



Finance and Capital Committee

Information Item III-A

November 16, 2023

FY2024 Quarter 1 Results and Year End Forecast

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

<input type="radio"/> Action <input checked="" type="radio"/> Information	Document Number: 205637	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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Presentation Name:

FY2024 Quarter 1 Results and Year End Forecast

Project Manager:

Yetunde Olumide

Project Department:

Finance

Purpose/Key Highlights:

Metro's FY2024 financial review advances our Strategic Transformation Plan goals of **service excellence, talented teams, regional opportunity and partnership, and sustainability.**

In this presentation, staff will provide the Board of Directors information regarding the FY2024 Q1 Year to Date results, as well as provides updated forecasts for revenue, ridership, and expense for the remainder of FY2024.

Interested Parties:

No interested parties identified.

Background:

Metro plays a pivotal role in the economic vitality of the National Capital Region, supporting revitalization and connecting customers to new activity centers. As the region grows, public transportation will be critical to local businesses, residents and visitors as indicated by recent ridership growth and increased customer satisfaction. Dedicated capital funding in 2018 enabled Metro to address long-neglected work, returning the system to state of good repair. However, the pandemic destabilized the existing operating model, both reducing ridership and triggering historic inflation.

Currently, operations are funded by fares and other revenues, state and local subsidies, and temporary Covid-related federal relief funding. Since FY2020, along with other

transit agencies, Metro sustained its operations through federal relief to offset lost revenue and increased costs resulting from the Covid-19 pandemic.

Discussion:

Q1 Year-to-Date Results and Forecasts

FY2024 Q1 expense savings helped to offset lower than budgeted revenues. During the first quarter, passenger revenue was unfavorable to budget by 16.5 percent primarily due to lower than anticipated paid ridership for Metrorail and unfavorable average fares across all modes. Non-passenger revenue was unfavorable to budget by 4.1 percent due to a slower than anticipated parking recovery and lease schedule changes, offset partially by interest on investments. During Q1, personnel expense was favorable to budget by 5.8 percent. While overtime expense was unfavorable to budget due to absenteeism and vacancy coverages, these expenses were offset by favorability in continued operator vacancies and related fringes. Non-personnel expense, in Q1, was favorable to budget by 13 percent due to lower than expected costs in materials and supplies, fuel, professional and technical services, and Paratransit contracts.

Post-pandemic ridership patterns continue to evolve. Through Q1, total ridership was 30 percent above the prior year, with Metrorail ridership exceeding Metrobus ridership. Rail ridership (including tapped and non-tapped ridership) totaled 30.0 million trips, favorable to budget by 1.3 million trips or 4.6 percent. When including only tapped ridership, the rail variance was unfavorable to budget by 7.7 percent. Bus ridership, using automated passenger counts (APC), totaled 28.5 million trips through Q1, 2.3 million trips or 8.5 percent above budget. Ridership on MetroAccess through the first quarter was 0.4 million trips, 7.4 percent below budget.

Though rail ridership is growing, post-pandemic traveling patterns and change in average rail fare continue to impact revenue as passengers have shifted to the timing and distance of travel. The FY2024 budget predicted a more aggressive return of long distance, weekday trips than has occurred to date. Currently, federal ridership recovery lags other customers in returning to Metro with 95,000 fewer weekday bus and rail trips compared to FY2019. Metro forecasts approximately \$20 million in additional annual revenue for each additional day per week that federal employees ride Metro. The slower return of longer distance, weekday trips is evident in decreased parking utilization and revenue as well, with current parking utilization rates remaining well below pre-pandemic use.

Fare evasion continues to impact Metrorail revenue as paid ridership remains unfavorable to budget. The installation of new higher, stronger station faregates as part of a systemwide rollout is anticipated to reduce the trajectory of revenue loss in FY2024. The design improves upon the original prototype door following months of testing and modifications with new 55-inch doors that are twice as strong and more resilient than previous versions.

Metro's aggressive financial management continues to identify internal efficiencies to generate fiscal savings. Non-personnel expenses were favorable to budget through Q1 due to lower professional and technical contract costs, lower paratransit costs from shifting traditional trips to alternative programs (e.g., Abilities-Ride), and lower fuel costs.

Metro anticipates current trends to continue, constraining revenue due to lower average fares and unpaid ridership. The year-end revenue forecast for FY2024 is unfavorable to budget by \$58.2 million in passenger revenue and \$16.8 million in non-passenger revenue. Expense savings for the remainder of the year, particularly in non-personnel expenses, are projected to offset revenue losses.

