TheRide2045, our long-range plan.

**Transit Network in 2045**

- Bus Rapid Transit
- Priority Service
- Express Service
- High Frequency Service (15 mins or better)
- Service Area
- Transit Hub / Center

**Regional Connections**

- AAATA Routes
- Express / Park and Ride
- Routes to West Washtenaw, Support and Central
- Park and Ride Areas

**TheRide**

ANN ARBOR AREA TRANSPORTATION AUTHORITY

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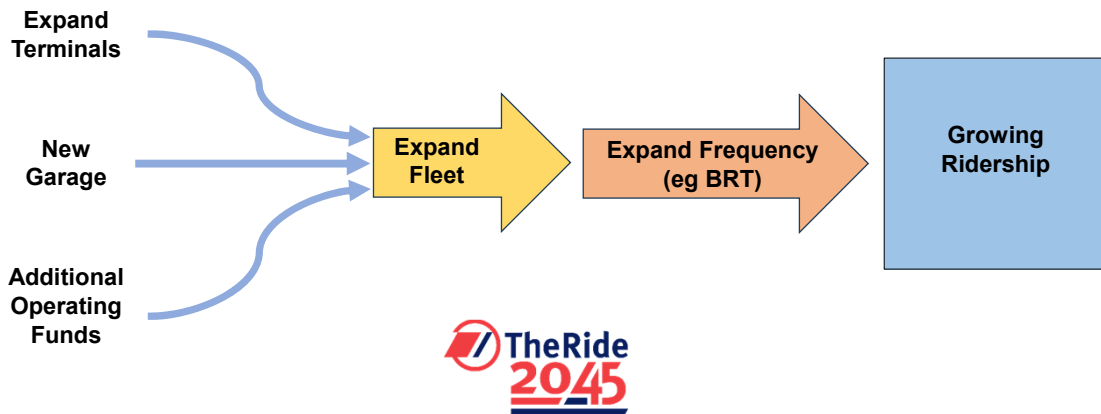
## Increase frequency

- **Frequency = Freedom**
- Faster, more direct travel
- Wider hours of operation
- Regional footprint, new markets
- New technologies, services, etc

TheRide2045 is a 25-year blueprint for service and infrastructure improvements to increase the Supply (LOS and QOS) of transit services. It intensifies service within the existing service area to complement increasing density. The central argument is that increasing frequency of bus service (departures/hour) is the most important way lure drivers away from their cars because frequency can offer a similar convenience and flexibility to their cars but at a much lower price. These improved services will benefit riders of all types, not just car owners.

It also looks to key commuters markets entering Ann Arbor with regional park n rides.

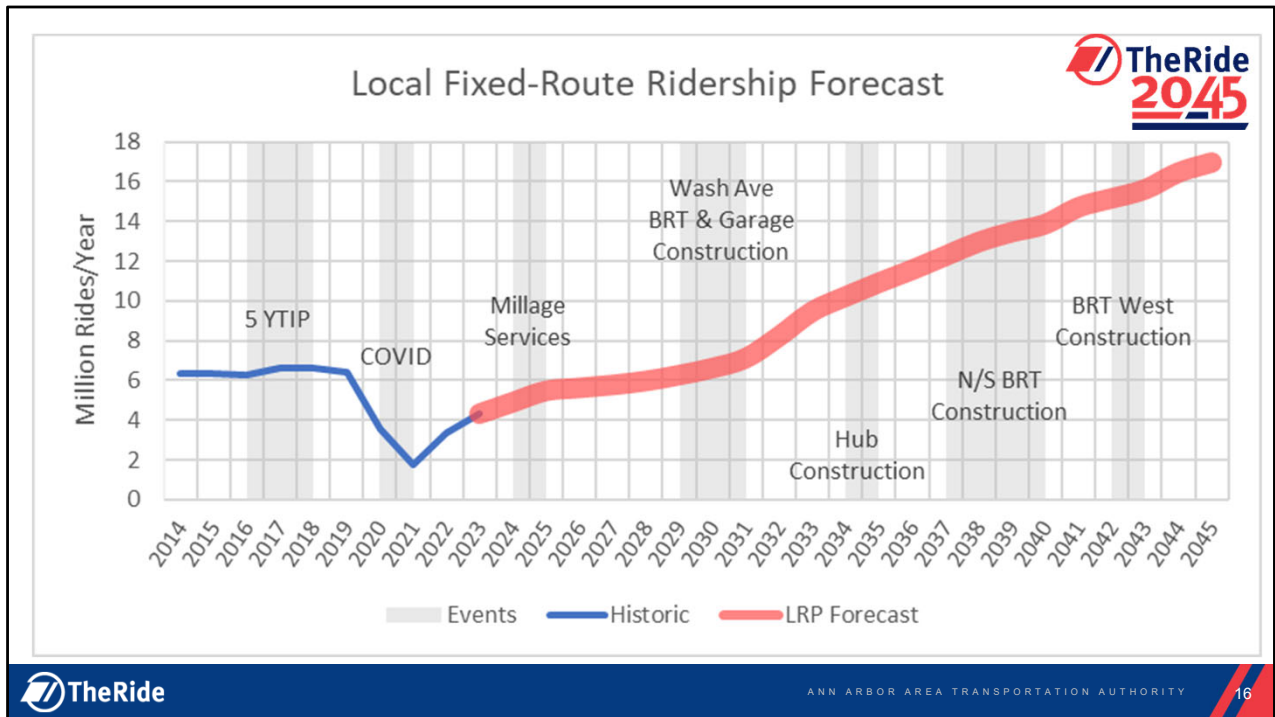
## Critical Path: Capacity, Frequency, Ridership



