



FY 2017 Operating Budget

*Proposed to the Planning and Development Committee
August 2, 2016*

The Proposed FY 2017 Operating Budget reflects the financial and human resources necessary to operate the Ann Arbor Area Transportation Authority from October 1, 2016 to September 30, 2017, including the continued implementation of new services in the Five-Year Transit Improvement Plan.

Ann Arbor Area Transportation Authority
2700 South Industrial Highway
Ann Arbor, Michigan 48104

<http://www.theride.org/AboutUs/Dashboard-Facts/Financial-Information>

Ann Arbor Area Transportation Authority // FY 2017 Operating Budget

Executive Summary

The Proposed FY 2017 Operating Budget reflects the human and financial resources to provide the following from October 1, 2016 to September 30, 2017:

Overall Summary:

- The FY2017 expenses will increase from \$40.0 million in FY 2016 operating budget to \$43.95 million (9.8%)
- The operating budget supports the continuing implementation of the third year (May 1, 2016) and fourth year (August 27, 2017) services in the Urban Core Five-Year Transit Improvement Plan (5YTIP).

Five-Year Transit Improvement Plan Transit Services:

- For the fiscal year 2017, we are providing an additional 28,500 local fixed route services hours (11.3%) compared with fiscal year 2016.
- The third year of the 5YTIP (May 1, 2016) added an additional 150.6 (18.2%) fixed route service hours on each weekday, 38.1 hours on each Saturday and 30.7 hours on each Sunday. Weekly service hours increased from 4,573 to 5,250 (14.8%).
- The Authority will add 38.65 fixed route service hours each weekday, starting in August 2016.
- The fourth year of the 5YTIP (August 2017) will add 18.0 fixed route service hours each weekday.
- The Peak bus requirement increased from 71 in August 2015 to 79 in May 2016 to 84 in August 2016. We expect the Peak bus requirement to increase to 86 in August 2017.
- ARide, GoodRide, AirRide, ExpressRide, MyRide and VanRide Services will continue at the same service level.
- Detailed information regarding all of our services can be found at www.theride.org

The FY 2017 Operating Budget reflects a balanced budget, with areas of special note.

Revenues:

- The FY 2017 operating budget includes the 0.6943 mill local property taxes in the Authority member communities (Cities of Ann Arbor and Ypsilanti and Ypsilanti Township) that will be levied on July 1, 2017. This is the fourth year of the five-year voter approved transit millage. The City of Ann Arbor also levies 2.0373 millage property tax and the City of Ypsilanti levies 0.9789 transit millage.
- The State Formula Operating Assistance revenue has increased due to greater eligible expenses even though the reimbursement percentage for urban services increased, from to 30.8% in FY 2016 to 32.4% in FY 2017.

Expenses:

- Personnel – The operating budget reflects the hiring and training of additional bus drivers (MCOs) to provide the additional service. We will hire additional operations and maintenance staff to support the 11.3% increase in fixed route service hours.
- Other expenses include resources necessary to support the new services in the 5YTIP, continuing services and programs, and research and development projects.