Based on ridership and revenue results from the first quarter of FY2024, Metro forecasts \$75 million less in total revenue than originally budgeted due to the mix of ridership and lower average fares across modes (\$58.2 million) and diminished parking and rental income (\$16.8 million). Despite lower revenue, Metro expects to end FY2024 with a balanced budget due to expense savings.

Funding Impact:

No funding impact from this presentation.

Previous Actions:

Staff has previously presented service and fare scenarios to the Board.

Next Steps:

- Staff will prepare and present the FY2025 proposed budget in December 2023
- Stakeholder and community engagement actions will follow

Recommendation:

Information Only

FY2024 Quarter 1 Results and Year End Forecast

Finance and Capital Committee
November 16, 2023



Summary

FY2024 Quarter 1 (Q1) Year-to-Date Results

FY2024 Year-End Forecast

- Revenue and Ridership Projection
- Expense Forecast

Metro's Financial Review Advances Metro's Strategic Transformation Plan (STP)



Service excellence

Deliver safe, reliable, convenient, equitable, accessible, and enjoyable service for customers.



Talented teams

Attract, develop, and retain top talent where individuals feel valued, supported, and proud of their contribution.



Regional opportunity and partnership

Design transit service to move more people and equitably connect a growing region.



Sustainability

Manage resources responsibly to achieve a sustainable operating, capital, and environmental model.

FY2024 Q1 Year to Date



FY2024 Q1 Expense Savings Offset Lower Than Budgeted Revenues*

(\$ in millions)	FY2024 Q1 Budget	FY2024 Q1 Actual	Var \$**	Var %
Passenger Revenue	\$100.4	\$83.8	(\$16.6)	(16.5%)
Non-Passenger Revenue	\$25.7	\$24.6	(\$1.1)	(4.1%)
Total Revenue	\$126.1	\$108.4	(\$17.7)	(14.0%)
Personnel	\$401.8	\$378.5	\$23.3	5.8%
Non-Personnel	\$187.8	\$163.5	\$24.3	13.0%
Total Expenses	\$589.6	\$542.0	\$47.6	8.1%
Gross Subsidy	\$463.5	\$433.6	\$29.9	6.5%
Federal Relief	\$150.4	\$120.5	\$29.9	19.9%
Net Subsidy ***	\$313.1	\$313.1	\$0.0	0.0%

Favorable / (Unfavorable)

* All figures exclude reimbursable funding

** Positive numbers denote favorable variance to budget; negative numbers denote unfavorable variance to budget

*** Subsidy refers to operating expense less operating revenues and Federal relief and does not reflect/equal actual jurisdictional subsidy payments.

Note: Amounts may not sum due to independent rounding

Passenger Revenue

Passenger Revenue was unfavorable primarily due to lower than anticipated paid ridership for Rail and unfavorable average fares across all modes

Non-Passenger Revenue

Parking & Joint Development below budget due to slow recovery and lease schedule change, offset by interest on investment

Personnel Expenses

Overtime unfavorable to budget due to absenteeism and vacancy coverage, offset by favorability in continued operator vacancies and related fringes

Non-Personnel Expenses

Favorability largely related to materials & supplies, fuel, lower professional & technical services as well as Paratransit contract favorability

Ridership Overall Is Above Budget; However, Rail Tap-Only Trips Are Below Budget

<i>(Trips in millions)</i>	FY2024 Budget	FY2024 Actual	Trip Variance	Variance %	Average Fare Budget	Average Fare Actual
Metrorail tap + non tap	28.7	30.0	1.3	4.6%		
Metrorail tap-only*	28.7	26.5	(2.2)	(7.7%)	\$2.84	\$2.65
Metrobus tap + non tap**	26.2	28.5	2.3	8.5%	\$0.64	\$0.44
Metrobus tap-only***		8.0				
MetroAccess	0.4	0.4	0.0	(7.4%)	\$3.17	\$2.80
All Modes	55.3	58.8	3.5	6.4%		

*Prior to January 2023, Metrorail ridership reported only tapped ridership, which understated the total number of riders. The completion of the installation of new faregates in January 2023 enabled Metro to now report all ridership (tapped and non-tap). FY2024 Budget includes only tapped trips.