TheRide2045 addresses dozens of activities and initiatives. But the greatest opportunity involves increasing the frequency of bus service. No other effort is likely to have as much impact on attracting new riders. However, there are barriers to increasing frequency which form a critical path; To increasing frequency, we'll need more buses. But the current bus garage is full. So we'll need a new garage first.

Most staff energies have been focused on beginning the efforts to eliminate these specific barriers. These efforts take priority and *other initiatives are accommodated as resources permit*.

These steps involve expensive fixed assets (buildings) that naturally take time to develop. Since TheRide cannot afford them without a large amount of federal assistance, we must go through time-consuming federal processes (NEPA, competition for grants, etc) that add much more time. *The extended duration will require sustained focus and discipline by TheRide over decades.*

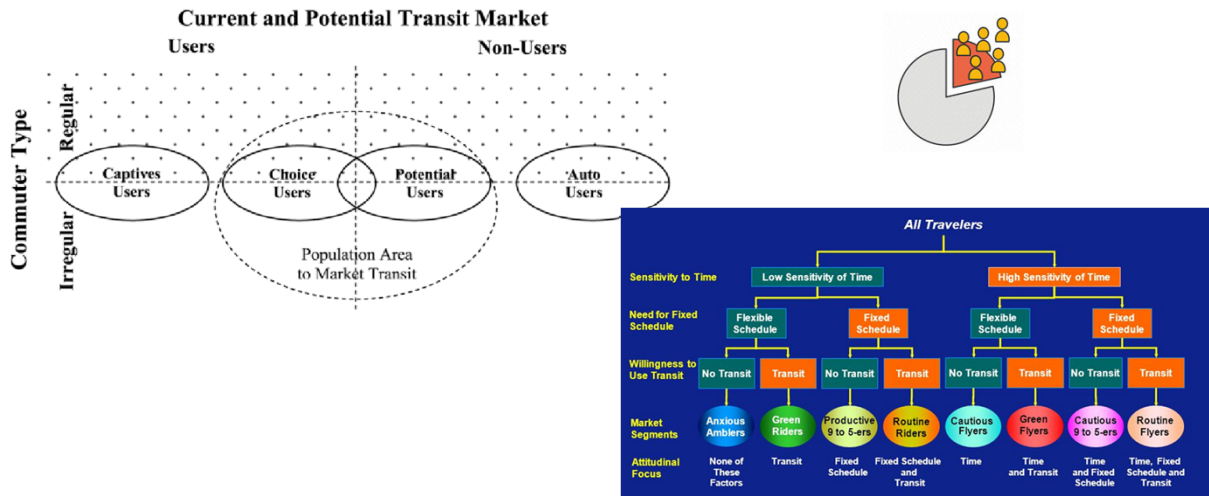


This chart illustrates projected ridership from the plan. Milestones and major initiatives are also illustrated. As seen in the rides/capita graph earlier, this forecast is aggressive but realistic.

TheRide2045 includes MANY initiatives beyond increasing frequency and is internally organized to implement these in a rational, cost-effective sequence. The 10-year Capital Plan in the annual budget is based largely on the sequence of capital projects from this plan.

Additional efforts focused on advocacy and marketing are now able to begin. Market segmentation gives us another tool for thinking about targeting groups of riders based on differing needs.

