



# OPERATING BUDGET FOR FY2025

## Version 1.0

*Draft Budget*  
*Fiscal Year 2025*

2025

*Growing  
for the  
Future*

ANN ARBOR AREA TRANSPORTATION AUTHORITY

# 2025 Budget

## Budget Overview

The following sections outline the FY2025 Operating Budget (the budget). The initiatives outlined in this budget help advance the priorities identified in the **Long-Range Plan**. This budget also provides multi-year comparisons and context.

Highlights of the FY2025 Budget include:

- Full services for fixed-route and paratransit services
- Full year of millage supported expanded services
- Leverages property tax and LBO revenues to replace federal operating assistance and pandemic relief funding
- Additional costs of full year of millage supported services with primary drivers of wages, fuel plus supplies, and insurance
- Inflationary pressure impact on bus part and software expense
- Balanced operating and capital budgets
- Continues first phase of the long-range service plan

## Operations Overview

In FY2025, TheRide will operate at millage-supported expanded service levels for the whole year. The organization will not only continue to serve its existing ridership but augment the scope of its day-to-day operations to reach more individuals. Ridership projections are anticipated to increase due to expanded services, but otherwise are expected to remain fairly flat, consistent with projections. Assumptions regarding ridership are still undergoing review and are subject to change in August as the final budget draft is crafted.

The following tables present vehicle revenue hours (hours in service) and ridership, with comparisons between FY2023 actual performance and projections for 2024 and 2025, which are the basis for assumptions in the budget.

**Figure 1: Projected Vehicle Revenue Service Hours**

Service Hours	Actual FY2023	Projected FY2024	Budget FY2025	% Change (2025 vs. 2024)
Local Fixed Route	286,766	281,575	314,905	12%
Urban Demand Response	56,920	64,443	76,285	18%
<b>Total Service Hours</b>	<b>343,686</b>	<b>346,018</b>	<b>391,190</b>	<b>13%</b>

Note: Urban Demand Response includes A-Ride, GoldRide, FlexRide, NightRide and HolidayRide.

**Figure 2: Projected Ridership**

Ridership	Actual FY2023	Projected FY2024	Budget FY2025	% Change (2025 vs. 2024)
Local Fixed Route	4,350,470	4,669,720	5,054,248	8%
Urban Demand Response	113,174	119,272	139,570	17%
<b>Total Service Hours</b>	<b>4,463,644</b>	<b>4,788,992</b>	<b>5,193,818</b>	<b>8%</b>

Note: Urban Demand Response includes A-Ride, GoldRide, FlexRide, NightRide and HolidayRide.

### Operating Budget

The following tables and charts illustrate the elements of the FY2025 Operating Budget. Actual FY2024 revenue is tracking above target at the end of Q3 but forecasted to fall back to budgeted expectations by year end, apart from investment revenue which will remain elevated due to consistently high interest rates. Expenses this fiscal year will likely land somewhat below budget due to unfilled staff positions. In FY2025, overall operating expenses are increasing by 9.7% compared to FY2024 budget to support a full year of expanded millage services on top of our preexisting services.

Operating revenues are 12.1% higher than FY2024 budget with the inclusion of higher local property tax revenue. This revenue not only replaces prior year assistance from federal operating and pandemic relief funding but increases our resources by ~\$5.2 million to cover expanded services. This augmented millage-supported property tax revenue will provide sustainable funding to balance the budget through FY2029.

