


Monitoring Report: Financial Planning / Budgeting (Policy 2.4) Monitoring Period: October 2024 – September 2025










Finance Committee Meeting Review Date: September 9, 2025

Board of Directors Meeting Review Date: September 18, 2025

INFORMATION TYPE
Monitoring
RECOMMENDED ACTION(S)
<p>That the Board review this monitoring report and consider accepting it as:</p> <ul style="list-style-type: none"> (A) a reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations. (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 item(s) x .x, which the Board acknowledges and accepts the proposed dates for compliance. (C) 1. For policy items x.x.x – there is evidence of compliance with a reasonable interpretation 2. For policy items x.x.x – the interpretation is not reasonable 3. For policy items x.x.x – the interpretation is reasonable, but the evidence does not demonstrate compliance 4. For policy items x.x.x – the Board acknowledges and accepts the CEO's stated non-compliance and the proposed dates for compliance
ISSUE SUMMARY
<p>TheRide's Board of Directors establish policies that define what methods are unacceptable to use to achieve expected results, called Executive Limitations. This monitoring report provides the CEO's interpretations of those policies, evidence of achievement, and an assertion on compliance with the Board's written goals. As with other monitoring reports, the Board decides whether the interpretations are reasonable, and the evidence is convincing.</p> <p>Per Appendix A of the Board Policy Manual, this report was scheduled for monitoring in September and was submitted in September. The Budget is attached to this monitoring report for reference</p> <p>I certify that the information is true and complete, and I request that the Board accept this as indicating an acceptable level of compliance.</p> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="text-align: center;"> <p>CEO's Signature</p>  </div> <div style="text-align: center;"> <p>Date</p> <p><u>8/29/2025</u></p> </div> </div>
BACKGROUND

Annual Board oversight of budget process via monitoring reports
PRIOR RELEVANT BOARD ACTIONS & POLICIES
<p>Monitoring Reports are a key Policy Governance tool to assess organizational/CEO performance in achieving Ends (1.0) within Executive Limitations (2.0). A Policy-Governance-consistent Monitoring Process is:</p> <ol style="list-style-type: none"> 1. CEO sends Monitoring Report to all board members 2. At Board meeting, board accepts Monitoring Report through majority vote (or if not acceptable, determines next steps)
IMPACTS OF RECOMMENDED ACTION(S)
<ul style="list-style-type: none"> • Budgetary/Fiscal: Current staff budget process continues as is • Governance: Compliance with monitoring report requirements
ATTACHMENTS
<ol style="list-style-type: none"> 1. Monitoring report for Financial Planning / Budgeting (Policy 2.4) 2. FY 2026 Draft Operating and Capital Budget 3. FY 2026 Corporate Business Plan link here. 4. FY 2024 Auditors Report link here

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2.4 Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan. Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:	4	
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 Fully Compliant
  Partially Compliant
  Non-Compliant

Preliminary CEO Interpretations and Evidence

POLICY 2.4

Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate from Board's Ends priorities, risk fiscal jeopardy, or fail to be derived from a strategic multi-year plan.

Further, without limiting the scope of the foregoing by this enumeration, the CEO shall not cause, allow or fail to address budgeting that:

Degree of Compliance: Compliant

Interpretation

Operational Definition

I interpret this policy to mean that the draft budget submitted alongside this monitoring report advances Ends policies and is compliant with policies 2.4.1-2.4.8 below.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when

- A. The agency clearly indicates how the budget promotes achievement of Ends policies and
- B. Lower-level policies are compliant.

Rationale

This is reasonable because

- A. Ends explicitly define what the agency must achieve. Establishing a clear connection between the proposed budget and the Ends policies ensures that the agency allocates financial resources to projects, initiatives, and operations that ultimately align with Board expectations.
- B. Lower-level policies address the following requirement of this policy:
 - Deviation from Board's Ends priorities (2.4.2),
 - Derived from strategic multi-year plan (2.4.2, 2.4.4, 2.4.7), and
 - Risk fiscal jeopardy (2.4.1, 2.4.3, 2.4.5, 2.4.6, 2.4.7, 2.4.8).

Evidence

Source of Data: Proposed budget, ends policies and compliance of lower-level policies

Date of Data Review: 8/29/2025 as verified by DCEO, Finance and Administration.