# Market Segmentation



We can better understand our potential customers by borrowing a technique from the retail sector, market segmentation. Breaking down the total population into certain groups can help us to better understand what it will take to increase ridership. The broadest distinction can be made between those who cannot drive, sometimes called “Captive Riders”, and those with access to a car called “Discretionary Riders”. Preferences can be further subdivided and targeted for more attractive services, pricing, or information and advertising. This is the lesson of MRide, targeting a particular population that was very large and had economic forces working against car use (costly parking).

Although TheRide has a social mission and will not ignore those who cannot drive, we need to acknowledge that those populations are not large enough to create a lot of new transit trips. According to SEMCOG’s Community Explorer, in Ann Arbor about 88% of households had access to at least one car. In Ypsilanti the figure was 87%. In surrounding townships, 94%-98% of households have a car. While we will continue to serve captive riders, the key to *significant increases in ridership may lie in attracting the much large number of car owners away from their cars* for some trips. Fortunately, the improvements to services intended to attract car owners will also benefit every other group.

To achieve economies of scale, mass transit works best when numerous groups use the same basic service. It would be cost prohibitive for us to design separate services to appeal to each group.

## Advocacy & Outside Policies

- TheRide's first Advocacy Agenda in development
- Coming to Board for feedback in June
- Likely areas of focus:
  - Land development & parking policies
  - Highways
  - Funding
  - Bus Lanes
- Marketing (advertising) will also evolve



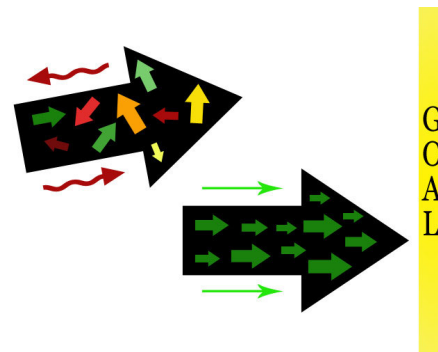
The CEO intends to bring a draft advocacy agenda to the Board by June for feedback. Some initial efforts to influence outside decisions have already begun. Local, regional, state, and federal policies will all be addressed.



# Alignment

## Organize resources toward agreed-upon goals

- Requires/Encourages focus
- Needed for long-term projects
- Minimizes distractions & waste
- Requires sustained consensus
- May not accommodate everyone



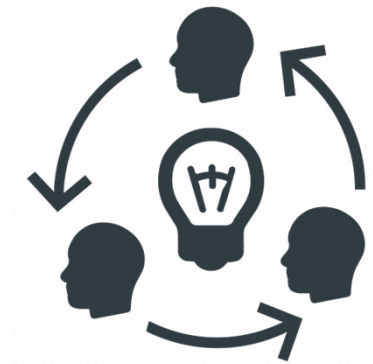
As exciting as these plans are, we can't do it all at once. TheRide's organizational capacity is limited. There are also natural sequences where some steps should come first. It becomes essential to prioritize and organize our numerous tasks into multi-year work plans, and then remain focused on these long-term goals. We'd rather do a few things well, than many things poorly.

Page 14 in the 2024 Corporate Business Plan lists 35 different category of tactics under consideration or action. The CEO estimates that there about around 80 change-initiatives presently ongoing within the agency, most focused on riders and building organization capacity. Crucially, all of this *is in addition* to our core mission of reliably delivering: 5,000 passengers on 1,900 scheduled bus departures daily, 300+ paratransit customers, and numerous other daily tasks. At least 90% of TheRide's 300 staff and \$60 million annual budget are dedicated to delivering daily services.

Alignment is about optimizing resources towards a pre-determined goal. (While increasing ridership is the Board's primary goal, we shouldn't forget other goals for social, economic and environmental sustainability.) TheRide is aligning its limited resources to work on both the Supply and Demand sides of the equation. For TheRide, key alignment tools include: Policy Governance, Corporate Business Plan, and the long-range plan. This proactive system is well-suited to maximizing progress on pre-determined priorities. However, if local politics and competing voices lead to reactive behavior, such as constantly shifting priorities or exceeding agency capacity, an agency can become over-extended or unable to make progress on its core mission.

## Open to New Ideas

- Staff seek feedback numerous times every year & welcome suggestions
- Every new idea is considered, old ideas are reevaluated
- Useful ideas are incorporated
- Some ideas are discarded



Some of the criteria that staff use to judge ideas can be found on page 38 of the Corporate Business Plan and include: alignment, roles, risks, priority, tradeoffs/affordability, capacity, sequence and readiness, precedents, prior commitment, and impact.