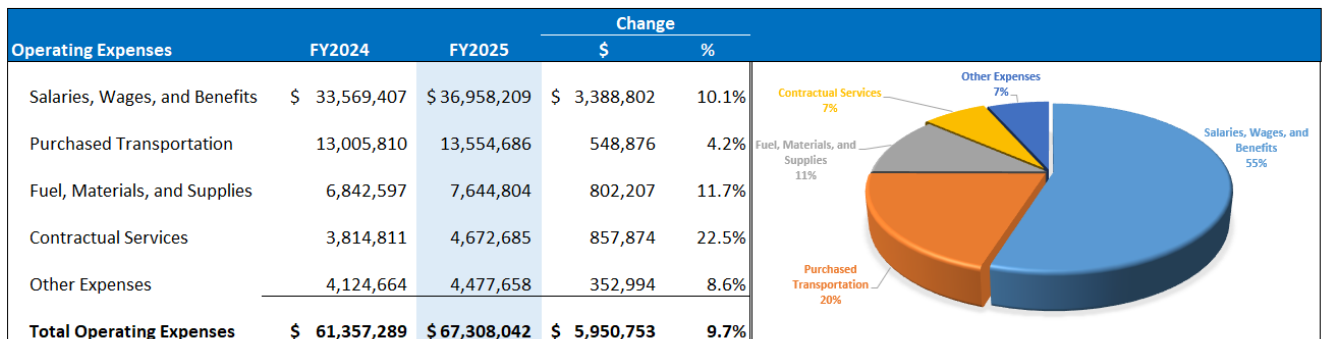
The budget produces a surplus of \$1,451,958 to be transferred to TheRide’s operating reserve. Further details of operating budget expenses and revenues, as well as multi-year comparisons are highlighted in this section of the budget document.

### Operating Expenses

As illustrated in Figure 3, FY2025 Operating Expenses are budgeted at **\$67,308,042**, 9.7% higher than FY2024.

**Figure 3: FY2025 Operating Expenses (with FY2024 Comparison)**

**FY2025 Budgeted Expenses (with FY2024 Comparison)**

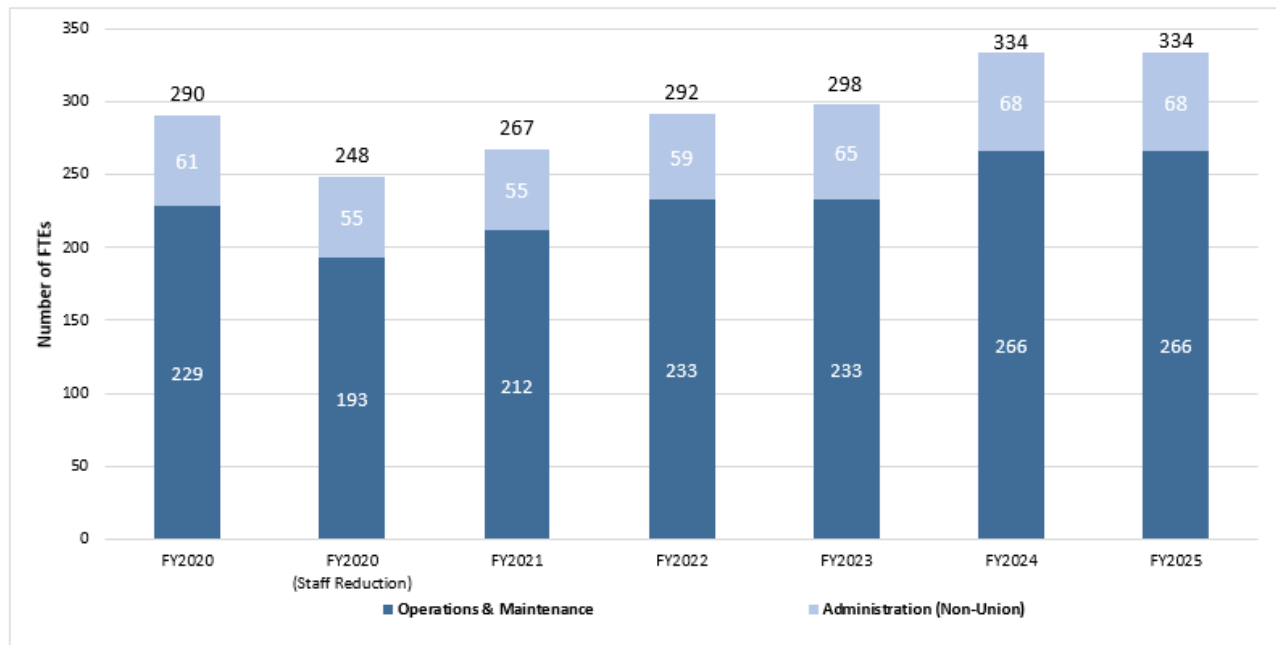


Descriptions of expenses and key budget assumptions are as follows:

