

# Memorandum



To: Board of Directors, Ann Arbor Area Transportation Authority  
From: Philip Webb, Controller/Manager of Finance  
Date: **October 10, 2013**  
Re: **Notes for the Operating Statement – Fiscal Year Ended September 30, 2013 – First Close**

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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 4.3% 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 \$168,800 (27.7%) over budget for the year. There was no service in the first six months of FY 2012, so the AirRide service accounts for \$482,200 of the \$499,200 increase over 2012. Passenger fares paid for the AATA portion of the service for each month from October 2012 to March 2013. The 2<sup>nd</sup> 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. For the contract that started August 1, 2013, the Federal and State money earned is larger than projected in the budget. We will still receive \$1.00 per ride, but more of the revenue will come from Federal and State sources.
4. Advertising is over budget for the year by \$198,300. CBS Outdoor, our new bus advertising contractor, has exceeded our expectations, basically tripling the annual guaranteed minimum of \$100,000.
5. Purchase of Service Agreements are under budget since we only needed to realize \$5,600 of the WALLY partners local match for the State WALLY planning grant instead of the budgeted \$157,000. Also, we recognized \$68,100 from the local partners for the Connector Alternative Analysis, instead of the entire \$210,000. The remainder will be recognized in FY 2014 as the projects continue.
6. State Operating Assistance is \$298,800 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.
7. Federal Operating Assistance is \$1,320,000 under budget since we did not bill for \$420,000 in preventive maintenance for July through September, since we are deferring \$420,000 of the Federal preventive maintenance (along with the State match of \$105,000) from the remaining months of FY 2013 to FY 2014. Also, the Budget included \$1.2 million in planning revenue for the Connector Alternative Analysis, while the actual revenue includes \$371,300. There is a corresponding decrease under consulting expense. The remainder will be received in FY2014.

## **EXPENSES: Total Expenses are 6.7% under budget (favorable).**

8. Wages are under budget for MCOs. We have had a few employees off on medical or workers compensation leave.
9. 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%.
10. Contracted maintenance is under budget due to overall repairs and maintenance on the facilities is under budget.

11. Consulting is under budget by \$1,150,000, since \$1,036,000 less was spent on the Connector Analysis than budgeted. The project expenses, along with the 80% Federal planning grant and matching funds, will continue into FY 2014.
12. Other purchased services are under budget with a \$169,228 favorable variance for the WALLY Station Design project. This will continue into FY 2014. Also, we were \$52,333 under budget for legal fees. This will be reduced a little as we receive the September invoices. Accounts payable will stay open between the first close and second close to capture all the invoices that were incurred in September in FY 2013 even though they will be paid in October in FY 2014. The second close will be done just before the auditors start their fieldwork in December.
13. Fuel and fuel futures expenses are over budget by \$155,400, after consideration of the fuel futures.
14. Bus Parts are almost back to even. 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.
15. 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.
16. ARide is under budget due to fewer trips than the prior year. The budget anticipated an increase.
17. NightRide is over budget for the year by 10.5% and is 33.2% greater than the level from last year. Compared to last year, 33.8% more trips have been taken, due to the expanded service area.