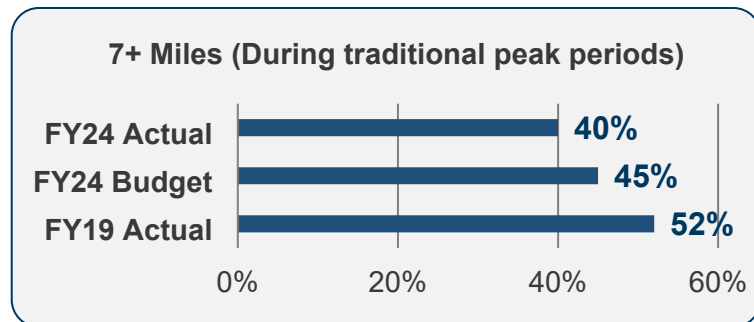
**Bus totals include shuttles to accommodate rail station shutdowns and other track work. Ridership is preliminary and subject to change

***Metrobus budget is based on APC ridership and there is no FY2024 tap-only budget for Metrobus

Metrorail Passenger Adjustment Due to Mix of Ridership on Metrorail

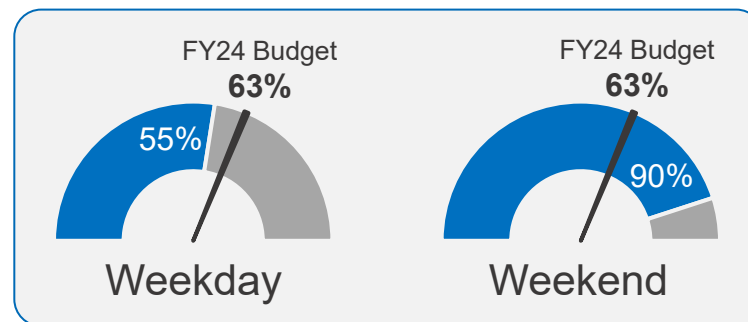
Shorter Trips

- To meet the Budget's Metrorail average fare, weekday long-distance trips (trips of 7+ miles) need to be about **5 percentage points** higher than Q1 results



Stronger Recovery on Weekend

- Budget assumed weekday and weekend travel would equally recover to **63 percent** in FY24
- Instead, weekday ridership has recovered to **~55 percent**, while weekends are approaching **90 percent** of pre-pandemic levels



Fare Evasion

- Paid ridership on rail is below budget by **7.7 percent**
- Faregate retrofit is expected to convert approximately **1/3** of evaders into paid trips, reducing revenue loss by **\$5M** in FY24 and by **\$11M** in FY25



Metrobus Passenger Revenue Adjustment Due to Non-Tap Ridership

Drivers of Non-Tap Trips

- Shuttle bus trips for station closures are fare-free
- Aging fare collection equipment
- Fare evasion

Non-Tap Share of Ridership

Higher than expected...

- Budget relied on historical non-tap ridership rates
- Year-to-date has been 13 percentage points higher

How Metro is Addressing

- **System investment:**
Next-generation bus farebox/payment system, including rear-door boarding payment targets
- **Fare policy:**
Reduced fare program
- **Enforcement**



Q1 Management Actions Reduce Ongoing Expenses and Offset Revenue Losses

Operating expenses favorable to budget by \$47.6M or 8.1 percent



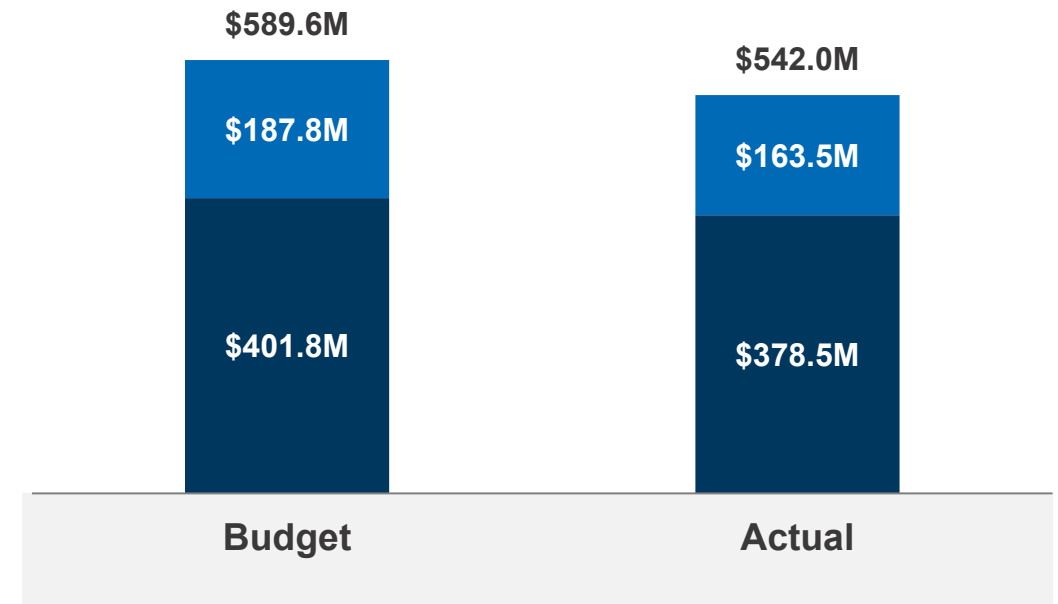
Personnel costs lower than expected due to vacancies and lower fringe related costs leading to cost savings while overtime utilization increased to cover for vacancies and absenteeism