- Expenses for the expansion of services begin this fiscal year and are reflected through all FY2025, supported by additional property tax revenue from the approved millage. The cost of these augmented services can be seen broadly across all expense line items apart from Purchased Transportation and Other Expenses. The necessary utilization of additional staff, fuel, materials and other direct costs for service rise proportionally with the larger scope of expanded operations.
- Salaries, wages, and benefits include a contractual pay rate increase for bargaining unit employees and a projected 4.0% annual increase for non-union employees (still under review). Thirty additional MCOs (Motor Coach Operators) were added during the latter part of FY2024 as TheRide ramped up towards expanded millage services, and the impact of this increased staffing is realized for the full year in FY2025 as this larger workforce is sustained.

Figure 4 illustrates staffing levels from FY2020 to FY2025. In FY2022 budgeted staffing levels were restored to pre-pandemic levels to meet service recovery schedules. There was a net of 36 new positions incorporated into the budget in FY2024 as supported by the millage plan, all of which will remain into FY2025 to support continued expanded operations.

**Figure 4: Full Time Employee (FTE) Staffing Levels FY2020 to FY2025**

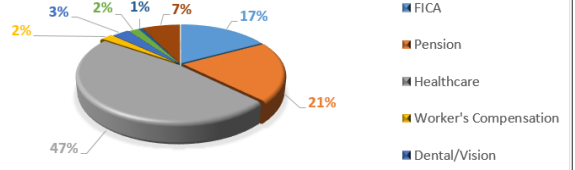


- Employee benefits costs are estimated based on historical actual costs and adjusted for anticipated inflationary rates. Figure 5 provides a comparison of the detailed employee benefits expenses and key assumptions. Employee benefits and payroll taxes increases are calculated with a full year of higher levels of salaries and wages to account for expanded services. Benefits expenses are increasing by 10.7% in line with this. Assumptions and explanations for significant changes in the employee benefits budget are described below.

## Figure 5: Employee Benefits Summary

FY2025 Employee Benefits (with FY2024 Comparison)

Type of Employee Benefit	FY2024		FY2025		Change	
					\$	%
FICA	\$ 1,793,752	\$ 1,893,074	\$ 99,322	5.5%		
Pension	2,122,846	2,240,708	117,862	5.6%		
Healthcare	4,493,130	5,219,220	726,090	16.2%		
Worker's Compensation	217,630	238,476	20,846	9.6%		
Dental/Vision	330,827	357,101	26,274	7.9%		
Disability (Short/Long Term)	203,705	220,416	16,711	8.2%		
Life Insurance	74,790	81,284	6,494	8.7%		
Other*	745,710	801,175	55,465	7.4%		
<b>Total Employee Benefits</b>	<b>\$ 9,982,390</b>	<b>\$ 11,051,454</b>	<b>\$ 1,069,064</b>	<b>10.7%</b>		



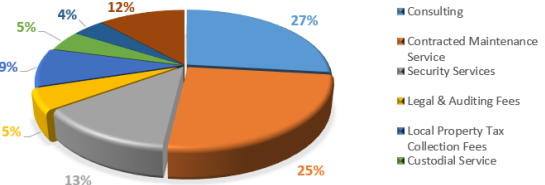
\*Other includes Health Care Savings Plan, Post-Retirement, EAP, Unemployment expenses

