



ITEM ID: 2023-207-0

TRANSMITTAL DATE: May 5, 2023

MEETING DATE: May 12, 2023

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: Financial Results for the Nine Months Ending March 2023 - Ridership and Revenue Recovery and Operating Statements

Issue

In response to the effects of the COVID-19 pandemic and the related decline in Metrolink ridership, the Authority developed and updated forecasts for ridership and associated revenue recovery. A forecast was updated in November 2021. This November 2021 update was the forecast used to produce the FY23 Budget and is used in this report for all comparisons to Budget.

Monthly reports to the Board will continue for as long as the effects of the pandemic and post pandemic issues significantly impact the financial position of the Authority.

Recommendation

Receive and file.

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

When the November 2021 Forecast was produced, the continuing seismic effect on traditional work patterns and Metrolink ridership was little understood. The lack of historical data of these new patterns led to staff engaging Sperry Capital and KPMG to lend assistance and additional expertise to our ridership forecasting.

Sperry Capital and 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.

For FY23, staff will continue to report the status of the ridership recovery forecast and revenue plan as adopted in the FY23 Budget versus actual.

Discussion

Revenue

Through March 2023, the Authority's Farebox Revenue actuals lagged the Revenue as Budgeted for FY23.

Fiscal Year-to-Date through March, revenue is budgeted at \$33.9M or 67% recovery, while the actual revenue is \$23.2M, a 40% recovery. The fiscal year-to-date variance creates a year-to-date Farebox Revenue shortfall from budget of \$10.7M.

A chart of Revenue by Line through March 2023 is included as Attachment A. The chart displays 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

Fiscal Year-to-Date through March, ridership recovery was forecast at 66% or 5.2M boardings, while the actual recovery fiscal Year-to-Date is 42% or 3.7M boardings, creating a ridership shortfall of 1.5M boardings.

A chart of Ridership by Line through March 2023 is included as Attachment B. The chart displays the percent of the total Ridership achieved by each of the Operating Lines, and the

percentage by which each line is unfavorable from Forecast.

An Operating Statement for the nine months ended March 2023 is included in this package as Attachment C. This operating statement is based on accruals.

Operating Revenue is \$37.3M, under budget \$11.1M. Expenses are \$190.2M, under budget by \$30.4M (based on accruals). Support required is \$152.8M, under budget by \$19.3M.

Arrow Service

Revenue

Through March 2023, which includes five months of fiscal FY23 revenue service, the Arrow Service has a shortfall from the Budgeted Farebox Revenue.

Fiscal Year-to-date through March 2023 revenue is budgeted at \$537K, while the actual revenue is \$106K. The fiscal Year-to-Date Farebox Revenue shortfall from budget is \$432K.

Ridership

Fiscal Year-to-date through March ridership is forecast at 191K, while the actual boardings are 44K.

Staff has met with SBCTA to determine a method and assumptions which will produce a more accurate ridership and revenue forecast for use in the FY24 Budget.

An Operating Statement through fiscal March 2023 shown on Attachment D reflects:
Revenue totals \$106K, under budget by \$432K.
Expenses are \$7.1M, under budget by \$4.0M.
Support required is under budget by \$3.6M.

Next Steps

Staff will continue to report monthly on the Revenue and Ridership Recovery and Financial Results.

Prepared by: Christine Wilson, Senior Manager, Finance

Approved by: Arnold Hackett, Chief Executive Officer

Attachment(s)

[Attachment A - March FY23 Revenue by Line](#)
[Attachment B - March FY23 Ridership by Line](#)
[Attachment C - March FY23 Operating Statement](#)
[Attachment D - Arrow March FY23 Operating Statement](#)

Presentation - Financial Results for the Nine Months Ending March 2023 - Ridership and Revenue Recovery and Operating Statements