**ANN ARBOR AREA TRANSPORTATION AUTHORITY
PROPOSED FY 2017 OPERATING BUDGET
OCTOBER 1 THROUGH SEPTEMBER 30**

	A	B	C	D	E	F
	Audited	Adopted	Estimated	Proposed	Budget	Percent
	FY 2015	FY 2016	Projected	Budget	Change	Change
			FY 2016	FY 2017	B to D	B to D
OPERATING REVENUES:						
Passenger Revenue	\$6,003,725	\$6,461,032	\$6,077,461	\$6,755,750	\$294,718	4.6%
Local Property Tax Revenue (applied)	12,427,730	13,772,766	13,680,174	15,252,538	1,479,772	10.7%
Purchase of Service Agmts - Urban	378,884	1,020,536	865,867	1,407,259	386,723	37.9%
Purchase of Service Agmts - Nonurban	445,340	422,979	400,529	393,422	(29,557)	-7.0%
Purchase of Service Agmts - Interurban	140,263	0	101,203	0	0	0.0%
Other Governmental Partners	323,639	308,780	127,041	256,400	(52,380)	-17.0%
State Operating Assistance	11,152,690	11,809,784	11,309,052	13,611,610	1,801,826	15.3%
Federal Operating Assistance	4,751,082	5,856,182	4,977,125	5,921,870	65,688	1.1%
Advertising, Interest and Other	315,039	384,700	301,884	398,000	13,300	3.5%
TOTAL REVENUES	\$35,938,392	\$40,036,758	\$37,840,337	\$43,996,849	3,960,090	9.9%
OPERATING EXPENSES:						
PERSONNEL:						
Operations Salaries & Wages	\$9,417,633	\$10,972,071	\$10,408,640	\$11,631,187	\$659,116	6.0%
Maintenance Salaries & Wages	\$2,402,221	\$2,888,537	\$2,732,530	\$3,174,969	\$286,432	9.9%
General Administration Salaries & Wages	\$3,010,271	\$3,279,413	\$3,032,784	\$3,506,210	\$226,797	6.9%
Total Salaries and Wages	\$14,830,124	\$17,140,022	\$16,173,954	\$18,312,366	\$1,172,344	6.8%
Fringe Benefits	5,866,859	7,012,706	6,560,754	7,066,750	\$54,044	0.8%
Subtotal - Personnel	20,696,983	24,152,727	22,734,708	25,379,116	\$1,226,389	5.1%
OTHER EXPENSES:						
Purchased Services	2,306,082	3,211,615	2,046,557	3,953,361	\$741,746	23.1%
Diesel Fuel and Gasoline	2,267,086	1,978,700	1,630,119	1,688,800	(\$289,900)	-14.7%
Materials and Supplies	1,947,757	2,303,103	2,254,941	2,600,955	\$297,852	12.9%
Utilities	562,449	537,516	446,131	553,340	\$15,824	2.9%
Casualty & Liability Insurance	537,130	775,000	586,912	828,000	\$53,000	6.8%
Purchased Transportation	6,476,150	6,037,194	6,927,308	7,692,194	\$1,655,000	27.4%
Other Expenses	689,368	730,380	791,337	835,910	\$105,530	14.4%
Local Depreciation	343,564	298,000	407,400	420,000	\$122,000	40.9%
Total Other Expenses	15,129,585	15,871,509	15,090,706	18,572,560	2,701,052	17.0%
TOTAL EXPENSES	35,826,568	40,024,236	37,825,414	43,951,676	\$3,927,440	9.8%
OPERATING SURPLUS (DEFICIT)	\$111,824	\$12,522	\$14,923	\$45,172	\$32,650	

ASSUMPTIONS:	Audited	Budget	Estimated	Proposed	Amount	Percent
	FY 2015	FY 2016	Projected	Budget	Change	Change
			FY 2016	FY 2017	B to D	B to D
Service Hours:						
Local Fixed Route	207,239	251,400	251,428	279,900	28,500	11.3%
ExpressRide	2,073	2,081	2,073	2,081	0	0.0%
AirRide	4,126	8,965	9,013	8,965	0	0.0%
Urban Demand Response*	80,881	86,000	84,457	86,000	0	0.0%
Total	294,319	348,446	346,971	376,946	28,500	8.2%
Passenger Trips:						
Fixed Route	6,327,729	7,943,900	6,541,800	7,049,500	(894,400)	-11.3%
ExpressRide	34,249	41,500	29,900	30,500	(11,000)	-26.5%
AirRide	80,350	75,000	88,400	92,500	17,500	23.3%
Urban Demand Response*	165,577	177,000	168,700	172,000	(5,000)	-2.8%
Total	6,607,905	8,237,400	6,828,800	7,344,500	(892,900)	-10.8%