In March the CEO will be presenting on innovation and new efforts underway within TheRide. That presentation will press further into describing How the CEO and staff assess tactics and suggestions. We suggest that those conversation wait until next month.

## Closing

- AAATA ridership is already relatively high
- Plans are in place to address Supply and Demand
- Next Steps: Innovation (March)
- Discussion
  - Clarifications?
  - Suggestions?



ANN ARBOR AREA TRANSPORTATION AUTHORITY

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The Board had specified “Ridership Growth” in its Annual Plan of Work. The CEO would like to know if this presentation satisfies or if the Board would like additional information.

# Transit Ridership Growth

Board Education  
Matt Carpenter, CEO  
February 2024



## FY2024 Q1 Financial Statement

**Finance Committee Review Date: February 13, 2024**

**Board Meeting Review Date: February 22, 2024**

<b>INFORMATION TYPE:</b>
Receive as CEO operational update.
<b>RECOMMENDED ACTION(S):</b>
Receive as CEO operational update.
<b>PRIOR RELEVANT BOARD ACTIONS &amp; POLICIES</b>
<ul style="list-style-type: none"> <li>2.10.1.5 CEO shall not...Let the Board be unaware of... incidental information (including) quarterly budget to actual financial reports.</li> <li>Appendix A: Informational Reports schedule specifies quarterly Financial Statement reports in November, February, May, and August.</li> <li>Policy 2.6 Investments and Appendix F Investment Policy.</li> </ul>
<b>ISSUE SUMMARY:</b>
Staff presents the Preliminary Fourth Quarter Financial Statement with currently available and reportable financial information for the period ending September 30, 2023.
<b>BACKGROUND:</b>
<p>Financial highlights from the first quarter (October 2023 to December 2023) include:</p> <ul style="list-style-type: none"> <li>TheRide operated within the budget for the first quarter of the year.</li> <li>There was an \$3.5 million surplus of revenues over expenses. However, we don't expect any surplus by year-end as we commence expenditures for the upcoming service expansion.</li> <li>Expenses were \$1.7 million lower than budgeted primarily due to timing of benefits expenditures and unfilled positions.</li> <li>Revenues were \$0.8 million higher than budgeted driven by timing of revenue collection compared to a straight-line budget. Nevertheless, there are two exceptions: Property Taxes and Other revenue. Both are expected to continue to trend over budget throughout the year.</li> <li>The current balances for the three board-approved reserves are as follows: operating reserve at \$12.9 million or 2.9 months, based on year-to-date expenses, capital reserve of \$33.2 million, and insurance reserve at \$0.5 million.</li> <li>\$54.2 million in Federal pandemic relief revenue (CARES, ARP, CRRSAA) has been used to date to support operations. The remaining balance is \$4.5 million.</li> <li>Cash flow was adequate to cover expenses; Q1 2024 ended at \$51.9 million in cash and investments.</li> </ul>

- Investments are stable. One treasury bonds matured during the quarter and the \$2 million proceed was placed in the CDARS program. Participation in the CDARS program currently provides the opportunity to earn a competitive interest rate (4.8% at the end of Q1 FY2024) compared to agency bonds and treasury notes, without the requirement to commit the cash to a longer-term investment. Additionally, all cash in the CDARS program is fully insured. Surpluses have been placed in the CDARS program instead of treasury notes or agency bonds. Interest rates for the CDARS program, agency bonds, and treasuries are evaluated quarterly to ensure cash is safe, we have adequate liquidity, and that cash returns the highest yield compatible with prudent investing (Board Policy 2.6).

**IMPACTS OF RECOMMENDED ACTION(S):**

- Budgetary/Fiscal: Demonstrates financial performance for the reporting period
- Governance: Supports Board in financial oversight/fiduciary responsibility

**ATTACHMENTS:**

FY2024 Q1 Financial Statement (Income Statement and Balance Sheet)



