



**ITEM ID:** 2023-248-0

**TRANSMITTAL DATE:** June 2, 2023

**MEETING DATE:** June 9, 2023

**TO:** Audit and Finance Committee

**FROM:** Arnold Hackett, Chief Financial Officer

**SUBJECT:** Financial Results for the Ten Months ended April 30, 2023 - Ridership and Revenue and Operating Results

### **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, which was used to produce the FY23 Budget and is used in this report for all comparisons to Budget.

### **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. 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.

## **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, it was impossible to have known that a historic global pandemic would strike less than four months later, or its seismic effect on traditional work patterns and Metrolink ridership. The evolution 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.

## **Discussion**

### **Revenue**

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

Fiscal Year-to-Date through April, revenue is budgeted at \$38.1M or 60% recovery, while the actual revenue is \$25.7M, a 40% recovery. The fiscal year-to-date variance creates a year-to-date Farebox Revenue shortfall from budget of \$12.5M.

A chart of Revenue by Line through April 2023 is included in this package.

### **Ridership**

Fiscal Year-to-Date through April, ridership recovery was forecast at 59% or 5.8M boardings, while the actual recovery fiscal Year-to-Date is 42% or 4.2M boardings, creating a ridership shortfall of 1.7M boardings.

A chart of Ridership by Line through April 2023 is included in your package.

The Metrolink Operating Statement for the ten months ended April 2023 is based on accruals:

- Operating Revenue is \$41.7M, under budget \$12.5M.
- Expenses are \$213.7M, under budget by \$32.9M (based on accruals).

- Support required is \$172.0M, under budget by \$20.4M.

### Arrow Service

#### Revenue

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

Fiscal Year-to-date through April 2023 revenue is budgeted at \$652K, while the actual revenue is \$134K. The fiscal Year-to-Date Farebox Revenue shortfall from budget is \$517K.

#### Ridership

Fiscal Year-to-date through April ridership is forecast at 232K, while the actual boardings are 51K.

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.

The Arrow Service Operating Statement through fiscal April 2023 is based on accruals:

- Revenue totals \$134K, under budget by \$517K.
- Expenses are \$7.2M, under budget by \$5.2M.
- Support required is under budget by \$4.6M.

### **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 - Revenue by Line](#)  
[Attachment B - Ridership by Line](#)  
[Attachment C - Metrolink Operating Statement](#)  
[Attachment D - Arrow Operating Statement](#)  
[Presentation - Budget vs Actuals April 2023](#)