* Urban Demand Response includes ARide, NightRide, MyRide

**ANN ARBOR AREA TRANSPORTATION AUTHORITY
PROPOSED FY 2017 OPERATING BUDGET
OCTOBER 1 THROUGH SEPTEMBER 30**

	A	B	C	D	E	
	Audited FY 2015	Adopted Budget FY 2016	Estimated Projected FY 2016	Proposed Budget FY 2017	Percent Change B to D	Budget Notes
OPERATING REVENUES:						
Passenger Revenue						
Cash, Tokens and Passes	2,333,844	2,468,052	2,305,185	2,381,548	-3.5%	1a
Subcontract (ARide, AirRide, NightRide)	1,734,078	1,770,000	1,844,514	1,931,756	9.1%	1b
Special Fares (UM, DDA, EMU & WCC)	1,935,803	2,222,980	1,927,762	2,442,446	9.9%	1c
Total	6,003,725	6,461,032	6,077,461	6,755,750	4.6%	
Local Property Tax Revenue						
City of Ann Arbor	\$13,556,384	\$13,507,300	\$13,507,292	\$13,974,150	3.5%	2a
City of Ypsilanti	\$475,299	\$490,019	\$490,463	\$492,095	0.4%	2b
Township of Ypsilanti	\$796,047	\$786,047	\$781,420	\$786,293	0.0%	2c
Subtotal - Property Tax Levies	\$14,827,730	\$14,783,366	\$14,779,174	\$15,252,538	3.2%	
Adjustments to Property Tax Levies:						
July 2015 Levy for FY 15 Capital (5 Buses)	(\$2,400,000)					2d
July 2016 Levy for FY 16 Capital (2 buses)		(\$1,010,600)	(\$1,099,000)			2e
Total Property Tax Applied to Operations	\$12,427,730	\$13,772,766	\$13,680,174	\$15,252,538	10.7%	2f
Purchase of Service Agreements & Other Governmental Partners						
Urban (Pittsfield, Superior & Scio Twps)	378,884	1,020,536	865,867	1,407,259	37.9%	3
Non-Urban (WAVE and People's Express)	445,340	422,979	400,529	393,422	-7.0%	
Inter-Urban (AirRide)	140,263	0	101,203	0	100.0%	
Other Governmental Partners	323,639	308,780	127,041	256,400	-17.0%	
Total	1,288,126	1,752,295	1,494,640	2,057,081	17.4%	
State Operating Assistance						
Formula Operating - Urban	9,194,271	10,792,703	10,292,361	12,535,152	16.1%	4
Formula Operating - Nonurban	415,180	399,239	408,933	432,669	8.4%	
Prior year Formula Adjustments	967,228	0	0	0	0.0%	
Job Access/Reverse Commute (JARC)	104,572	140,528	115,068	140,528	0.0%	
Planning Grants (match Sec 5307 & YTC)	57,540	40,000	54,228	160,000	300.0%	
Preventive Maintenance (match Sec 5307)	292,500	317,500	317,500	220,000	-30.7%	
Capital Cost of Contracting (match 5307)	30,000	30,000	30,000	30,000	0.0%	
Specialized Services	91,399	89,814	90,963	93,261	3.8%	
Total State Operating Assistance	11,152,690	11,809,784	11,309,052	13,611,610	15.3%	
Federal Operating Assistance						
Operating Assistance (Section 5307)	1,900,000	2,640,000	2,120,000	2,680,000	1.5%	5
Preventive Maintenance (Sec 5307)	1,170,000	1,270,000	1,270,000	880,000	-30.7%	
Capital Cost of Contracting (Sec 5307)	120,000	120,000	120,000	120,000	0.0%	
Planning (Section 5307)	269,217	130,000	252,673	320,000	146.2%	
Subtotal - Section 5307 Fed Formula Funds	3,459,217	4,160,000	3,762,673	4,000,000	-3.8%	
Congestion Mitigation/Air Quality-TDM	484,100	501,000	484,100	455,000	-9.2%	
Planning (Section 5303)	98,880	49,440	50,583	49,440	0.0%	
Planning - Connector (Section 5339)	110,058	233,600	136,966	500,000	114.0%	
Job Access/Reverse Commute (JARC)	137,057	166,112	166,112	166,112	0.0%	
New Freedom	6,171	69,360	69,360	69,360	0.0%	
North/South Commuter Rail (TCSP)	187,454	440,000	76,000	160,000	100.0%	
Coast to Coast Rail Planning (Section 5304)	56,800	55,200	23,200	0	-100.0%	
YTC - Planning Grant (Section 5303)	0	0	0	320,000	100.0%	
Grant Administration (Section 5310)	0	0	0	20,000	100.0%	
Non-Urban (Section 5311)	211,345	181,470	208,131	181,958	0.3%	
Total Federal Operating Assistance	4,751,082	5,856,182	4,977,125	5,921,870	1.1%	
Advertising, Interest and Other	315,039	384,700	301,884	398,000	3.5%	6
TOTAL OPERATING REVENUES	\$35,938,392	\$40,036,758	\$37,840,337	\$43,996,849	9.9%	