Ann Arbor Area Transportation Authority

# Q 1 Financial Statement

## Income Statement

For the Period Ended December 31, 2023

### Revenue and Expense (Budget to Actual)

In Thousands of Dollars

BLACK = FAVORABLE  
RED = UNFAVORABLE

REVENUES	Actual Quarter 1	Actual Quarter 2	Actual Quarter 3	Actual Quarter 4	Actual YTD	Budgeted YTD	Budget Variance	
							\$	%
Fares and Contracts	\$ 1,961				\$ 1,961	\$ 1,589	\$ 372	23.4%
Local Property Taxes	5,413				5,413	5,006	407	8.1%
State Operating Assist.	5,451				5,451	5,216	235	4.5%
Federal Operating Assist.	688				688	1,721	(1,033)	-60.0%
Federal Pandemic Relief	2,300				2,300	2,262	38	1.7%
Other Revenues	883				883	110	773	702.7%
<b>Total Operating Revenues</b>	<b>\$ 16,696</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,696</b>	<b>\$ 15,904</b>	<b>\$ 792</b>	<b>5.0%</b>
<b>EXPENSES</b>								
Salaries, Wages, Benefits	\$ 6,691				\$ 6,691	\$ 8,017	\$ 1,326	16.5%
Purchased Transportation	3,535				3,535	3,251	(284)	-8.7%
Fuel, Material, Supplies	1,252				1,252	1,628	377	23.2%
Purchased Services	781				781	954	173	18.1%
Other Expenses	888				888	1,031	143	13.9%
<b>Total Operating Expenses</b>	<b>\$ 13,147</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,147</b>	<b>\$ 14,881</b>	<b>\$ 1,734</b>	<b>11.7%</b>
<b>Surplus (Deficit)</b>	<b>\$ 3,549</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,549</b>	<b>\$ 1,023</b>	<b>\$ 2,526</b>	<b>247.0%</b>
<b>Capital Reserve Transfer</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Operating Reserve Transfer</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>OPERATING BALANCE</b>	<b>\$ 3,549</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,549</b>	<b>\$ 1,023</b>	<b>\$ -</b>	

TheRide had a \$3,549,000 surplus at the end of the first quarter.

Revenues were higher than budgeted by \$792,000 driven by timing of revenue from MRide contract and higher interest revenue. We maintained a conservative approach in our assumption regarding interest revenue.

Expenses were \$1,734,000 lower than budgeted primarily due to unfilled staff positions and timing of benefits expenditures.

**Federal Pandemic Relief Utilization**  
Expenditures from \$58.7 million in Federal Pandemic Relief funding as of December 31, 2023, for eligible COVID-19-related costs:

Operating Expenditures	\$ 54,245,090
Capital Expenditures	\$ -
<b>TOTAL EXPENDITURES</b>	<b>\$ 54,245,090</b>

Federal Pandemic Funds Remaining: \$ 4,499,897

### YTD Revenue and Expense By Mode

In Thousands of Dollars

	Fixed Route	Demand Response	Other Demand Response	Non-Urban	D2A2	VanRide	TOTAL ACTUAL
	<i>Fixed Route Bus</i>	<i>A-Ride</i>	<i>FlexRide, GoldRide, NightRide</i>	<i>WAVE, Peoples Express</i>	<i>Detroit Shuttle</i>	<i>VanRide, Ride Sharing</i>	
<b>DIRECT REVENUE</b>							
Fare Revenue	\$ 374	\$ 23	\$ 61	\$ -	\$ 80	\$ -	\$ 538
Contract Revenues	1,050	-	-	373	-	-	1,423
Advertising, Interest, Other	883	-	-	-	-	-	883
Federal Operating	-	-	-	-	564	-	564
State Operating	4,313	577	190	303	-	68	5,451
<b>Total Direct Revenue</b>	<b>\$ 6,620</b>	<b>\$ 600</b>	<b>\$ 251</b>	<b>\$ 676</b>	<b>\$ 644</b>	<b>\$ 68</b>	<b>\$ 8,859</b>
<b>TOTAL EXPENSE</b>							
Salaries, Wages, Benefits	\$ 6,336	\$ 273	\$ 25	\$ 39	\$ -	\$ 18	\$ 6,691
Purchased Transportation	19	1,383	571	754	612	196	3,535
Fuel, Materials, Supplies	1,105	147	-	-	-	-	1,252
Contracted Services	741	28	-	12	-	-	781
Other Expenses	811	20	10	13	32	2	888
<b>Total Operating Expense</b>	<b>\$ 9,012</b>	<b>\$ 1,851</b>	<b>\$ 606</b>	<b>\$ 818</b>	<b>\$ 644</b>	<b>\$ 216</b>	<b>\$ 13,147</b>
<b>Surplus (Deficit) from OPS</b>	<b>\$ (2,392)</b>	<b>\$ (1,251)</b>	<b>\$ (355)</b>	<b>\$ (142)</b>	<b>\$ -</b>	<b>\$ (148)</b>	<b>\$ (4,288)</b>
<b>ALLOCATED REVENUE</b>							
Local Property Taxes	5,413	-	-	-	-	-	5,413
Federal Operating/Pandemic	528	1,251	355	142	-	148	2,424
<b>SURPLUS (DEFICIT):</b>	<b>\$ 3,549</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,549</b>

