



METROLINK.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

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ITEM ID: 2023-164-0

TRANSMITTAL DATE: March 3, 2023

MEETING DATE: March 10, 2023

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

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

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 2021. This November 2021 update was the forecast used to produce the FY23 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. The amended FY23 Operating Budget includes 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 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.

Needless to say, when the November 2021 Forecast was produced, there was no indication of the historic pandemic that would strike the world less than four months later or its magnitude on traditional work patterns and Metrolink ridership. The evolution of these new patterns led to staff engaging an outside expert to lend assistance and additional expertise to our ridership forecasting.

This additional expertise was secured from Sperry Capital and KPMG, who 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

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Revenue

Through January 2023, the first seven months of FY23, the Authority's Farebox Revenue actuals lagged the Revenue Budget.

Year-to-Date through January, revenue recovery is budgeted at \$26.1M or 58%, while the actual revenue is \$17.8M (a 40% recovery). The year-to-date variance creates a Year-to-Date Farebox Revenue shortfall from budget of \$8.3M.

A chart of Revenue by Line through January 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

Year-to-Date through January, ridership recovery was forecast at 57% or 4.0M boardings, while the actual recovery Year-to-Date is 42% or 2.9M boardings, creating a ridership shortfall of 1.1M

A chart of Ridership by Line through January 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 seven months ended January 31 is included in this package as Attachment C. This operating statement is based on accruals.

- Operating Revenue is \$28.6M, under budget \$8.8M.
- Expenses are \$150.7M, under budget by \$21.0M
- Support required is \$122.2M, under budget by \$12.2M

Arrow Service

Revenue

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

Year-to-date through January 2023 revenue is budgeted at \$316K, while the actual revenue is \$58K. The Year-to-Date Farebox Revenue shortfall from budget is \$258K.

Ridership

Year-to-date through January, ridership is forecast at 112K, while the actual boardings are 25K.

Staff is meeting with SBCTA to determine a method and assumptions which will produce a more accurate forecast.

An Operating Statement through January 2023 shown on Attachment D reflects:

- Revenue totals \$58K, under budget by \$257K.
- Expenses are \$5.6M, under budget by \$3.2M.
- Support required is under budget by \$2.9M

Next Steps

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

Prepared by: Christine J. Wilson, Senior Finance Manager

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

Attachment A - January 2023 Revenue by Line

Attachment B - January 2023 Ridership by Line

Attachment C - January 2023 Operating Statement

Attachment D - January 2023 Arrow Operating Statement

Presentation - Financial Results for the Seven Months Ending January 2023