**ANN ARBOR AREA TRANSPORTATION AUTHORITY
PROPOSED FY 2017 OPERATING BUDGET
OCTOBER 1 THROUGH SEPTEMBER 30**

	A	B	C	D	E	
	Audited FY 2015	Adopted Budget FY 2016	Estimated Projected FY 2016	Proposed Budget FY 2017	Percent Change B to D	Budget Notes
OPERATING EXPENSES:						
SALARIES & WAGES:						
Operations:						
Motor Coach Operators (MCO)	8,081,047	9,394,681	8,827,578	9,908,017	5.5%	7
Call Taker/Information Specialists	362,757	475,421	461,205	528,173	11.1%	8
Operations Supervision	973,829	1,101,969	1,119,857	1,194,997	8.4%	9
Subtotal - Operations	<u>9,417,633</u>	<u>10,972,071</u>	<u>10,408,640</u>	<u>11,631,187</u>	6.0%	
Maintenance:						
Vehicle Maintenance Technicians	1,149,595	1,312,084	1,260,879	1,484,001	13.1%	10
Vehicle Service Crew	537,551	665,814	637,570	658,950	-1.0%	10
Facility Maintenance	187,426	259,747	256,884	272,115	4.8%	10
Maintenance Supervision	527,649	650,893	577,197	759,903	16.7%	11
Subtotal - Maintenance	<u>2,402,221</u>	<u>2,888,537</u>	<u>2,732,530</u>	<u>3,174,969</u>	9.9%	
General Administration	<u>3,010,271</u>	<u>3,279,413</u>	<u>3,032,784</u>	<u>3,506,210</u>	6.9%	12
TOTAL SALARIES & WAGES	<u>14,830,124</u>	<u>17,140,022</u>	<u>16,173,954</u>	<u>18,312,366</u>	6.8%	
FRINGE BENEFITS:						
Payroll Taxes	1,075,564	1,272,990	1,156,393	1,358,960	6.8%	13
Pension	1,089,074	1,251,337	1,147,049	1,388,572	11.0%	
Medical Insurance	2,436,427	2,917,060	2,784,642	2,829,292	-3.0%	
Health Care Reform Taxes (PPACA)	70,957	68,040	82,861	75,000	10.2%	
Medical & Dependent Care	8,186	8,028	6,861	6,648	-17.2%	
Vision	53,669	51,510	50,676	53,820	4.5%	
Dental	209,333	254,116	249,084	251,160	-1.2%	
Life Insurance	74,780	87,952	85,860	61,264	-30.3%	
Unemployment	3,000	10,546	5,233	10,855	2.9%	
Workers' Compensation	293,588	423,578	367,409	359,656	-15.1%	
Long Term Disability	35,324	37,051	36,300	40,523	9.4%	
Short Term Disability	109,056	122,310	119,340	97,440	-20.3%	
Health Care Savings Plan	338,200	423,188	384,038	448,560	6.0%	
Post-Retirement Health Care Benefits	69,700	85,000	85,008	85,000	0.0%	
TOTAL FRINGE BENEFITS	<u>5,866,859</u>	<u>7,012,706</u>	<u>6,560,754</u>	<u>7,066,750</u>	0.8%	
TOTAL PERSONNEL COSTS	<u>20,696,983</u>	<u>24,152,727</u>	<u>22,734,708</u>	<u>25,379,116</u>	5.1%	
PURCHASED SERVICES:						
Bank Fees	17,960	16,200	13,564	16,200	0.0%	14
Agency, Design Fees	96,388	350,000	220,598	96,000	-72.6%	
North/South Rail Station Feasibility & NEPA	0	300,000	68,000	200,000	-33.3%	
Physical Exams	25,916	30,000	25,846	34,000	13.3%	
Legal Fees	168,254	115,000	56,887	140,000	21.7%	
Auditing Fees	29,372	25,615	22,010	26,375	3.0%	
Property Tax Collection Fees	147,983	147,600	187,628	152,500	3.3%	
Information Technology Services	92,083	70,000	19,860	74,000	5.7%	
Contracted Maintenance Services	637,403	757,700	615,202	923,800	21.9%	
Custodial Services	154,553	167,100	171,550	170,300	1.9%	
Security Services	317,126	343,700	305,452	336,200	-2.2%	
Web/Internet Services	59,240	121,100	52,479	144,800	19.6%	
Towing	13,074	15,000	15,096	16,686	11.2%	
Consulting Fees - Planning Grants	502,044	571,000	246,380	1,070,000	87.4%	
Consulting Fees - Other	17,216	105,350	7,245	473,250	349.2%	
Media Relations & Public Relations	1,540	35,250	2,000	25,250	-28.4%	
Benefit Administration Fees & EAP	25,929	41,000	30,324	54,000	31.7%	
TOTAL PURCHASED SERVICES	<u>2,306,082</u>	<u>3,211,615</u>	<u>2,046,557</u>	<u>3,953,361</u>	23.1%	