- FICA (Federal Insurance Contributions Act) or U.S. federal payroll taxes are based on statutory rates. Social security and Medicare rates are unchanged since 2022, 6.20% for earning up to \$147,000 and 1.45% respectively. FY2025 assumptions are budgeted consistent with the prior year.
- Pension expense is based contractual (union) or established rates (non-union) for eligible employees. For eligible employees, the pension expense is 9% of wages and is budgeted accordingly.
- Healthcare expenses are budgeted to increase by 16.2% when compared to the prior year budget. This is the largest component of benefit expenses, and the increase is consistent with TheRide's multi-year expectation of higher costs for this coverage.
- TheRide is self-insured for worker's compensation. The budgeted expense is based on the historical average cost per employee, which has been increasing in the last couple of years. TheRide also has a worker's compensation reserve, which is fully intact and has not been used to manage impacts of expenses to the operating budget.
- Purchased transportation expenses are 4.2% higher than FY2024. This stems from a variety of factors. The largest true increases in this category are to Night Ride and A-Ride, with costs rising by 64% and 23% respectively due to expanded services. WAVE and PEX costs have increased, but in line with additional contract revenue as pass-through services. D2A2 costs have decreased to zero from \$2mm, but this is offset by the absence of any contract revenue for it with the service being transferred over to the RTA.
- Fuel, materials, and supplies expenses, as shown in Figure 3, are up 11.7%. The primary source of this additional cost is the need for new software and cybersecurity. Additionally, Fuel costs are expected to be 6.9% higher than FY2024 on account of projected volume increases from expanded services.
- Contractual services expenses are 22.5% higher than FY2024 arising from increases in temporary plus consulting staff, auditing fees and collections fees.

**Figure 6: Contractual Services Summary**

**FY2025 Budgeted Contracted Services (with FY2024 Comparison)**

Type of Contractual Service	FY2024	FY2025	Change	
			\$	%
Consulting	\$ 833,590	\$ 1,252,000	\$ 418,410	50.2%
Contracted Maintenance Service	1,150,998	1,172,927	21,929	1.9%
Security Services	527,568	611,755	84,187	16.0%
Legal & Auditing Fees	200,000	240,000	40,000	20.0%
Local Property Tax Collection Fees	240,000	423,500	183,500	76.5%
Custodial Service	215,000	227,600	12,600	5.9%
Agency Fees	175,630	201,770	26,140	14.9%
Internet Services & Other	472,025	543,133	71,108	15.1%
<b>Total Contracted Services</b>	<b>\$ 3,814,811</b>	<b>\$ 4,672,685</b>	<b>\$ 857,874</b>	<b>22.5%</b>



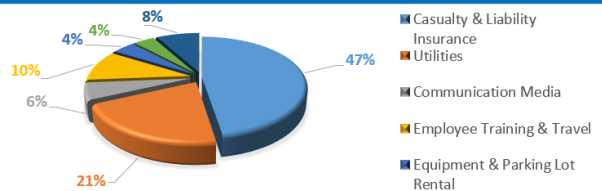
\*Other includes bank service fees, physical exam fees, temporary help, benefit admin fees, towing

- The use of temporary and consulting staff is required to ensure continued smooth operations as new internal staff are hired and trained. While actual costs of supplemental staffing services will decrease from the current year, the budget reflects the expected costs to continue support through FY2025. Internal staffing positions are budgeted as well, opening a path to scaling down these costs sustainably as new team members are hired and trained.
- External annual auditing fees have been increasing due to the specific audit requirements of being a transit organization, along with the significant growth in the size of the operating budget over the past several years, which increases the scope of external audits. The budget for these services is increased by \$40,000 in the budget to align actual costs.
- Collection fees are fees collected by municipalities for collecting property taxes and passing them through the agency. The fees are a percentage of property tax collections and are expected to rise in tandem with higher property taxes generated by the new millage.
- Other expenses are projected to increase by 8.6%, driven by higher premiums and rates for insurance and utilities respectively, but partially offset by reductions in Communication Media, Employee Training & Travel, plus Equipment & Parking Lot Rental. Variances in other expenses are illustrated in Figure 7 and described in further detail below.

