



METROLINK.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

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ITEM ID: 2023-126-0

TRANSMITTAL DATE: February 17, 2023

MEETING DATE: February 24, 2023

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: FY23 Second Quarter Financial Results - Ridership & Revenue Recovery through first six months and Operating Statement through first six months

Issue

In 2020, in response to the effects of the COVID-19 pandemic and the related decline in Metrolink ridership, the Authority developed a forecast for ridership and associated revenue recovery for FY21. This forecast has subsequently been updated informed by economic data gathered from federal, state and private sources, with the most recent update produced in November of 2021. This November 2021 update was used as the forecast to produce the 2023 Budget. Staff will continue to report the status of the ridership recovery forecast and revenue plan versus actual to the Board on a monthly basis for as long as the effects of the pandemic significantly impact the financial position of the Authority.

Recommendation

AUDIT AND FINANCE COMMITTEE received and filed this report.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment 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. Staff has reduced the monthly cycle time to bring financial information to our stakeholders and will keep striving to continue process cycle time reductions and improved presentations of financial data.

Background

On June 25, 2022, the SCRRA Board of Directors adopted the FY23 Operating Budget. On October 28, 2022, that budget was amended by the Board to reflect Revenue of \$66.5M, Expense of \$296.3M, and Support of \$229.8M.

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-COVID pandemic. Comparisons and variances are shown between the forecast for recovery and actual recovery. As stated, the November 2021 Ridership Recovery Forecast is the basis on which Farebox Revenue is budgeted for FY23.

At the time the November 2021 Forecast was produced, there was no realization of the magnitude of the effect that the new remote work patterns would have on Metrolink ridership. The new patterns caused staff to determine that an outside expert should be engaged to lend additional expertise to our ridership forecasting. Staff has received the analysis of that outside expert and the analysis is currently under review.

Discussion

This item encompasses two sections.

The first section reports on the ridership and revenue recovery through the six months ended December 31, 2022, as measured against FY2018-19, which was the last full year of operations prior to the pandemic. Comparisons and variances are shown between forecast and actual recovery. That forecast is the basis on which Farebox Revenue was determined for the FY22 Budget.

The second section presents Operating Revenue and Expenses through the through the six months ended December 31, 2022, compared to the FY23 Amended Budget and to the comparable period for FY22.

Each of these two sections -- Revenue/Ridership and Operating -- are presented separately for Metrolink and Arrow Service.

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Farebox Revenue

Through December 2022, the first six months of FY23, the Authority lagged the Revenue Budget.

For the **month** of December '22, revenue recovery is budgeted at \$3.5M (a 58% recovery), while the actual revenue for December '22 is \$2.1M (a 36% recovery).

Year-to-Date through December, revenue recovery is budgeted at \$22.1M or 57%, while the actual revenue is \$15.2M (a 39% recovery). The year-to-date variance creates a **Year-to-Date** Farebox Revenue shortfall from budget of \$6.9M.

The charts by Line shown in Attachment B display the percent of the total Farebox Revenue contributed by each of the Operating Lines, and the percentage by which each line is unfavorable from Budget.

Ridership

In the past, Ridership has displayed the same recovery pattern as the Revenue. This is no longer the case. As we use fare discounting as a tactic to increase ridership, impacts are beginning to be felt on Fare Revenue, which creates a disparity between these two measures. For the month of December '22, ridership recovery was budgeted at 56%, while the actual recovery is 42%, which is 6 percentage points higher than the Revenue recovery. Year-to-Date through December, ridership recovery was forecast at 56%, while the actual recovery year to date is 42%, which is 3 percentage points higher than Revenue.

The charts by Line shown on Attachment B display the percent of the total Ridership contributed by each of the Operating Lines, and the percentage by which each line is unfavorable from Forecast.

Operating Statement

Operating Revenue through the first six months of FY23, is \$24.5M and \$7.2M under budget.

Operating Expenses are \$130.0M or \$17.3M under budget.

Major contributors to the amount under budget are the areas of:

Train Operators = \$5.7M under budget

Maintenance of Way = \$2.7 under budget

Indirect Administration = \$2.5 under budget

Insurance = \$2.4 under budget

Fuel = \$3.4 over budget

Please note that amounts are based on accruals, are preliminary and unaudited.

Attachment C is a copy of the Metrolink Operating Statement.

Next Steps

Staff will continue to report monthly on the Revenue and Ridership recovery.

Prepared by: Christine J. Wilson, Senior Finance Manager

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - Revenue By Line 12.22](#)

[Attachment B - Ridership by Line 12.22](#)

[Attachment C - Operating Statement - excludes Arrow 12.22](#)

[Presentation - FY23 Second Quarter Financial Results - Ridership & Revenue Recovery through first six months and Operating Statement through first six months](#)