**ANN ARBOR AREA TRANSPORTATION AUTHORITY
PROPOSED FY 2017 OPERATING BUDGET
OCTOBER 1 THROUGH SEPTEMBER 30**

	A	B	C	D	E	
	Audited FY 2015	Adopted Budget FY 2016	Estimated Projected FY 2016	Proposed Budget FY 2017	Percent Change B to D	Budget Notes
BIODIESEL FUEL AND GASOLINE	2,267,086	1,978,700	1,630,119	1,688,800	-14.7%	15
(PER GALLON)	\$3.25	\$2.45	\$2.09	\$2.00	-18.4%	
(Gallons)	697,900	807,700	779,604	844,400	4.5%	
MATERIALS AND SUPPLIES:						
Lubricants, Anti-Freeze and DEF	123,141	137,300	111,571	152,732	11.2%	16
Tires and Tubes	114,145	141,500	146,147	160,000	13.1%	
Repair Parts	770,916	881,700	904,945	1,125,500	27.7%	
Perishable Tools	3,413	5,000	7,047	7,500	50.0%	
Equipment Repairs	9,218	10,000	1,842	10,000	0.0%	
Other Materials and Supplies	447,699	488,763	503,269	548,663	12.3%	
Computer Software	288,734	378,220	347,328	363,740	-3.8%	
Production Costs	20,976	40,800	42,984	57,500	40.9%	
Printing Costs	160,135	209,320	184,942	164,320	-21.5%	
Mechanics Tools	9,380	10,500	4,865	11,000	4.8%	
TOTAL MATERIALS & SUPPLIES	1,947,757	2,303,103	2,254,941	2,600,955	12.9%	
UTILITIES:						
Natural Gas	261,488	187,016	154,474	177,540	-5.1%	17
Electricity	224,567	256,000	212,455	232,650	-9.1%	
Water	34,522	41,500	32,941	38,550	-7.1%	
Telephone & Wireless Communications	41,871	53,000	46,260	104,600	97.4%	
TOTAL UTILITIES	562,449	537,516	446,131	553,340	2.9%	
CASUALTY AND LIABILITY INSURANCE:	537,130	775,000	586,912	828,000	6.8%	18
PURCHASED TRANSPORTATION:						
A-Ride and GoldRide	3,032,181	2,760,000	3,644,452	4,443,000	61.0%	19
Night Ride	573,916	572,000	554,295	550,000	-3.8%	
NonUrban-Western Wash. Area Value Express	562,634	619,350	622,708	619,350	0.0%	
NonUrban-People's Express	642,531	469,688	469,694	469,688	0.0%	
Mobility Management Trip Assistance	415,185	444,000	401,861	344,000	-22.5%	
AirRide - Airport Shuttle Services	1,219,362	1,135,356	1,203,500	1,229,356	8.3%	
Guaranteed Ride Home	30,341	36,800	30,799	36,800	0.0%	
TOTAL PURCHASED TRANSPORTATION	6,476,150	6,037,194	6,927,308	7,692,194	27.4%	
OTHER EXPENSES:						
Uniform Expense	134,650	119,000	109,081	126,000	5.9%	20
Postage	16,475	23,350	14,127	23,350	0.0%	
Dues and Subscriptions	78,461	97,590	99,633	102,290	4.8%	
Conference, Travel and Meetings	51,003	65,000	61,604	68,500	5.4%	
Media Planning & Placement	203,220	204,250	221,136	171,350	-16.1%	
Employee Development	80,310	126,250	81,354	162,650	28.8%	
Employee Wellness and Appreciation	2,276	18,890	6,282	20,970	11.0%	
Recruitment & Hiring	70,035	20,000	45,601	90,550	352.8%	
Loss on Sale/Disposal of Equipment	5,389	0	0	0	0.0%	
Equipment and Park & Lot Rentals	47,549	56,050	152,519	70,250	25.3%	
TOTAL OTHER EXPENSES	689,368	730,380	791,337	835,910	14.4%	
LOCAL DEPRECIATION:	343,564	298,000	407,400	420,000	40.9%	21
TOTAL OPERATING EXPENSES	\$35,826,568	\$40,024,236	\$37,825,414	\$43,951,676	9.8%	
NET OPERATING SURPLUS (DEFICIT)	\$111,824	\$12,522	\$14,923	\$45,172		

**ANN ARBOR AREA TRANSPORTATION AUTHORITY
PROPOSED FY 2017 OPERATING BUDGET
STAFFING INFORMATION**

	ADOPTED BUDGET FY 2016	Actual July 2016	Proposed BUDGET FY 2017	Budget Change: 2015 to 2016	Notes - Comparing Budgets 2016 to 2017
Operations:					
Motor Coach Operators - Full Time	138.00	145.00	151.00	13.00	151 Full-time MCOs
Motor Coach Operators - Part Time	24.00	22.50	22.50	-1.50	30 Part-time MCOs x 75%
Subtotal - MCO FTEs	162.00	167.50	173.50	11.50	Total MCOs (170 to 181)
Special Services MCO (ARide)	6.40	0.00	0.00	-6.40	Potential Hire 11 SSMCOs in FY 16 was not necessary
Call-Takers/Info Specialist	9.75	9.75	9.75	0.00	9 Full-time; 1 Part-time
Transportation Supervision	15.00	15.00	16.00	1.00	Add Call-Center Supervisor
Subtotal - Operations	193.15	192.25	199.25	6.10	
Maintenance:					
Vehicle Maintenance	21.00	20.00	24.00	3.00	Add 2 vehicle technicians and parts clerk
Vehicle Service Crew	13.50	13.00	13.00	-0.50	Eliminate vacant service crew position (mid 2016)
Facilities Maintenance	3.00	3.00	3.00	0.00	
Bus Stop Maintenance	2.00	2.00	2.00	0.00	
Maintenance Supervision	9.00	8.00	10.00	1.00	Add evening service crew supervisor
Subtotal - Maintenance	48.5	46.0	52.00	3.50	
General Administration:					
Administration	8.00	7.00	6.00	-2.00	Add Deputy CEO, less admin asst, transfer one employee to CPIA, transfer another to Svc Dev, net -2
Corporate Planning (CPIA)	0.00	0.00	2.00	2.00	New Dept, existing employees transferred in from Admin and Svc Dev
Information Technology	6.00	5.00	6.00	0.00	Less Web Developer, Add Computer Support Spec.
Finance	3.00	3.00	3.00	0.00	
Purchasing	3.50	3.00	3.00	-0.50	Eliminate admin asst shared with Service Dev
Human Resources	4.00	3.00	5.00	1.00	Add Safety Officer Transfer Fin'l Analyst from Admin, transfer Strategic
Service Development & Planning	6.50	6.00	6.00	-0.50	Planner to CPIA, eliminate admin asst shared with purchasing net = -0.5
Mobility Management	1.00	1.00	1.00	0.00	
Communications	6.00	6.00	6.00	0.00	
GetDowntown	2.00	2.00	2.00	0.00	
Subtotal - General Administration	40.00	36.00	40.00	0.00	Add DCEO and Safety Officer, less 2 Admin Asst
Authority Total FTEs	281.65	274.25	291.25	9.60	