Non-personnel costs are trending lower than budget due to delayed spending on service contracts, shift in traditional paratransit trips to alternative trips and timing of material purchases

FY2024 Q1 Operating Expense

■ Personnel ■ Non-Personnel



FY2024 Year End Forecast



FY2024 Full-Year Forecast - A Balanced Budget

(\$ in millions)	Budget FY2024	Forecast FY2024	Variance**
Passenger Revenue	\$403.5	\$345.3	(\$58.2)
Non-Passenger Revenue	\$103.2	\$86.4	(\$16.8)
Total Revenue	\$506.7	\$431.7	(\$75.0)
Personnel	\$1,568.4	\$1,556.7	\$11.7
Non-Personnel	\$751.6	\$688.3	\$63.3
Total Expenses	\$2,320.0	\$2,245.0	\$75.0
Gross Subsidy	\$1,813.3	\$1,813.3	\$0.0
Federal Relief	\$561.0	\$561.0	\$0.0
Net Subsidy ***	\$1,252.3	\$1,252.3	\$0.0
Prior Federal Relief Favorability	\$95.0	(\$0.0)	\$95.0

Favorable / (Unfavorable)

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Passenger Revenue

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Non-Passenger Revenue

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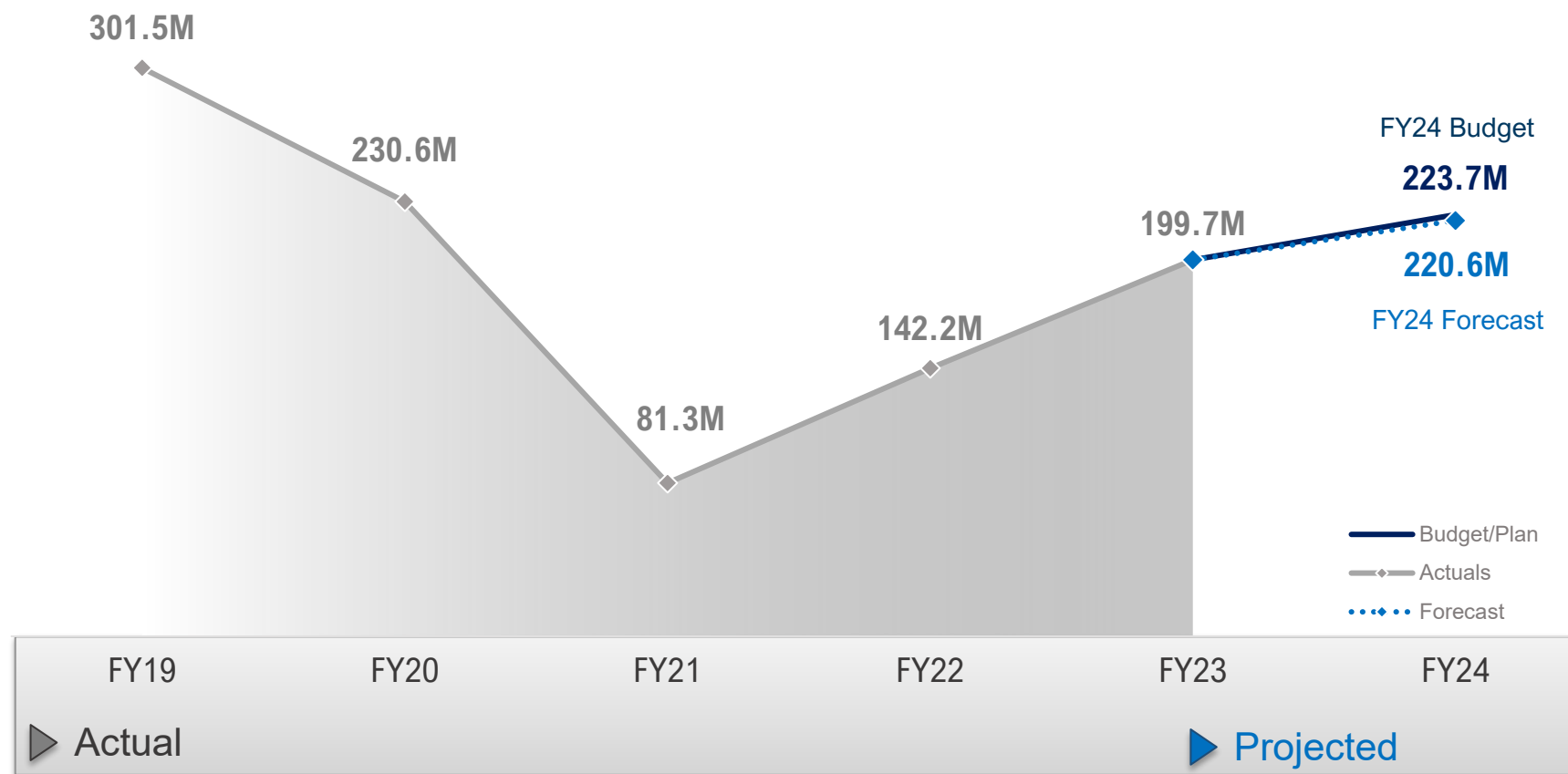
Personnel Expenses

