

# Memorandum



To: Board of Directors  
From: Philip Webb, Controller/Manager of Finance  
Date: **October 12, 2012**  
Re: **Notes for the Operating Statement – Year Ended September 30, 2012 – First Close**

The following are the explanations and notes for budget to actual variances for the AATA's year-to-date unaudited financial report of operations, generally +/- 5.0% and \$10,000.

**REVENUES: Total Revenues are 6.1% under budget (unfavorable).**

1. Passenger fares are under budget mainly for cash collections in the farebox. Passenger revenue is 9.6% greater than last year, but under this year's budget.
2. Local Property Tax Revenue is under budget by \$269,000. The City recently performed the reconciliation of the July 2011 tax levy and there were Michigan Tax Tribunal refunds and adjustments totaling \$269,095 for the tax year.
3. Purchase of Service Agreements are under budget mainly due to:
  - a. AirRide only operational for six months rather than the entire year. The POSA-Interurban amount represents the private contractor contribution to provide the service and is under budget by \$300,000. This is offset by the Purchased Transportation expense line item being under budget by \$560,000.
  - b. The POSA line item is also under budget by \$157,000, since the local contributions for the WALLY were not recognized as revenue, since the work did not start in FY 2012. This is offset by \$191,000 in Design Fees (in other purchased services) for the Railroad Station Feasibility Study that will not start until FY 2013. These amounts continue in the FY 2013 budget.
4. State Operating Assistance is greater than last year, but less than the current year budget. The percentage has decreased from 31.41% in FY 2011 to 30.65% in FY 2012 for urban operating. The amount of the actual revenues is the total of the monthly payments received, plus an accrual for revenue to be received during the reconciliation process. After the end of this fiscal year, the state will reconcile the operating assistance revenue with the audited expenses incurred. We also received \$209,000 more than expected in State revenue for the payment from the final audited reconciliation for FY 2009.
5. Federal Operating Assistance is under budget. We have fully expended the Preventive Maintenance line item from the FY 2011 Section 5307 grant.

**EXPENSES: Total Expenses are 5.1% under budget (favorable).**

6. Other Wages are under budget. We had vacant positions for part of the year, but they are all filled. We hired non-budgeted positions of Grants Assistant, Purchasing Assistant and Communications Specialist.
7. Fringe benefits are under budget due to lower workers compensation rates and a workers' compensation retention dividend from calendar year 2010 for \$128,000. Also, a training class for 10 new drivers started on November 14, 2011. Generally, fringe benefits for MCOs start 90 days after start of employment, so these differences are permanent differences.
8. Consulting is under budget by \$209,000 due to timing of projects. The Organizational Strategic Plan will be about \$90,000, which is less than the adopted budget amount of \$250,000.
9. Most of the other purchased services are less than budget due to timing differences of projects. However, legal expenses are running over due to additional help on construction contracts and the bus advertising lawsuit against AATA (\$50,000 deductible). Design fees are under budget by \$365,300 because the Railroad Station Feasibility Study, budgeted at \$191,000, will not start until FY 2013.
10. Fuel and fuel futures expenses are over budget for year to date, after consideration of the gains on fuel futures.
11. Printing and other materials & supplies are under budget due to permanent differences.
12. Utilities are under budget, mainly for natural gas as this winter has been milder than previous years.
13. Insurance is over budget due to more claims under our \$25,000 deductible than anticipated.
14. ARide is over budget by 6.4%. Demand for the service is high.
15. NightRide is over budget by 19.3% as we expanded the service area.
16. AirRide is under budget since the service was only operational for six months rather than the entire year.