Column Descriptions for Pages Two through Five:

- A. Audited Fiscal Year 2015** – These amounts are taken from the audited financial statements for the year ended September 30, 2015 with the independent auditors' report dated January 13, 2016. Some reclassifications have been made to conform to the presentation of the operating budget.

- B. Adopted Budget Fiscal Year 2016** – These amounts are taken from the budget adopted at the board of directors meeting on September 17, 2015.

- C. Estimated Projected Fiscal Year 2016** – These amounts are projected based on nine months of actual revenue and expenses through June 30, 2016, with seasonal adjustments.

- D. Proposed Operating Budget Fiscal Year 2017** – The FY 2017 Budget includes an increased level of service for fixed route due to the implementation of the third year (May 2016) and fourth year (August 2016) service increases in the Urban Core Five-Year Transit Improvement Program, (5YTIP). There also an increase in ARide due to the larger service area and longer service hours. We are budgeting a consistent level for AirRide, ExpressRide, MyRide, VanRide and non-urban demand response services.

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Revenues:

1. Passenger Revenue:

- a. **Cash, Passes and Tokens** - We are budgeting passenger revenue to be flat compared to our FY 2016 actual passenger fares.
- b. **Subcontracted Revenue** – We are budgeting an increase in revenue for AirRide shuttle service to/from Detroit Metro Airport and ARide. We expect NightRide ARide, WAVE and Northfield’s Human Services pass-through passenger revenue to remain flat.
- c. **Special Fares** – Special Fares are when someone other than the rider pays the fare. We are budgeting \$680,600 based on the projected ridership on the go!pass program. The University of Michigan Unlimited Access contract amount represents \$1.37 million payment from the UofM after giving credit for the Federal funds we receive that are earned by the UofM bus system. The EMU amount of \$159,500 is for the route guarantee for route #41 during the school year.

2. Local Tax Revenue:

- a. The projected City of Ann Arbor July 2017 property tax levy includes both the original millage of 2.0373 and the additional millage of 0.6943 mills approved by the voters on May 6, 2014. These millages have been Headlee reduced from last year’s 2.056 and 0.7 mills. We are allowing for \$30,000 collection loss due to potential Michigan Tax Tribunals rebates and other adjustments.
- b. The projected City of Ypsilanti July 2017 property tax levy includes both the original 0.9789 transit millage and the new 0.6943 millage.
- c. The Charter Township of Ypsilanti July 2017 property tax levy is 0.6943 millage.
- d. A portion of the July 2015 property tax millage was used to purchase 4.0 large buses and 1.0 small bus for service expansion delivered in November 2015.
- e. A portion of the July 2016 levy was used to purchase 2.0 additional buses and bus stop improvements in the new service areas.
- f. A total of 16 large buses will be purchased from the property tax levies of July 1, 2014, 2015 and 2016 for a total of \$7.35 million.

3. Purchase of Service Agreements (POSA) and Governmental Partners – These are the proposed contract amounts the other governments will be charged based on the increasing level of service with the fully allocated POSA hourly rate. Pittsfield, Scio and Superior Township amounts also include a capital component to recover the cost of buses needed to provide the service over the life of the buses. Other governmental reimbursements include \$17,500 for the local match for the Connector Study and \$40,000 in contributions from the other participating municipalities in the north/south rail project.

4. State Operating Assistance – The State Urban Operating Assistance is 32.4% (2016 was 30.8%) multiplied by our budgeted urban eligible expenses. The Nonurban State Operating

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Assistance amount is the non-urban eligible expenses multiplied by the reimbursement rate of 38.52% (2016 was 35.64%). These percentages are based on the latest communication from MDOT regarding the Local Bus Operating (LBO) line item in the State of Michigan budget, which increased from \$167.4 million to \$186.25 million (11.3%). These amounts are subject to reconciliation and audit, resulting in changes (either increase or decrease) based on audited eligible expenses and total State tax revenue received in FY 2017. The State revenue also includes matching funds for Job Access/Reverse Commute, Planning, Preventive Maintenance and Capital Cost of Contracting.