**Figure 7: Other Expenses Summary**

**FY2025 Budgeted Other Expenses (with FY2024 Comparison)**

Type of Other Expense	FY2024	FY2025	Change	
			\$	%
Casualty & Liability Insurance	\$ 1,827,000	\$ 2,121,050	\$ 294,050	16.1%
Utilities	713,931	929,800	215,869	30.2%
Communication Media	367,970	250,500	(117,470)	-31.9%
Employee Training & Travel	514,760	452,740	(62,020)	-12.0%
Equipment & Parking Lot Rental	162,200	188,000	25,800	15.9%
Uniforms	210,000	175,000	(35,000)	-16.7%
Other	328,803	360,568	31,766	9.7%
<b>Total Other Expenses</b>	<b>\$ 4,124,663</b>	<b>\$ 4,477,658</b>	<b>\$ 352,995</b>	<b>8.6%</b>



\*Other includes dues and subscriptions, employee appreciation, recruiting costs, and Board governance and training

- Casualty and liability insurance is budgeted to be up by 16.1% from FY2024 driven principally by the need for increased coverage as our operating budget grows to accommodate expanded services, along with market rate increases to premiums themselves.

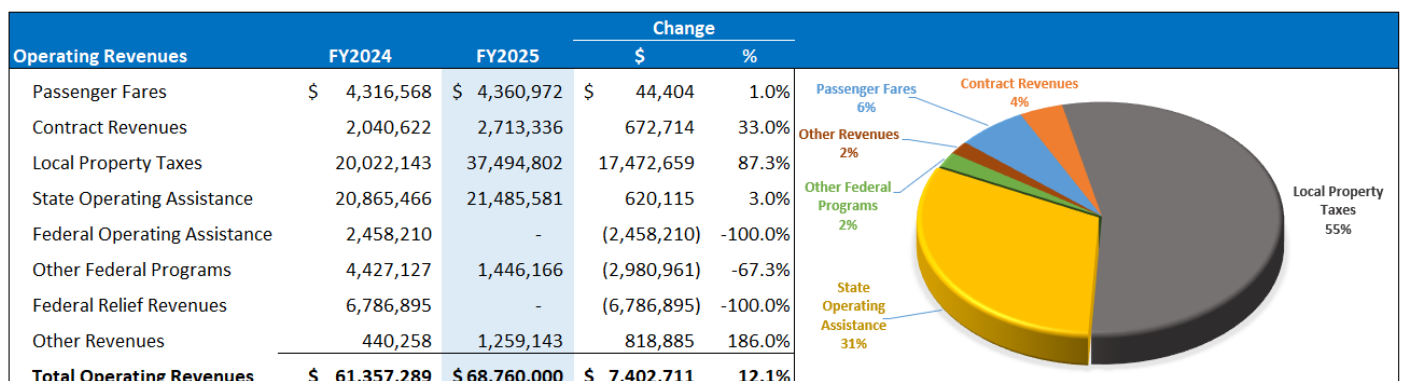
- Apart from water, utility costs are anticipated to rise considerably across the board, up by 30.2% in FY2025 compared to this fiscal year. The largest component of the growth in utility expense is due to increased usage of Telephone and Cellular Services both within bus operations and administration. Natural gas and electricity charges are expected to rise due to higher rates.
- Communication media encompasses fare media, such as paper tickets, token and physical announcements, along with educational materials used to inform the public about TheRide’s services, such as schedule publications and announcements regarding services (i.e., the Ride Guide, etc.). Costs in this category are budgeted down 31.9% primarily caused by the absence of fare media related to D2A2 with the service being transferred over to the RTA.
- Employee training & travel is decreasing in large part because many new staff members received training in currently utilized software systems during FY2024, when TheRide ramped up to the staffing needs of expanded services.
- Equipment & parking lot rentals are increasing due to the inclusion of rental space for the bike share program.
- Uniform expense is projected down due to hiring for expanded services occurring and stabilizing within FY24.
- Other expenses include dues and subscriptions, employee appreciation and recruiting costs. Additionally, costs of governance expenses are budgeted in this expense category. Per Board Policy 3.8, the costs of governance to support the Board’s education and ability to govern effectively are required to be included in the annual budget. Budgeted costs of governance will stay flat at \$50,000 in FY2025 to provide funding for engagement on legislative issues, governance education and recruitment as well as board policies review.