Personnel savings will continue to be driven by offsetting overtime while hiring vacant positions

Non-Personnel Expenses

Non-personnel expenses are expected to continue trending lower than budget for services, material purchases and energy costs

FY2024 and FY2025 Trip Estimates Updated Based on Q1 FY2024



	FY2024	FY2024	
(in millions)	Budget	Forecast	Var
Rail***	116.5	110.8	(5.7)
Bus	105.6	108.3	2.7
Access	1.5	1.5	0.0
Total Ridership	223.7	220.6	(3.1)

*Percentage restored based on original FY2021 313.9M Ridership Scenario

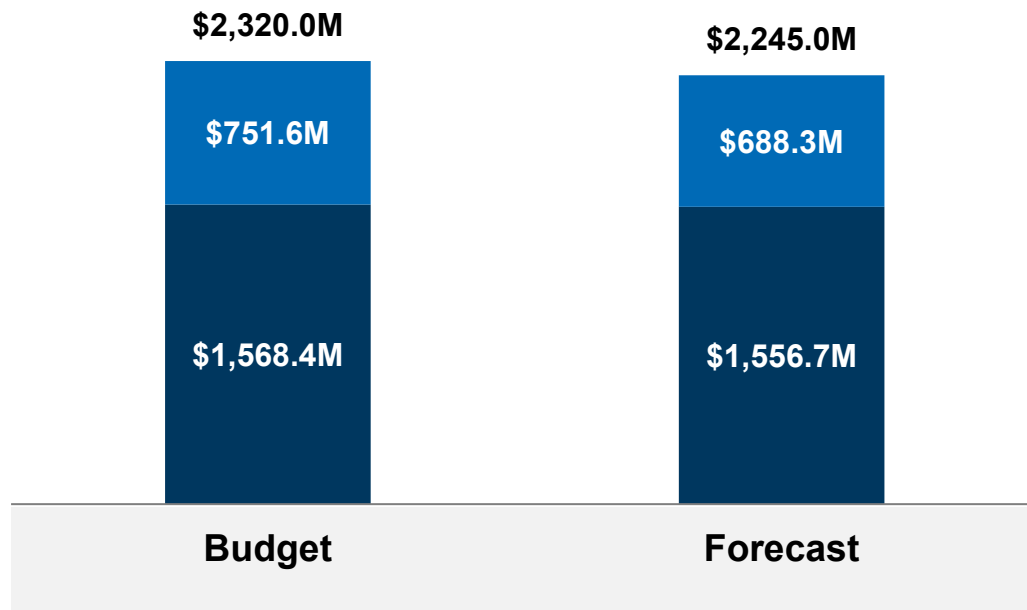
**FY23 actual includes 7M non-tap Metrorail trips

***FY24 Budget and Forecast reflects rail tap only ridership

FY2024 Forecast Trending \$75M Favorable

FY2024 Full-Year Forecast

■ Personnel ■ Non-Personnel



Year-end forecast reflects \$11.7M in personnel expenses and \$63.3M in non-personnel expenses

- Personnel savings will continue to be driven by offsetting overtime while hiring vacant positions
- Non-personnel expenses are expected to continue trending lower than budget through management of services and material purchases, and energy costs