Data:

A.

Policy	Budget provision (where applicable)
1.0 Increase ridership & efficient stewardship	The budget provides a funding plan for LRP initiatives, which is the agency's blueprint to increase ridership and demonstrate efficient stewardship (pgs. 37-39, and 40-44)
1.1: Equitable accessibility	The Board found this policy to be compliant except for bus stop accessibility. The agency has a plan to achieve compliance by 2033. The current budget has funding allocated for this project (pg. 42)
1.2: Transit positively impacts the environment	The Board found policy 1.2, 1.3, 1.4, and 1.5 to be compliant. The budget provides funding to maintain the current strategic trajectory. Any changes to the strategic direction or budgetary concerns that would result in non-compliance of these policies will be communicated timely as required by the 'no surprise' policy.
1.3: Transit facilitates access to jobs, schools, and visitor access and there's a connection between Detroit and Ann Arbor	
1.4: High customer satisfaction	
1.5: Recognition of TheRide's positive contribution to the area	

B. As demonstrated below, policies 2.4.1-2.4.8 are reported as compliant.

POLICY 2.4.1

Risks incurring those situations or conditions described as unacceptable in the Board policy “Financial Condition and Activities.”

Degree of Compliance: Compliant

Interpretation

Operational Definition:

I interpret this policy to be about elements in a recommended annual budget that could impact compliance with policy 2.5 (Financial Conditions and Activities) *in the future*. The Budget does not impact many elements of policy 2.5 directly, for example having policies and procedures, which are duties of staff. These issues will be addressed in the monitoring report for 2.5.

Measure/Standards & Level of Achievement

Compliance will be demonstrated when:

- A. **Board Decisions:** Recommendations pertaining to decisions the Board has reserved for itself (i.e., authorization of unbudgeted contracts over \$250,000, use of the Capital Reserve, adjustments to tax rates or fares, real estate transactions, or creation of debt) are clearly noted.
- B. **Auditing Resources:** The recommended budget includes sufficient resources to hire an independent auditor.

Rationale

- A. The Board has limited the CEO's financial authority in 2.5, thereby identifying decisions only the Board can make. Ensuring these items are addressed in the budget maximizes compliance with 2.5.
- B. I interpret policy 2.5.4 to include a prohibition on impeding the auditing process by failing to budget to hire an auditor. Therefore, the budget must allocate sufficient resources for an external auditor. In addition, the audit provides additional detailed review of compliance with 2.5.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget Board meeting minutes, and the FY 2024 Audit.

Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration

Data:

- A. The following decisions reserved for the Board under Policy 2.5 are addressed in the budget as follows:
 - a. **2.5.6 Budgeted Contracts** – Contracts over \$250,000 are illustrated on page 52 of the recommended budget.
 - b. **2.5.7 Capital Reserve Funds** – There is no use of capital reserve funds in the FY2026 Budget, although the CEO may seek such an approval in the next few years. Use of the capital reserve forecasted in future years is outlined in the

- 10-Year Capital Plan, Figure 21, on page 42. It is also illustrated on page 46 in Figure 26, Projected Capital Reserve Activity.
- c. **2.5.9 Tax Rates** – There are no recommended changes to Tax Rates in the budget. The impact of the approved millage on revenues is described under “Local Property Taxes” (pages 34-35).
 - d. **2.5.10 Real Estate Transactions** – The capital budget includes a budget for acquiring land for the Ypsilanti Transit Center (page 42). Approval of the budget allocates the financial resources to acquire the land but does not provide approval of land purchases. However, approval to begin the land acquisition process in accordance with Policy 2.5.10 was provided by the Board at the June 19th, 2025, Board meeting.
 - e. **2.5.11 Debt** – As indicated in the capital plan (pages 41-42) there is no debt funding planned in the budget.
- B. Auditing Fees are provided as indicated in Figure 14: Contractual Services Summary (pages 32-33). Sufficient funding is provided for external auditing fees in the budget. Based on recent audits and the current audit contract, audit expenses incurred in FY2026 are estimated to be \$83,000 and are budgeted accordingly.

In addition, the annual audit provides additional reassurance that the agency is in compliance with policy 2.5. Below is a description of how the audit reviews the requirements of policy 2.5.

