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MEMO

To: Board of Directors, Ann Arbor Area Transportation Authority
From: Philip Webb, Controller/Manager of Finance
Date: May 11, 2016
Re: Notes to the Financial Report of Operations – April 30, 2016

Message: The following are the explanations and notes for budget to actual variances for the AAATA's year-to-date unaudited financial report of operations, generally +/- 5.0% and \$20,000.

OVERALL – The Report of Operations reflects a **\$765,000** surplus for the first seven months of the fiscal year. As planned, a portion of the July 2016 property tax millage will be allocated toward the purchase of vehicles rather than used for operating expenses in FY 2016. This will amount to \$1.0 million in FY 2016.

REVENUES: Total Revenues are 2.6% under budget (unfavorable).

1. Passenger fares are under budget for fares on the bus from cash, tokens and 30-day passes. Subcontracted fares are higher than budget for ARide and AirRide. Special fares are under budget for UofM and go!passes due to lower ridership. Overall, fares are \$150,800 under budget or 4.0%.
2. Property taxes reflects all the property tax millages which will be levied on July 1, 2016, along with the deferment of \$1.0 million from operating to capital for bus purchases in FY 2016. We will use \$3.85 million from the July 1, 2014 levy from FY 2014 and \$2.4 million from the July 1, 2015 levy and \$1.0 million from the July 1, 2016 levy to purchase 15 large buses and 2 small buses to provide the additional 5YTIP services.
3. State Urban Operating Assistance is under budget by \$424,000, because it is calculated on incurred eligible expenses x 30.8%, which are less than budgeted.

EXPENSES: Total Expenses are 5.5% under budget (favorable).

4. Wages are under budget for maintenance and administration due to a few vacant positions, which are gradually being filled.
5. Fringe Benefits are under budget due to overall wages being under budget. Overall fringes are 40.2% of wages compared to the budgeted amount of 42.1%.
6. Contracted maintenance is under budget due to timing differences for projects. Some monthly expenses are estimated, such as custodial, security, etc. where we have known monthly amounts, while others expenses are not, due to their variable nature, such as legal fees, contracted maintenance and towing. We have had fewer snow storms this winter. Consulting fees are under budget due to timing of projects.
7. Fuel and fuel futures expenses are under budget by \$295,500, after consideration of the loss on fuel futures. We have averaged \$1.41 per gallon for fuel deliveries for October through April, compared to the budget of \$2.45 per gallon. However, we have had realized losses on fuel futures of \$221,800. Fuel prices have rebounded slightly, with the May 3, 2016 ultra-low sulfur biodiesel (B10%) fuel delivery at \$1.55 per gallon.
8. Printing is under budget by \$29,200 due to timing of projects. We incurred more printing for the service expansion and some of those invoices are coming in May.
9. Utilities are under budget by \$80,800 due to timing of bills received and a milder winter.
10. ARide is over budget as demand has increased over the last few months.
11. Local depreciation is over budget due to the recent purchase of minivans for the VanRide program in late FY 2015. These vehicles were purchased with local funds.