## Balance Sheet

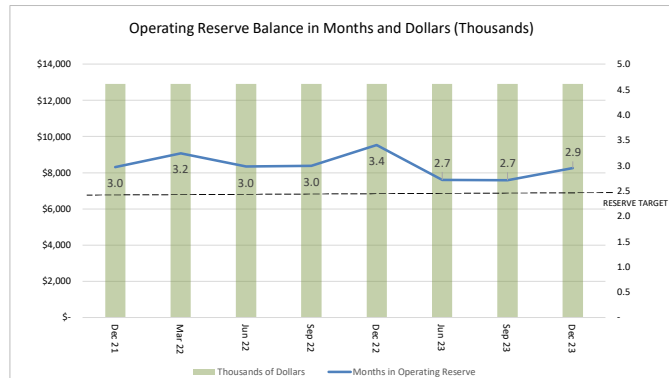
For the Period Ended December 31, 2023

### Balance Sheet and Reserve

In Thousands of Dollars, With Prior Year Comparison.

	Q1 2023 12/31/2022	Q4 2022 9/30/2023	Q1 2024 12/31/2023
<b>ASSETS</b>			
Cash	\$ 14,753	\$ 34,771	\$ 33,642
Investments	19,329	19,859	18,233
Other Current Assets	18,955	12,072	15,652
Capital Assets	45,154	41,125	39,688
<b>Total Assets</b>	<b>98,191</b>	<b>107,827</b>	<b>107,215</b>
<b>LIABILITIES</b>	<b>5,406</b>	<b>6,317</b>	<b>4,348</b>
<b>TOTAL NET POSITION</b>	<b>\$ 92,785</b>	<b>\$ 101,510</b>	<b>\$ 102,867</b>

	Balances		
	Q1 2023 12/31/2022	Q4 2022 9/30/2023	Q1 2024 12/31/2023
<b>RESERVES:</b>			
Capital	\$ 23,365	\$ 33,184	\$ 33,184
Insurance	\$ 500	\$ 500	\$ 500
Operating	\$ 12,905	\$ 12,905	\$ 12,905
<b>Months in Operating Reserve</b>	<b>3.4</b>	<b>2.7</b>	<b>2.9</b>



### Statement of Cash Flows (in Thousands of Dollars)

Historical Cash Flows	FY 2021	FY 2022				FY 2023				FY 2024
	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1
<b>Beginning Balance:</b>	\$ 17,506	\$ 35,455	\$ 32,606	\$ 28,626	\$ 29,403	\$ 44,678	\$ 34,082	\$ 41,961	\$ 41,537	\$ 54,630
Cash from Operations	17,749	(5,079)	(3,775)	573	25,604	(5,186)	3,153	(205)	12,832	(3,045)
Cash from Capital	198	2,261	(90)	324	(3,163)	(5,510)	4,349	(166)	55	53
Cash from Investments	2	(31)	(115)	(120)	(7,166)	100	377	(53)	206	237
<b>Cash Flow:</b>	<b>\$ 17,949</b>	<b>\$ (2,849)</b>	<b>\$ (3,980)</b>	<b>\$ 777</b>	<b>\$ 15,275</b>	<b>\$ (10,596)</b>	<b>\$ 7,879</b>	<b>\$ (424)</b>	<b>\$ 13,093</b>	<b>\$ (2,755)</b>
<b>Ending Balance:</b>	<b>\$ 35,455</b>	<b>\$ 32,606</b>	<b>\$ 28,626</b>	<b>\$ 29,403</b>	<b>\$ 44,678</b>	<b>\$ 34,082</b>	<b>\$ 41,961</b>	<b>\$ 41,537</b>	<b>\$ 54,630</b>	<b>\$ 51,875</b>

#### Q1 cash flow was negative at \$2.8 million

The Statement of Cash Flows summarizes the amount of cash and cash equivalents entering and leaving AAATA during the reporting period. It measures how AAATA generates cash to fund its operating, capital, and investing needs. Typically negative cash flow is normal for all quarters except the 4th quarter, when property tax receipts generate positive cash flow.

