



ITEM ID: 2024-197-0

TRANSMITTAL DATE: May 3, 2024

MEETING DATE: May 10, 2024

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: **FY24 Financial Results for the Nine Months Ended March 31, 2024 - Ridership, Revenue, and Operating Results and Annual Forecast to Year End for FY24 (Estimated results through 6/30/24)**

Issue

In response to the changed workplace environment and need for timely review of the Agency's financial position staff has committed to a monthly update of ridership and revenue. In recognition of the impact of changes to farebox revenue on Member Agencies Support, staff also committed to monthly reporting on Operational Performance. This report covers these two topics.

In addition, this report includes the forecast produced at the third quarter of each year providing an estimate of anticipated results through year-end.

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 Member support 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, and ability to provide direction based on factual data.

- **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 unflinching concern for ridership trends, and to ensure our actions are serving their needs.

Background

This item will report on the ridership and revenue recovery as measured against FY2018-19 (FY19) 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, 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 Comparisons

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 Member Agency 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 Member Agency support of \$251.9M.

Discussion

Revenue

Through the nine months ended March 2024, the Authority's farebox revenue actuals were greater than the revenue as budgeted for FY24. Fiscal Year-to-Date through March, farebox revenue is budgeted at \$25.9 or a 45% recovery, while the actual farebox revenue is \$28.6M, a 50% recovery, exceeding the budgeted revenue by \$2.7M. Year-to-Date amounts include the Student Adventure Pass program from inception on October 9, 2023, thru the current reporting period. The total amount of revenue from the Student Adventure Pass program through March 2024 is \$4.7M.

Ridership

Fiscal Year-to-Date through March, FY24 ridership recovery was forecast at 45% or 4.0M boardings, while the actual recovery fiscal Year-to-Date is 50% or 4.5M boardings, exceeding the forecast by 0.5M boardings. Total ridership generated by the Student Adventure Pass program through March is 0.7M.

Operating Results

The Metrolink Operating Statement for the nine months ended March 31, 2024, is based on accruals not actuals.

- Operating revenue is \$46.9M, over budget by \$7.0M.
- Expenses are \$207.4M, under budget by \$21.3M (based on Accruals).
- Support required is \$160.4M, under budget by \$28.5M.

We have revised the Operating Statement to display the "special trains" we are running which are not included in the Operating Budget. The information includes both revenue and expense, the net of which indicates the effective change to net support required to cover the effect of the running of these special trains.

Outstanding Receivables

As of March 2024, Metrolink had \$10.9M of past due receivables outstanding.

Available Cash

In March, cash available is \$67.6M, \$17.6M over the threshold established by the Board.

Arrow Service

Revenue

Through the nine months ended March 2024, Arrow Service had farebox revenue of \$177K. Ridership through March 2024 is 82K.

The Student Adventure Pass program contributed \$30K of the Year-to-Date Revenue, and 27K of the Year-to-Date Ridership.

Operating Results

The Arrow Service Operating Statement through March 2024 is based on accruals not actuals.

- Total Operating Revenue is \$185K.
- Expenses are \$9.2M, under budget (Continuing Resolution) by \$2.9M.
- Support required is under budget (Continuing Resolution) by \$3.0M.

Amounts for Arrow Service are compared to the Continuing Resolution adopted by the Board of Directors in lieu of a FY24 Budget. On December 6, 2023, The San Bernardino Transportation Authority (SBCTA) Board approved an addition to the Continuing Resolution. This additional resolution increased funding for Arrow Service to a total of \$15M for FY24.

SBCTA has made the decision that they will have the \$15.0M, approved by their board as the amount available for FY24 expenses for Arrow Service be utilized in lieu of a formal budget. The total amount which SBCTA has approved has been distributed over the various budget categories and over the remainder of the year as indicated by current expense trends. Our comparisons of actuals are made to those approved amounts.

Metrolink Year-End Forecast

At the third quarter of each year, staff provides a forecast to the end of the current fiscal year.

This forecast was produced as a result of each Cost Center providing their estimates of amounts to be spent in the final quarter of the year. These estimates were then added to amounts recorded through the third quarter of FY24, which included significant accruals.

Our Forecast this year provides the following estimate of our year-end results:

Operating Revenue	\$ 64.9M Over Budget by \$10.8M
Expense	\$290.2M Under Budget by \$15.7M
Member Support	\$225.3M
Surplus	\$ 26.6M

Operating Revenue of \$64.9M was over budget by 10.8M, primarily as a result of increases in Farebox revenue resulting from the Student Adventure Pass of \$8.1M, and from the Interest Income portion of "Other Revenue" equaling \$4.0M. Both of these items were unknown at the time of the FY24 Budget Adoption.

Expenses were under budget in the Major Categories and specific lines within the categories as follows:

- Train Operations and Services under a total of \$7.5M
 - Train Operators under \$2.2M
 - Equipment Maintenance under \$1.2M
 - TVM Maint/Rev Collect under \$0.9M
 - Transfers to Other Operators under \$0.7M
 - Amtrak Transfers under \$0.7M
 - Station Maintenance under \$0.7M
- Administration and Services under a total of \$6.3M
 - Operations Non-Labor under \$3.2M
 - Indirect Administrative Expense under \$2.3M
- Insurance and Legal under a total of \$1.4M
 - Insurance Premiums under \$1.3
- Maintenance of Way under a total of \$0.3M

A FY24 Year End Forecasted Detailed Operating Statement is attached for your review.

Next Steps

Staff will continue to report to the Board monthly.

Prepared by: Christine Wilson, Assistant Director of Finance

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - FY24 Year-End Forecast Operating Statement Presentation - March Monthly Financial Results](#)