Policy description	FY 2024 Audit references
2.5.1: Financial controls meet generally accepted standards.	Reviewed and described in Note 1 of Audited Financial Statements on page 22.
2.5.2 Federal and state funding is not jeopardized.	Reviewed and described in Notes 1 and 2 of Audited Financial Statements on pages 22-26, plus page 59.
2.5.3: Controls meet the Board appointed auditor's standards.	Reviewed and described on pages 2-3 of the Independent Auditor's Report.
2.5.4 Independent uncompromised audit.	Reviewed and confirmed in Independent Auditor's Report.
2.5.5 Expenditures are within overall Board-approved budget.	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.
2.5.6 Contracts of a value greater than \$250,000.	Reviewed and described on pages 2-3 of the Independent Auditor's Report.
2.5.7 Use of Capital Reserve funds.	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements
2.5.8 Reserve policy	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.
2.5.9 Tax rates	Reviewed and described in Note 1 of Audited Financial Statements on page 23.
2.5.10 Real estate	Reviewed and described in Note 12 of Audited Financial Statements on page 33.

2.5.11 Incurring debt	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.
2.5.12 Adjusting fares	Reviewed and described in Management's Discussion and Analysis section of Audited Financial Statements.

POLICY 2.4.2

Fails to place business decisions in a comprehensive, strategic context that illustrates progress towards Ends and compliance with Executive Limitations.

Degree of Compliance: Compliant

Interpretation

Operational Definition:

I interpret this policy to mean that each draft annual budget (and the expenditures therein) must be informed by a multi-year strategic plan that illustrates how the agency will align its resources to make progress toward achieving the Board's expectations (i.e., Ends and Executive Limitations).

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the CEO produces an annual Corporate Business Plan that:

- A. Uses the Board policies to guide agency goals/outcomes. *All* efforts are aligned towards these outcomes.
- B. Provides a summation of the agency's current situation sufficient to establish a common understanding of the plan's starting point and key considerations that guide agency efforts to achieve Ends within set limitations.
- C. Staff, community and the Board have the opportunity to provide input on the activities before they are adopted in the budget for funding.
- D. Provides a multi-year framework for illustrating initiatives. Longer-term context can be provided, as necessary, in supplemental documents like a long-range plan.

Rationale

This is reasonable because:

- A. Aligning agency activities to Board policies indicates a deliberate focus of operational matters to accomplish Board's Ends.
- B. A summary of the agency's current situation establishes a common understanding of the starting point, clarifies background, provides situational awareness, and focuses on key issues.
- C. Providing staff, board and the public with the opportunity to review activities before they are funded ensures transparency.
- D. Multi-year timeframes are necessary because initiatives to pursue Ends take many years, risks might be unseen in shorter time frames, and funding and business decisions only make sense in a longer-term perspective. Major

anticipated business decisions are addressed, directly or indirectly, through the Business Plan and Budget documents. All expenditures are addressed in each annual budget.

Evidence

Source of Data: Corporate Business Plan FY2026 (the business plan), FY2026 Draft Operating and Capital Budget (the budget), TheRide2045 (long-range plan)

Date of Data Review: 8/29/2025 as verified by Corporate Strategy & Performance Officer

Data:

- A. The Board's Ends policies appear on page 31 of the Business Plan. All recommended initiatives are cross-referenced to illustrate which Board policy (Ends or Executive Limitation) they are intended to advance (pgs. 13-26).
- B. The Business Plan provides historical background on ridership trends (pg. 8) in part to focus attention on this key output. The SWOT analysis on pg. 7 provides a current analysis highlighting agency strengths and weaknesses, threats and opportunities.
- C. The Business Plan provided ways to provide input and feedback on the plan (pg. 3).
- D. The Business Plan provides a 21-year plan in Gantt chart format on page 27.

POLICY 2.4.3

Omits credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

Degree of Compliance: Compliant

Interpretation

Operational definition:

I interpret this policy to mean that the FY2026 Budget will provide transparent estimates and defensible assumptions based on historical trends and future projections. And that there will be a clear separation of revenues and expenses, capital and operational items, and cashflows.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the annual draft budget includes:

- A. All anticipated revenue estimates by source,
- B. All anticipated expense estimates by general category or project as appropriate,
- C. Operating budget is separate from the capital budget,
- D. Anticipated cash flow projections (annually) for the current year and the next five years based on operating and capital budget requirements,
- E. Explanations for any significant assumptions are justified or supported with credible evidence and logical reasoning, and can withstand criticism or counterarguments

Rationale

This interpretation is reasonable as the policy unambiguously requires provision of those items.