- 5. Federal Operating Assistance** – Federal Formula Funds are budgeted based on the current five-year Capital and Categorical Grant Program. The Authority uses a portion (\$2.4 million) of AAATA’s programmed Federal funds to fund operating expenses. The amount of Preventive Maintenance funds includes \$880,000 of Federal funds (and State match of \$220,000) realized from UofM Transportation Services. Congestion Mitigation/Air Quality (CMAQ) is the federal share for Rideshare/Outreach and GetDowntown program. Federal planning - Connector revenue includes \$100,000 (80%) for continuing the current phase of the Connector Alternatives Analysis, which continues from FY 2013. The local 20% portion is covered by UofM (10%), the City of Ann Arbor (4%) and the Authority (6%). We secured a \$400,000 Federal Planning grant to contribute to the next phase of the Connector project. We expect to earn \$160,000 of the existing FHWA Transportation Community and System Preservation Program (TCSP) grant supporting the north/south commuter railroad station feasibility study and engineering support for the National Environmental Policy Act (NEPA) process. We recently received a \$320,000 Federal Planning grant to scope the needs to potentially rebuild the Ypsilanti Transit Center.
- 6. Interest and Other Revenue** - Interest is based on projected cash balances at a 0.25% rate of return. We are budgeting advertising revenue at \$251,000.

Expenses:

- 7. Operator Wages** – The number of Motor Coach Operators (MCOs) will be 173.5 Full Time Equivalents (FTE) resulting from increased service hours in the 5YTIP. The total includes 151 full-time positions and 30 part-time (3/4) positions (22.5 FTE). The top hourly wage rate for MCOs is \$26.25 and will increase to \$26.75 (+1.9%) on January 1, 2017 per the five-year labor agreement that expires June 30, 2017. MCOs hired after January 1, 2013 receive \$3.00 less per hour. Built into the budget are additional hours for University of Michigan football games (75 hours per game), Art Fair (700 hours) and other special events (200 hours) at overtime rates.

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- 8. Call Taker Wages** – The number of Call-Takers/Information Specialist is staying the same at 9.75 (9 full-time and 1 part-time) to support the new ARide model, which includes taking all advanced reservations, effective May 1, 2015. One full time position is funded by Federal and State of Michigan JARC and New Freedom grants under the MyRide program.
- 9. Operations Supervision** – These wages include the wages for the manager of operations, ten operations supervisors, specialized transportation coordinator, paratransit coordinator, administrative assistant and a travel trainer with an up to 3.0% merit increase based on performance. We are adding a call-center supervisor.
- 10. Maintenance Wages** – We are adding two vehicle maintenance technician and a second parts clerk to support increased number of vehicles, hours, miles and the span of service. The wages for the Master Technicians are \$28.15 and increase to \$28.65 (+1.8%) on January 1, 2017. The wages for the Service Crew are \$23.30 and increase to \$23.80 (2.1%).
- 11. Maintenance Supervision** – These wages include the management wages for the manager of maintenance, three vehicle mechanic supervisors, a parts inventory supervisor, two electronic technicians, a bus stop coordinator, and an administrative assistant with an up to 3.0% merit increase based on performance. We expect to fill the vacant facilities manager to oversee our facilities, which includes our main facility (operations, maintenance and administration), two transit centers, 1,200 bus stops, 150 bus shelters and 200 benches. We are adding an evening service crew supervisor.
- 12. General Administrative Wages** – Administrative departments include Administration, Information Technology, Finance, Purchasing, Human Resources, Service Development & Planning, Community Relations, and the GetDowntown program with an up to 3.0% merit increase based on performance. We are adding a Deputy CEO, Finance and Administration to oversee these departments. We are also adding a Safety Officer to Human Resources. We are eliminating two administrative assistant positions.
- 13. Fringe Benefits** – Payroll taxes (FICA), pension and workers' compensation expenses are based on wages and statutory or contractual rates.

Medical insurance plans are from Blue Care Network (BCN) and premiums were virtually unchanged on the annual renewal date of August 1, 2016. Medical & dependent care reimbursement, vision, dental, life insurance, long term and short term disability are based on the number of employees at the monthly premium amounts effective August 1, 2016. The budget assumes 10.0% increase in medical insurance on August 1, 2017. Life insurance, long-term and short-term disability rates are lower, since we are contracting with a new provider. Hourly personnel increased their contribution from 15% to 20% of the medical,

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vision and dental insurance premiums, effective August 1, 2016. Management personnel continue to pay 20% of medical, vision and dental insurance premiums.

The pension expense is 9.0% of wages for full-time employees eligible after one year of service and assumes a turnover of approximately 3.0%. This amount is net of forfeitures of AAATA provided pension match for employees who leave before the five-year vesting period.