### Investments Summary

In Thousands of Dollars

Investment Instrument	Date of Maturity	Interest Rate	Total as of		Total as of 12/31/2023
			09/30/2023	Transactions	
U.S. Agency Bond	11/6/2023	0.25%	\$ 2,000	\$ (2,000)	\$ -
U.S. Agency Bond	1/19/2024	0.23%	750	-	750
U.S. Agency Bond	4/8/2024	0.38%	1,000	-	1,000
U.S Treasury Notes	6/30/2024	3.00%	2,000	-	2,000
U.S. Agency Bond	9/15/2024	2.88%	2,500	-	2,500
U.S. Agency Bond	9/23/2024	0.50%	2,000	-	2,000
U.S. Agency Bond	2/24/2025	3.75%	200	-	200
U.S. Agency Bond	3/28/2025	2.83%	2,500	-	2,500
U.S. Agency Bond	3/28/2025	3.10%	2,000	-	2,000
U.S. Agency Bond	6/27/2025	3.25%	2,000	-	2,000
U.S. Agency Bond	8/8/2025	4.10%	1,400	-	1,400
U.S Treasury Notes	11/24/2025	5.50%	1,800	-	1,800
Money Market Funds	N/A	5.23%	228	119	347
Mark-to-Market Adjustment			(382)	118	(264)
<b>Total Investments:</b>			<b>\$ 19,996</b>	<b>\$ (1,763)</b>	<b>\$ 18,233</b>

Q1 2024 Investment Gain (year to date): \$237,000

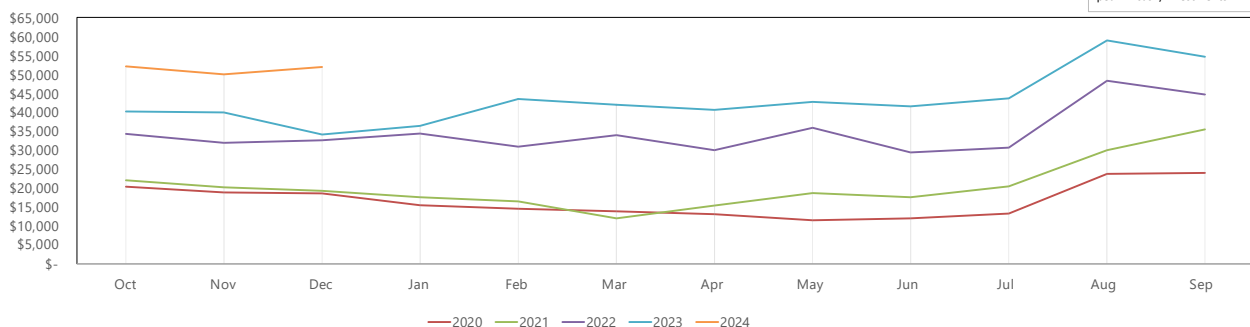
U.S. Treasury Bills, Notes, and Agency Bonds are short term bonds (several months to 10 years) backed by the Treasury Department of the U.S. Government. The rates shown for the current investments represent the gross yield-to-maturity rates (before the annual fee of .28%).

A FDIC-insured cash sweep account or accounts that have balances above the FDIC insurance threshold are used for day-to-day working capital.

### Cash and Investments History

Total Cash and Investments by Month and Year (2020 to 2024 YTD)

In Thousands of Dollars





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## CEO Report

Meeting: Board of Directors

Meeting Date: February 22, 2024

### INFORMATION TYPE

### LONG-RANGE PLAN STATUS UPDATES

#### YPSILANTI TRANSIT CENTER PLANNING

The DLZ, HDR, and AAATA team continues their work to validate and update the 2018 Passenger Terminal Needs Assessment, including facility programming, confirming the site, and working with the FTA through the planning, environmental documentation, and design processes. We have also developed a Stakeholder and Public Engagement Plan and have begun planning the April 2024 public engagement opportunities. TheRide has also reached out to officials with the City of Ypsilanti plans to address the City Council in March.

#### MDOT WASHTENAW AVENUE and US-23 STUDIES

On February 9<sup>th</sup>, TheRide put out a press release making a formal offer to partner with MDOT to investigate a pro-transit scenario as part of their ongoing US-23 study, that could divert traffic away from parts of US-23 and local roads (i.e. Plymouth Rd & Washtenaw Ave) and could be a more cost-effective option for the State of Michigan. The CEO is meeting with the regional engineer in March.

MDOT announced that two virtual open houses on the US-23 Corridor Improvement and M-17 (Washtenaw Avenue) have been opened as of February 8<sup>th</sup> and will be open until March 10<sup>th</sup>; comments may be made via email or through an online form.