- A.-D. Having all anticipated revenues, expenses, and cashflow displayed in the budget is a reasonable level of achievement as it shows available financial resources and how resources are allocated to further the Board's Ends.
- E. Explicitly identifying assumptions allows them to be disclosed. Providing a rationale as stated above demonstrates defensibility.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget

Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration

Data:

- A. **Revenue Estimates** – Page 39 provides estimates of 7-year operating revenues by category and page 42 provides 10-year capital expenses by project.
- B. **Cost Estimates** – Page 39 provides estimates of 7-year operating expenses by category with historical context and page 42 provides 10-year capital expenses by project.
- C. **Operating and Capital budgets** are separated (see pages 37 and 41)
- D. **Cash Flow Projections** – Page 45 provides cash balances for the current year in September and the next six years. Cash flow is based on operating and capital budget revenue and expense projections as presented in the budget.
- E. **Assumptions** – Pages 28 through 39 and 48 through 51 provide operating and capital budget assumptions, respectively.

POLICY 2.4.4

Is unclear about long-term funding needs and growth projections.

Degree of Compliance: Compliant

Interpretation

Operational Definition:

I interpret this policy to mean that the proposed budget will account for ridership growth projections, address associated impacts e.g., infrastructure expansion, and identify corresponding funding requirements.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the annual budget clearly outlines five-to-ten-year financial assumptions for:

- A. Maintaining operation of existing services,
- B. Maintaining assets (per Board policy and FTA requirements),
- C. Mitigating against foreseeable risk,
- D. Implementing expansion plans (i.e., TheRide2045, the long-range plan), and
- E. Changes in ridership (i.e., passenger demand).

Rationale

This is reasonable because it accounts for the main elements of funding needs i.e., maintaining existing services and equipment, risk, service expansion, and growing demand for services.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget

Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration

Data:

- A. Page 10 of the budget states that the budget includes operating full-service levels and funding for millage service expansions. Page 38 demonstrates that there is no reduction in funding for operations, and that the increased levels of funding for expanded services cover expenses through FY2029.
- B. Page 42 of the budget demonstrates that there is funding for maintaining assets through capital funding in the “State of Good Repair” section for the projection period (10 years).
- C. The projections included on pages 38-39 of the budgets include average annual inflationary increases of at least 3% per year. There are some exceptions, such as union salary and wage increases, which are based on the current bargaining unit contract in the first few years, and then 3% annually after expiration of the current contract. Additionally, some areas of the budget include additional inflationary adjustments based on historical trends that may be higher than 3%, such as different types of insurance costs.
- D. Expansion plans are included in the budget as follows:
 - a. Millage services to be implemented in FY2026 and through the projection period are described in the operating budget on pages 8-10. Increased funding to support initiatives is demonstrated in the projections on pages 38-39. Operating costs supporting the longer-term service changes, such as Bus Rapid Transit (BRT), are beyond the current millage cycle and are not included in the projections as funding has not been approved and will not be implemented until funding becomes available.
 - b. Longer term expansion plans are described in the capital plan on pages 10-12. Increased funding to support capital initiatives are provided in the capital budget and projections on pages 40-44.
- E. Changes in ridership are described in the budget on pages 24 through 27.

POLICY 2.4.5

Causes deficit spending.

Degree of Compliance: Compliant

InterpretationOperational Definition:

I Interpret this policy to mean that staff will recommend a balanced budget.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the draft annual budget demonstrates that:

- A. Projected costs do not exceed reasonable forecasts of revenues,
- B. Any “unsecured” revenue sources (i.e. unconfirmed), such as aspirational or competitive capital grants, are clearly identified,
- C. Operating and Capital reserves are maintained at appropriate levels, and
- D. Maintenance is not deferred.