Our workers' compensation rates are from the current policy period, expiring December 30, 2016. Historically, we have had favorable results from our dividend program with our workers' compensation carrier, expecting refunds per year. We are budgeting for a refund of \$110,000 based on the low claims incurred in calendar year 2015 and an expected refund of 25% of the calendar year 2015 premiums.

The Health Care Savings Plan (HCSP) is a defined contribution plan administered by the Municipal Employees Retirement System of Michigan (MERS). AAATA contributes \$140 to each full-time employee's health savings account each month, per the five-year labor agreement. This money will be available to each employee, after a five-year vesting period, for eligible health care expenses post-employment.

We still maintain the post-employment medical defined benefits plan for twelve retirees and one eligible active employees who elected to participate in it instead of participating in the HCSP. Even though the plan is closed, the Authority will still need to contribute approximately \$85,000 each year. An actuary study is conducted annually to determine future contribution amounts.

14. Purchased Services – Contracted maintenance includes snow removal, electricians, along with services on vehicle hoists, and all the building systems in our facilities. We also expect to use an outside contractor for the campaign to replace 14 engines in the 2007 buses that are approaching 375,000 miles. Consultants fees – Planning Grants include the continued work on the alternatives analysis of the connector study, which began in FY 2013 and will continue through FY 2016 (\$125,000). This project is funded by a Federal planning grant (80%), the University of Michigan (10%), City of Ann Arbor (4%) and AAATA (6%). The North/South Rail Station Design Study is a continuing study funded by the Federal TCSP grant (80%) and local partners' contributions (20%). Consulting Fees – Other contains \$150,000 for a space assessment of our current and future needs for our operations, maintenance and administrative facility and a paratransit review of our current ARide program for \$150,000.

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15. Diesel Fuel and Gasoline – We are expecting ultra-low sulfur biodiesel fuel (#2 B10%) prices to decrease to \$2.00 per gallon. We expect to use 829,400 gallons, an increase from 780,000 gallons. We also use 15,000 gallons of gasoline in our service trucks, supervisor vehicles and shuttle vehicles per year.

16. Materials and Supplies – We are utilizing Federal grant funds for associated capital maintenance to cover the costs of an estimated \$150,000 in components (battery refresh kits, replacement engines, transmissions, etc.). Bus parts are increasing due to the increase in service hours and the campaign to replace the engines in 13 of the 2007 hybrid buses (\$12,500 each). We expect to replace the engines in the first two 2007 hybrid buses in FY 2016. Lubricants, tires and repair parts are increasing due to the increase in the amount of service hours. We expect other items to be consistent with the FY 2016 budget.

17. Utilities – For natural gas, we are contracted to pay \$5.36 per million British Thermal Unit (MMBTU) through April 2018, which is down from \$7.65 per unit in FY 2015, with expected usage at last year’s record level of 29,000 MMBTU. Telephone expense is increasing, since we switched the way we communicate with our buses on the street. Before, we were using a radio based system and we recently implemented a cellular based system to transmit voice and data information.

18. Insurance – Our vehicle and corporate insurance renewal rates were greater than expiring. The expense includes an estimate* of annual insurance claims below our \$25,000 deductible for minor incidents and accidents. The insurance detail is as follows:

	FY 2017	FY 2016
a. Vehicles Insurance – Premiums	\$529,400	\$474,300
b. Vehicles Insurance – Claims under \$25,000*	75,000*	75,000*
c. Umbrella Coverage (from \$5 million to \$10 million)	75,000	73,700
d. Property	25,400	25,500
e. Public Official and Employment Practices Liability	20,100	26,500
f. Pollution Premises – Underground Storage Tank	21,700	20,200
g. Fiduciary	6,900	6,800
h. Commercial General Liability	15,900	15,600
i. Government Official/Crime	3,900	4,000
j. Broker Fees	<u>\$54,700</u>	<u>53,400</u>
Total	<u>\$828,000</u>	<u>\$775,000</u>

19. Purchased Transportation – The amount for ARide and GoldRide Taxi is based on the contract effective May 1, 2016 at current service levels. Later fixed route service hours mean

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that NightRide started later each night. The WAVE and People's Express portions are the pass-through amounts to these entities using Nonurban State Operating Assistance and Federal Section 5311 grants. Purchased Transportation includes \$1.2 million for the Ann Arbor to Detroit Metro Airport, which is funded from State operating assistance and passenger fares.

19. Other Expenses – Uniform expense is increasing due to the increase in MCO and maintenance technicians. Employee development is increasing to support additional training for personnel. Media costs and postage are consistent in Communications due to initiatives to continue to inform the communities about service improvements and other goals in the FY 2017 Work Plan. The amount for Recruitment and Hiring is for the recruitment of two senior level positions due to potential retirements.

20. Local Depreciation – This represents the depreciation expense on capital assets purchased with local funds rather than purchased with Federal and State Capital funds. We do not budget for depreciation on the expansion buses purchased with 5YTIP property tax millage, since the revenue was not originally included as an operating revenue.