## Operating Revenues

As illustrated in Figure 8, FY2025 Operating Revenues are budgeted at **\$68,760,000**, a 12.1% increase from the FY2024 budget year.

**Figure 8: Operating Revenues (with FY2024 Comparison)**

**FY2025 Budgeted Revenues (with FY2024 Comparison)**



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

- Passenger fares: TheRide collects fares according to a Board-approved fare structure, paid either by passengers or by organizations (TheRide's purchase-of fare partners) on their behalf. As detailed in *Appendix 8.4*, fares vary based on service type (fixed route, A-Ride, etc.), rider category (Full Fare, Reduced Fare-Youth/Senior/Disability, etc.), and fare product (Token, 30-Day Pass, etc.). Fares may be paid by purchasing a token, pass, or mobile ticket in advance; by presenting an organization-paid pass; or by paying cash upon boarding. Purchase-of-fare partners are eligible to receive bulk purchase discounts and often provide additional discounts or free fares to their members. The FY2025 budget anticipates purchase-of-fare partnerships with Ann Arbor Downtown Development Authority (DDA), Ann Arbor Public Schools, Eastern Michigan University, University of Michigan, Washtenaw Community College, and several employers participate in the getDowntown go!pass program.

Passenger fare revenue increases by 1% in FY2025 guided by current ridership projections, with revenues expected to remain relatively flat. Fixed Route ridership is expected to increase in FY2025 due primarily to expanded services. Assumptions regarding ridership are still undergoing review and are subject to change in August as the final budget draft is crafted.

- Contract Revenues: TheRide enters into purchase-of-service agreements with Pittsfield, Scio, and Superior Townships to provide fixed-route and/or demand-response services in their communities. An additional contract with the Ann Arbor Downtown Development Authority supports getDowntown program operations. Pass-through contract revenue for nonurban service provided by People's Express and Western-Washtenaw Area Value Express (WAVE) is associated with state-led rural programs and offset by both agencies' operating expenses without a net impact on TheRide's budget.

Contract revenue has increased 33% in FY2025 due to higher revenue for WAVE and People's Express. As explained above, this increase in pass-through contract revenue nets to zero against the associated purchased transportation costs TheRide incurs.

- Local property taxes: TheRide receives property tax revenues from the Cities of Ann Arbor and Ypsilanti and the Charter Township of Ypsilanti ("Ypsilanti Township"). There are two types of funding for local property taxes utilized to fund the current budget: property taxes levied by city charters and millage tax rates levied by AAATA, as approved by voters in member municipalities. For the tax rates approved by voters to support AAATA, the Board of Directors authorizes the levy of ad valorem property taxes, as required, to be adjusted for the Headlee Amendment (Headlee) under Michigan State Law, for the purpose of providing public transportation services.

Local property tax collections are expected to increase by approximately 87.3%, which is based on a 3% increase in assessed property values over 2024 and the increased approved millage from 0.7 mills to 2.38 mills. This revenue greatly reduces TheRide's reliance on federal funding for operations, eliminating it outside of a handful of programs detailed in its revenue section below.



- State operating assistance: revenue is projected to increase in FY2025 by only 3% based on the latest information from MDOT that urban systems will receive state funding of approximately 29% of eligible operating expenses for the fiscal year. This information is based on the state budget for FY2025, which was recently approved.
- Federal operating assistance, other federal programs and federal relief revenues have been dramatically reduced and replaced with local property taxes, as promised in the approved millage. This restores federal funding to be used to maintain the state of good repair on our current assets (buses, facilities, etc.) along with other capital projects in the capital plan. The remaining federal funding revenues in the FY2025 operating budget support the capital cost of contracting, seniors & people with disabilities, and planning.
- Other Revenues: Interest revenue accounts for the bulk of the enlargement to other revenues. This stems from high rates in the CDARS program, which allows funds to be liquid while earning interest comparable to longer term investments. This program resides outside of our investment portfolio within standard banking; hence it being reflected in the FY2025 Operating Budget. While FY2024 actual interest revenue has already outpaced this budgeted figure, TheRide has chosen to budget conservatively to insure against the likelihood of rates falling within the upcoming fiscal year.