Rationale

This is reasonable because:

- A. Deficits are created by costs exceeding revenues. A balanced budget is also required by State law.
- B. In accordance with Generally Accepted Accounting Principles (GAAP), revenue should be recognized only when it is both earned and realizable. Identifying unsecured revenue supports adherence to this standard and mitigates the risk of incurring deficits due to premature financial commitments. Additionally, forecasting future deficits may be necessary to represent the agency’s circumstances honestly and transparently. While multi-year forecasts are included in the budget for context, the Board only approves one year of budget at a time. Projections of future deficits do not cause immediate deficit spending.
- C. Stipulating the reserves must be maintained eliminates the option of drawing down those reserves to temporarily increase spending beyond what revenues could support longer-term, a less-obvious deficit.
- D. Requiring timely maintenance of assets avoids underfunding these important activities in the current year, effectively eliminating the risk of postponing critical needs for short-term expenses that would likely result in spending beyond what revenues can support longer-term.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget

Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration

Data:

- A. On page 37, Figure 17 demonstrates that the FY2026 Operating Budget is balanced. On page 41 of the budget, Figure 20 demonstrates that the FY2026 Capital Budget is balanced. Operating costs are projected to be covered through FY2029 due to the approved millage. Capital items are fully funded as well.
- B. On page 42, Figure 21 shows anticipated funding sources for expansion projects, some of which are aspirational in nature as they are unfunded later in the projection period.
- C. On pages 45-46, descriptions of required operating and planned capital reserves are provided, along with multi-year projections demonstrating reserve requirements are met through the projection period. Additional compliance with operating reserve requirements is described on pages 19-23.
- D. Maintenance of assets is budgeted in several areas of the operating and capital budget. In the operating budget on page 32, the description of Fuel, Materials, and Supplies assumptions demonstrate consistent funding for materials and supplies needed to maintain vehicles and other assets. Additionally, in Figure 14, contracted services are maintained in the operating budget. Finally, fleet and facilities maintenance staff are fully funded in the operating budget at levels consistent with the current fiscal year. In the capital budget on page 42, Figure 21 illustrates consistent funding for maintaining "State of Good Repair" of assets in FY2026 and through the projection period.

POLICY 2.4.6

Does not provide for adequate reserves.

Degree of Compliance: Compliant

Interpretation

Operational Definition:

I interpret this policy to mean that the proposed budget will include sufficient operational and capital reserves. Further, I interpret 'sufficient' to mean that identified reserves are capable of sustaining agency operations and funding capital initiatives throughout the budget year.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the draft annual budget provides for:

- A. An operating reserve with funding equivalent to at least 2.0 months of operating costs. The operating reserve balance at the end of each September must be enough to meet this requirement for the upcoming fiscal year beginning the following month in October.
- B. A Worker's Compensation Insurance Reserve with at least \$500,000 is available to pay for claims costs beyond what is anticipated in the budget in any given fiscal year.
- C. A Capital Reserve (of whatever amount is available) intended to help pay for the local match in competitive federal grant applications, or for other capital expenses.

Rationale

This is reasonable because:

- A. An **operating reserve** is prudent because it provides an easily accessible amount of funding to ensure agency operations do not have to shut down in the event normal funding mechanisms are temporarily interrupted. Unpredictable circumstances beyond the agency's control such as cyberattacks, federal government shutdowns or paperwork errors can disrupt normal cash flow and impact paychecks and fuel purchases. A reserve provides an emergency buffer against such interruptions.

TheRide expresses the reserve in terms of the number of months of operations it can support. The Government Finance Officers Association (GFOA) recommends that reserve balances in the public sector should be able to support at least 2 months of operations.

- B. The **Worker's Compensation Insurance Reserve** is an important part of the agency's approach to being self-insured, which is more cost-effective than

paying high insurance premiums. The level of \$500,000 has been historically adequate.

- C. A **capital reserve** is a valuable tool for setting aside one-time surplus funds to help provide the local match for competitive federal grants. The agency has a board-approved long-range plan with many capital projects supported by various grant sources. In this context, a capital reserve is a prudent tool to ensure the successful completion of these projects. It also demonstrates the agency's ability to complete large-scale projects, which boosts the confidence of external funders.

The adequacy of the amount of funding in the capital reserve is entirely dependent on available resources. Saving for future growth is the last priority after maintaining existing assets and services. Presently, the agency does not have a permanent funding source for the capital reserve.

