

Memorandum



To: Board of Directors
From: Philip Webb, Controller/Manager of Finance
Date: August 9, 2013
Re: Notes for the Operating Statement – Ten Months Ended July 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 0.8% under budget (unfavorable).

1. Passenger revenues are consistent with 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 \$136,100 (28.2%) over budget for the ten months. There was no service in the first six months of FY 2012, so the AirRide service accounts for \$460,000 of the \$516,200 increase over 2012. Passenger fares paid for the AATA portion of the service for each month from October 2012 to March 2013. The 2nd year of the annual contract started April 1, 2013.
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 \$185,400. CBS Outdoor, our new bus advertising contractor, has exceeded our expectations. We expect the annual advertising revenue to be \$215,000 over budget.
5. State Operating Assistance is \$215,000 over budget due to the following:
 - a. FY2012 – MDOT performed the reconciliation on FY 2012 urban and nonurban operating assistance and reduced the amount we were expecting by \$110,000. This amount is reflected as a reduction in the current year revenue.
 - b. FY2013 – MDOT sent us our portion of the \$5.4 million supplemental appropriation that was passed by the State legislature. Therefore, we will receive our urban operating assistance at 30.65% of our eligible expenses, which is an increase from the 27.11% that we had been receiving for the last nine months.
6. Federal Operating Assistance is \$177,000 under budget since we did not bill for \$140,000 in preventive maintenance for July. We are planning to defer \$336,000 of the Federal preventive maintenance (along with the State match of \$84,000) from the remaining months of FY 2013 to FY 2014.

EXPENSES: Total Expenses are 3.2% under budget (favorable).

7. Other wages are under budget. We 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, tire expense has been under budget for all of 2013 (currently \$67,600 under budget).
8. Fringe benefits are under budget due to lower pension expense than calculated in the budget. Medical insurance is over budget, since the budget expected a 20% contribution from unionized employees, effective January 1, 2014 as a result of labor negotiations. However, the labor agreement includes a 10% contribution until August 2014, when employees will pay 15% and August 2016, when it becomes 20%.
9. Contracted maintenance is under budget due overall repairs and maintenance on the facilities is under budget.
10. Consulting/Public Relations services are under budget by \$66,600 (14.7%), mainly less spent on consulting projects within administration.
11. Other purchased services are under budget with a \$46,600 favorable variance in internet services and custodial.
12. Fuel and fuel futures expenses are over budget by \$127,000, after consideration of the realized and unrealized gains and losses on fuel futures.
13. Bus Parts are over budget by \$7,400. We have had to replace some parts in the older Gilligs. This variance has been reduced since the 16 new buses have arrived and the older buses have been taken out of service. We sold 13 buses. The new buses are under warranty, so many of the initial repairs are covered.
14. Printing and other materials & supplies are under budget, partly due the lesser use of DEF (diesel exhaust fluid) as anticipated in the budget, recorded in lubricants. We recorded a \$100,000 allowance on the

upcoming sale of the New Flyer bus parts, currently recorded at \$130,000 on the balance sheet. However, we conservatively expect to be able to realize about 25 cents on dollar.

15. Utilities are under budget, mainly in natural gas as our usage is below our historical average.
16. ARide is under budget by 8.2%. There were 1.0% fewer trips than the prior year, while the budget anticipated an increase.
17. NightRide is over budget for July by 11.2% and is 43.4% greater than the level from last year. Compared to last year, 41.6% more trips have been taken, due to the expanded service area.
18. Other expenses are under budget by 36.5%, due to lower costs for media costs, uniforms and employee development.