Memorandum

To: Board of Directors
From: Philip Webb, Controller/Manager of Finance
Date: **April 12, 2013**
Re: **Notes for the Operating Statement – Six Months Ended March 31, 2013**

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 $20,000.

REVENUES: Total Revenues are 2.7% under budget (unfavorable).

1. Passenger revenues have increased 1.8% over last year while ridership has increased by a greater amount. Passenger fares are under budget for cash collections in the farebox. The budget overestimated cash fares.
2. AirRide subcontracted passenger fares are 22.9% over budget for the six months. There was no service in 2012, so the AirRide service accounts for $353,000 of the $389,000 increase over 2012. Passenger fares paid for the AATA portion of the service for each month from October 2012 to March 2013. This concludes the first year of the annual contract.
3. Special Fares are under budget for UofM. The original ridership projection was revised after the budget was adopted. The unfavorable difference is projected to be $160,000 for the year.
4. Advertising is over budget for the year by $114,000. CBS Outdoor, our new bus advertising contractor, has been paying us our annual minimum on a monthly basis. If February, we recorded the amount $74,800 earned during the 5.5 months of the contract, but not yet paid. We will receive this amount (and more) in September 2013 at the end of the 1st contract year.
5. State Operating Assistance is $29,000 under the amount budgeted for preventive maintenance, $20,000 under budget for planning and $23,500 under budget for JARC due to the timing of billing for JARC.
6. Federal Operating Assistance is under budget. We did not need to accrue $116,000 in preventive maintenance and we are under budget for JARC and New Freedom by $42,000 due to the timing of billings.

EXPENSES: Total Expenses are 4.9% under budget (favorable).

7. MCO and other wages are under budget. The budget included the Easter Holiday's pay in March, but it effectively will be paid in April. About $32,000 of this difference will be offset by the end of April. We also received a check from Michelin of $25,900, which was used to offset labor costs spent replacing the tires on the fleet due to a recall. Separately, with new tires on our buses, we expect tire expense to be under budget for all of 2013 (currently $39,800 under budget).
8. Fringe benefits are under budget due to lower pension expense than calculated in the budget.
9. Consulting/Public Relations services are under budget by 31.8%. The ARide Service Delivery Model project has just started and has been partially billed to AATA. Also, public relations expenses have been lower than anticipated in the budget.
10. Other purchased services are under budget with a $32,400 favorable variance in internet services.
11. Fuel and fuel futures expenses are over budget by $41,800, after consideration of the gains on fuel futures.
12. Bus Parts are over budget by $81,200. We have had to replace some parts in the older Gilligs. Some of the expense represents the "cores" and we will receive a credit once they are returned to the manufacturer. We expect this to level off and reverse since the new buses have arrived and the older buses will be taken out of service. The new buses are under warranty, so any many of the initial repairs are covered. Also, we removed the remaining Opus bus parts from our inventory and sold them to a transit agency that still is running these buses in service at a net loss.
13. Printing and other materials & supplies are under budget, mainly due the lesser use of DEF (diesel exhaust fluid) as anticipated in the budget.
14. ARide is under budget by 11.1%. There were 4.9% fewer trips than the prior year, while the budget anticipated an increase.
15. NightRide is over budget for February by 12.8% and is 68.2% greater than the level from March 2012.
16. Other expenses are under budget by 48.9%, due to lower costs for media costs, uniforms and employee development.