



ITEM ID: 2023-384-0

TRANSMITTAL DATE: December 1, 2023

MEETING DATE: December 8, 2023

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY24 Financial Results for the Four Months Ended October 31, 2023 - Ridership, Revenue, and Operating Results

Issue

In response to the effects of the COVID-19 pandemic and the related decline in Metrolink ridership, staff committed to a monthly update of recovery for ridership and revenue. In recognition of the impact of uncertain farebox revenue on Member Support, staff also committed to monthly reporting on Operational Performance. This report covers these two topics.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitments of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Providing current and accurate information to our Board enhances their oversight.
- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding new and innovative ways to bring them on board. Our close monitoring of our ridership is a reflection of our unflagging concern for

ridership trends.

Background

Ridership

This item will report on the ridership and revenue recovery as measured against FY2018-19 Revenue, which was the last full year of operations pre-pandemic. Comparisons and variance are shown between the forecast and actual recovery.

For the FY24 Budget staff continued its engagement with Sperry Capital/KPMG to lend assistance and additional expertise to our ridership forecasting. Sperry Capital/KPMG provided an analysis depicting best-case, mid-case, and worse-case scenarios. The analysis was presented to the Board on February 24, 2023, with a conservative staff recommendation that the worse-case scenario be used in the creation of the FY24 Budget.

The Farebox Revenue in the FY24 Budget is based on the worst-case scenario as described above.

Operating Statement

On June 23, 2023, the SCRRA Board of Directors adopted the FY24 Operating Budget. The FY24 Operating Budget reflected revenue of \$52.8M, expense of \$303.4M, and support of \$250.7M.

On September 22, 2023, the SCRRA Board of Directors amended the FY24 Operating Budget to include additional service on the Antelope Valley Line (AVL). The amended FY24 Operating Budget reflects revenue of \$54.0M, expense of \$305.9M, and support of \$251.9M.

Discussion

Revenue

Through October 2023, the Authority's farebox revenue actuals were greater than the revenue as budgeted for FY24. Fiscal Year-to-Date through October, farebox revenue is budgeted at \$11.2M or 43% recovery, while the actual farebox revenue is \$11.6M, a 44% recovery, exceeding the budget by \$0.4M. Month-over-Month progress appears to be slightly slower than in prior months as a result of the non-inclusion of the revenue for the Student Adventure Pass, the Grant for which was not approved until early in November. Amounts earned for both October and November will be included in the November report.

Ridership

Fiscal year-to-date through October, ridership recovery was forecast at 42% or 1.7M boardings, while the actual recovery fiscal year-to-date is 45% or 1.8M boardings, exceeding the forecast by 0.1M boardings. As in the case of Revenue, Month-over-Month progress in Ridership appears to be slightly slower than in prior months as a result of the non-inclusion of the boardings for the Student Adventure Pass, the Grant for which was not approved until

early in the month of November. Boardings for both October and November will be included in the November report.

Operating Results

The Metrolink Operating Statement for the four months ended October 31, 2023 is based on accruals not actuals:

- Operating revenue is \$20.2M, over budget by \$2.9M.
- Expenses are \$89.8M, under budget by \$11.2M (based on accruals).
- Support required is \$69.6M, under budget by \$14.1M.

Outstanding Receivables

Metrolink has \$80.2M of receivables outstanding from Member Agencies. A total of \$25.5M of this amount is 91-180 days past due, indicating that we have not received funding for even the first quarter. Expenses to operate trains start at the beginning of the quarter. Fuel costs for example, must be paid weekly.

Arrow Service

Revenue

Through October 2023, Arrow Service had farebox revenue of \$74.4K. Ridership through October 2023 is 26K.

Operating Results

The Arrow Service Operating Statement through October 2023 is based on accruals not actuals.

- Total Operating Revenue is \$78.4K
- Expenses are \$4.4M, under budget by \$1.9M.
- Support required is under budget by \$1.9M.

Amounts for Arrow service are compared to the Continuing Resolution adopted by the Board of Directors in lieu of a FY24 Budget. The San Bernardino Transportation Authority has advised that on December 6, 2023, they will take another Continuing Resolution to their Board of Directors. This additional resolution will increase funding for FY24 for Arrow Service to a total of \$15M for FY24.

Next Steps

Staff will continue to report monthly on the revenue and ridership recovery and financial operating results.

Prepared by: Christine J. Wilson, Senior Finance Manager

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

Attachment A - Operating Statement
Presentation - October 2023 Financial Results for Board