## Contingencies

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

- Property tax collections could be higher or lower than anticipated.
- State operating and capital contributions will depend upon changes in operating expenses.
- Fuel, materials, and supplies cost assumptions may be adjusted based on impacts of inflation and demand.
- Purchased transportation costs may vary depending on finalizing the NightRide, FlexRide and GoldRide contracts.
- Additional expenses may be added to accommodate Corporate Business Plan initiatives.

The assumptions in the FY2025 Budget Draft Version 1.0 represent the staff's best attempts to make financial projections using the economic inputs available to us from industry, local, state, and federal leaders. State law allows adopted budgets to be amended, offering adequate flexibility to accommodate changing budgetary needs as the year progresses.

Figure 9, below, illustrates the details of the FY2025 Budget Draft Version 1.0, along with comparisons to previous years.

**Figure 9: FY2025 Adopted Operating Budget Detail (with Prior Year Comparisons)**

**TheRide  
FY2025 Operating Budget**

	FY2024 Approved Budget	FY2025 Draft Budget 1.0	2025 vs 2024	
			\$	%
<b>OPERATING REVENUES</b>				
Passenger Revenue	\$ 4,316,568	\$ 4,360,972	\$ 44,404	1.0%
Local Property Tax Revenue	20,022,143	37,494,802	17,472,659	87.3%
POSA & Other Governmental Partners	2,040,622	2,713,336	672,714	33.0%
State Operating Assistance	20,865,466	21,485,581	620,115	3.0%
Federal Operating Assistance	2,458,210	-	(2,458,210)	100.0%
Other Federal Programs	4,427,127	1,446,166	(2,980,961)	-67.3%
Pandemic Relief Funds	6,786,895	-	(6,786,895)	100.0%
Advertising, Interest, and Other	440,258	1,259,143	818,885	186.0%
<b>TOTAL REVENUES</b>	<b>\$ 61,357,289</b>	<b>\$ 68,760,000</b>	<b>\$ 7,402,711</b>	<b>12.1%</b>
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Benefits	\$ 33,569,407	\$ 36,958,209	\$ 3,388,802	10.1%
Purchased Transportation	13,005,810	13,554,686	548,876	4.2%
Diesel Fuel and Gasoline	3,195,626	3,417,000	221,374	6.9%
Materials and Supplies	3,646,971	4,227,804	580,833	15.9%
Contracted Services	3,814,811	4,672,685	857,874	22.5%
Utilities	713,931	929,800	215,869	30.2%
Casualty & Liability Insurance	1,827,000	2,121,050	294,050	16.1%
Other Expenses	1,583,733	1,426,808	(156,925)	-9.9%
<b>TOTAL EXPENSES</b>	<b>\$ 61,357,288</b>	<b>\$ 67,308,042</b>	<b>\$ 5,950,754</b>	<b>9.7%</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$ -</b>	<b>\$ 1,451,958</b>	<b>\$ 1,451,958</b>	<b>100.0%</b>
Operating Reserve Transfer	\$ -	\$ (1,451,958)	\$ (1,451,958)	100.0%
Capital Reserve Transfer	-	-	-	0.0%
<b>OPERATING BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,451,958</b>	<b>100.0%</b>

**Basis of Budgeting**

The 2025 operating budget has been prepared on the full accrual basis of accounting, which is the same method used for accounting for the general fund, and to produce the financial statements. The only difference between the financial statements and the budget is that depreciation expense is not included in the operating budget since it is a booked expense which does not affect the general fund balance, operating reserve, or capital budget. Depreciation expense is included in the annual audited financial statements. An annually selected Audit Committee (selected from members of the Board) have oversight of the financial statements independent audit at the end of each fiscal year. The fully audited Comprehensive Annual Financial Report (CAFR) is presented to the full Board for review and approval on an annual basis.