There are no other reserves.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget

Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration

Data:

- A. **Operating Reserves** – As indicated on page 46, Figure 25 illustrates the Operating Reserve Balance will meet the reserve target through the projection period.
- B. **Worker's Compensation Insurance Reserve** – As described on page 22, the reserve is fully funded.
- C. **Capital Reserve** – As illustrated in Figure 26 on page 46 of the budget, there is no anticipated contribution to the Capital Reserve in FY2026.

POLICY 2.4.7

Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.

Degree of Compliance: Compliant

Interpretation

Operational definition:

I interpret this policy to mean that the proposed budget includes sufficient funding for the Board to carry out its work in a manner compliant with its governing policies (3.0).

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when the draft annual budget incorporates a budget for Board activities. This board budget is reviewed by the Governance Committee prior to budget adoption.

Rationale

This is reasonable because cost of governance is one of the Governance Committee's primary responsibilities per policy 3.7.1 and policy 3.8.3 specifically requires inclusion of the board budget in the overall budget each year.

Evidence

Source of Data: FY2026 Draft Operating and Capital Budget

Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration

Data:

Cost of Governance is addressed on page 34 of the budget and notes that \$35,000 is allocated for Board activities. The details of the board budget were reviewed by the Governance Committee as documented in committee meeting minutes for August 28, 2025.

POLICY 2.4.8

Funds ongoing operations via debt or creates unfunded future obligations.

Degree of Compliance: Compliant

InterpretationOperational definition

I interpret this policy to mean that the recommended budget cannot use loans or other financial liabilities to pay for non-capital expenses. Nor can the recommended budget extend forecasted operational expenses beyond direct operational revenues.

However, the CEO can recommend that the Board approve debt as long as there is a revenue source to pay for it, for example revenue bonds paid for by a supplemental millage.

Measure/Standards & Level of Achievement

Compliance with this policy will be demonstrated when:

- A. The draft annual budget does not require the Board to approve any form of debt to maintain operations or assets for the upcoming year,
- B. Any one-time revenues are not used to create permanent ongoing expenses, and
- C. The draft annual budget does not forecast operating deficits.

Rationale

This is reasonable because:

- A. The absence of debt in the budget demonstrates that it is not necessary. The CEO cannot create debt without Board approval (2.5.11).
- B. Creating ongoing expenses with temporary funding would create a future obligation, and
- C. The credible projections required in earlier policies illustrate the future implications of immediate spending decisions.

Evidence

Source of Data: FY 2026 Draft Operating and Capital Budget, 2024 Audit

Date of Data Review: 8/29/2025 as verified by the Deputy CEO, Finance and Administration

Data:

- A. **Debt** – As illustrated in Figure 3 on page 21 of the recommended budget, revenues are sufficient to cover expenses for the immediate future. In addition, in the 2024 audit on page 18 in the Statement of Net Position of the under Liabilities, AAATA has no debt.
- B. **One-Time Revenues** – As indicated on page 38 of the budget, the CEO has not created new obligations for AAATA that cannot be funded with reasonably foreseeable revenues. All increased expenses related to service expansions are funded with the August 2022 millage beginning in Summer 2024.
- C. **Operating Deficits** – As indicated on page 37 of the budget, there is no projected deficit in FY2026.

Policy Trendlines

Policies	FY 23	FY 24	FY 25
2.4	3	3	3
2.4.1	3	3	3
2.4.2	3	3	3
2.4.3	3	3	3
2.4.4	3	3	3
2.4.5	3	3	3
2.4.6	3	3	3
2.4.7	3	3	3
2.4.8	3	3	3

LEGEND	
	Policy is not compliant
	Policy is partially compliant
	Policy is compliant

Guidance on Determining “Reasonableness” of CEO Interpretations

Are the interpretations reasonable?

An interpretation is reasonable if the following are provided,

1. a measure or standard,
2. a defensible rationale for the measure or standard,
3. a level of achievement necessary to achieve compliance and
4. a rationale for the level of achievement.

Is evidence verifiable?

Evidence is verifiable if there is

1. actual measurement/data,
2. the source of data and
3. the date when data was collected is provided.

Board's Conclusion on Monitoring Report

Board's conclusion after monitoring the report.

Following the Board's review and discussion with the CEO, the Board finds that the CEO:

(A) A reasonable interpretation for all policy items and that the evidence demonstrates compliance with the interpretations.

Board Notes: (If Applicable)