#### BLAKE TRANSIT CENTER EXPANSION

TheRide continues to work with the Ann Arbor Housing Commission and City staff on the joint development of the old Y-Lot site adjacent to the BTC. Plans and agreements between the partners have not changed and the project is making steady if slow progress. The Housing Commission issued an RFP on December 12, 2023 to attract a co-developer to provide additional design support for the project. Proposals were submitted on February 8, 2024, and the evaluation team will begin their review promptly. A separate study led by the DDA to redesign 4th Avenue from Liberty St. to William St. is ongoing. The goal is to make 4th Avenue more transit/pedestrian friendly along with the BTC expansion project. The 4th Ave project team is shifting into a slower place so that we can understand and potentially align with the timeline for the Y-Lot project. This will help DDA and AAATA staff plan better for 4th Ave funding, document submittals, bidding, construction, and budgeting. TheRide will ensure that various stakeholders, including drivers, customers, and other staff, among others, have continuing opportunities to provide input.

## **ZERO EMISSIONS BUS PROPULSION**

In January, the Board approved proceeding with grant submissions for 2 hydrogen buses and up to 40 Hybrid buses. Further staff discussion has reduced the years of hybrids purchased from five to four (35 buses) to better align with anticipated transition to solely hydrogen purchases. A few weeks later guidelines for the federal Low or No Grant Program (Low-No) were released. The grant application deadline is April 25<sup>th</sup>. Staff have begun working on the grant application with assistance from consultant Calstart. TheRide has also been approached by the City of Detroit to partners with them on a different grant request for hydrogen buses. TheRide may submit both grants to improve chances of success.

## **OPERATIONAL UPDATES**

### **ADOPT-A-STOP**

A local resident recently adopted two of our stops, where they will work to keep bus stops clean of litter and safe for all riders.

### **MRIDE AGREEMENT**

Earlier this month, TheRide successfully signed a 10-year renewal with the University of Michigan for the MRide agreement, securing a fare agreement with TheRide's largest bulk customer. The general terms did not change and both parties have opportunities to call for changes during the term. The longer duration is purely administrative streamlining to reduce the number of contracts requiring signatures. This marks a further maturation of the MRide agreement which began in 2004 and has become indispensable to both parties.

### **EMPLOYEE ENGAGEMENT**

Staff are developing plans to celebrate national Transit Employee Appreciation Day on March 18.

### **STAFFING UPDATES**

Staff are working to hire additional employees in Fleet to help support the service improvements as part of the Long-Range Plan and approved millage. Some turnover continues, limiting organizational capacity in some instances.

### **CONFIRMATION OF 2023 SAFETY PLAN**

The Federal Transit Administration has accepted the last of the material related to the FY2023 Public Transit Agency Safety Plan (PTASP) and certified that TheRide is in compliance, removing a roadblock for future funding. Final rules on PTASP regulations have still not been released.

### **STOPGAP BUS REPLACEMENT**

TheRide is currently working on a mutual cancellation agreement with NovaBus, as reported last month, NovaBus is departing the US market. The remainder of the contract has been awarded to Gillig, a prominent manufacturer. Delivery of the new buses is set to take place in about 12 months. As per the 2019 authorization, the replacement buses will be conventional clean diesels (same as the Novas) and are not part of the ZEB or Low-No discussions. Staff anticipate a new procurement process in the future, which will include ZEB decisions.

### **LOCAL ADVISORY COMMITTEE (LAC)**

LAC Chair Andrea Henry shared that TheRide CEO Matt Carpenter was planning on meeting with the LAC group in the coming months to discuss the LAC work plan. Staff provided an

update on the AAATA Long-Range Plan, and monthly service updates were provided for paratransit, fixed route, and customer service.

**TRANSPORTATION COMMISSION (ANN ARBOR)**

The Commission met on January 17<sup>th</sup>. A policy agenda (legislative recommendations to council) was adopted with all AAATA suggestions accepted.

The Commission is set to meet on Wednesday, February 21, 2024. CEO Matt Carpenter is set to give brief remarks, focusing on the current developments with MDOT and the US-23 project, and may be looking to engage the commission and City Council on the issue. A discussion regarding bus lanes is tentatively scheduled for June.

**WATS POLICY COMMITTEE UPDATE**

The January meeting was canceled. The February 2024 WATS Policy Committee meeting is being held on Wednesday, February 21<sup>st</sup> at 9:30am.

**AUDIT**

The annual audit is being presented to the Board in February and is generally positive.