



Finance and Capital Committee

Information Item IV-A

October 28, 2021

FY2023 Ridership and Revenue Outlook

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:
202315

Resolution:
☐ Yes ☒ No

TITLE:

FY2023 Ridership and Revenue Outlook

PRESENTATION SUMMARY:

Management will present recent trends and an initial FY2023 ridership and revenue outlook to inform the development of the FY2023 operating budget.

PURPOSE:

To review ridership trends and the operating revenue outlook for FY2023. To seek Finance and Capital Committee guidance on ridership scenario, operating subsidy, and Federal Relief Funding for Fiscal Year 2023.

DESCRIPTION:

Identification of Parties with an interest in Metro's budget:

The following list includes Metro's top non-personnel multi-year contractors through FY2022 and to date (\$500 million) as well as the Metropolitan Washington Airports Authority. Some vendors have contracts spanning through FY2023 as well.

- Kawasaki Rail Car Inc.
- Kiewit Infrastructure Company
- Hitachi Rail Washington LLC
- Potomac Yard Constructors
- New Flyer of America, Inc.
- Transdev Services, Inc.
- C3M Power Systems, LLC
- Motorola Solutions Inc.
- Kone Inc
- MV Transportation
- Diamond Transportation Service, Inc.
- First Transit, Inc.
- The Aftermarket Parts Company LLC
- DJB Contracting Inc.
- Potomac Construction Co Inc.
- Dell Marketing LP
- Cubic Transportation Systems Inc.
- Jacobs Engineering Group, Inc.
- Challenger Transportation Inc.

- Toshiba International Corporation
- Gannett Fleming Engineers and Architects

A full list of Procurement Awards is available at:

<https://www.wmata.com/business/procurement/solicitations/index.cfm#main-content>

Furthermore, Metro has labor agreements with the following collective bargaining units:

- Fraternal Order of Police/Metro Transit Police Labor Committee, Inc. (FOP)
- The Office and Professional Employees International Union Local No.2, AFL- CIO (Local 2)
- Local 639, International Brotherhood of Teamsters Law Enforcement Division (Local 639)
- Local Union 689 of the Amalgamated Transit Union, AFL-CIO (Local 689)
- Local 922, International Brotherhood of Teamsters (Local 922)

Key Highlights:

- Covid-19's impacts on ridership and revenue will continue to be felt in FY2023, with total ridership across all modes projected to recover to between 167 and 173 million trips (53 to 55 percent of pre-pandemic)
- FY2023 total revenue is estimated to be \$385.5 to \$398.2 million (47 to 48 percent of pre-pandemic)
- During the first quarter of FY2022 actual ridership was 33 million or 56 percent above the budgeted 21 million. FY2022 fare revenue through Q1 was \$50.2 million, favorable by \$20.7 million to budget.

Background and History:

Prior to the pandemic, ridership had stabilized and recovered to approximately 300 million trips per year. Starting in late FY2020, ridership and revenue were heavily impacted by the Covid-19 pandemic, and Metro expects these impacts to continue through FY2022 and into FY2023. In FY2021, passenger revenue totaled \$102.0 million, which was 15 percent of pre-pandemic and \$382.9 million, or 79 percent below the prior year.

During FY2022 first quarter, Metro total ridership across all modes is favorable to budget but still shows that the recovery is gradual, and there continues to be uncertainty about what will be the new normal. During the first quarter of FY2022 actual ridership was 33 million or 56 percent above the forecast of 21 million, with Metrobus continuing to carry more trips than Metrorail. Metrobus ridership is 32 percent above the Metrorail though both modes were favorable to budget.

Non-passenger revenue such as parking, joint development, and advertising were heavily impacted by the pandemic and declined by \$53.8 million (decrease of 45 percent) from FY2019 to FY2021.

Discussion:

Ridership and Passenger Revenue

Due to financial uncertainty created by the Covid-19, the effects of variants, and

changes in commuting behavior, Metro has prepared two budget scenarios for Board deliberations at 55 and 53 percent of pre-covid levels respectively.

Ridership is anticipated to steadily increase though this recovery is expected to take place over multiple years. Metro estimates that ridership in FY2023 will reach 166.6 to 172.8 million trips or 53 to 55 percent of pre-pandemic levels compared to 26 percent in FY2021 and the 34 percent budgeted in FY2022.

In FY2023, Metro estimates Metrorail ridership to reach 86 to 89 million, 79 to 82 million on Metrobus, and 1 million on MetroAccess. This would be a change from a trend that started during the pandemic where trips on Metrobus exceeded those on Metrorail. Since the average fare of Metrorail (\$2.79) is higher than Metrobus (\$0.75), the anticipated increase of trips on Metrorail would have a significant impact on the total passenger revenue.

Despite the expected improvements in ridership, the FY2023 passenger revenue budget remains significantly lower than pre-pandemic levels. In FY2023, we anticipate total passenger revenue to continue its gradual recovery to between \$304.0 and \$315.7 million, an increase of \$144.5 to \$156.2 million from FY2022, and estimated at \$362.1 to \$373.8 million below pre-pandemic levels. These estimates assume continuing the fare reductions that took effect September 2021 but do not include any other adjustments that the Board may consider during the budget adoption process.

Non-Passenger Revenue

Non-passenger revenues, including parking, advertising, joint development, fiber optics, and other non-transit revenues, are estimated to total \$81.5 to \$82.4 million. Non-passenger revenues are expected to be \$13.1 to \$14.0 million higher than FY2022 but \$63.6 to \$64.5 million below pre-pandemic levels.

In FY2023, total operating revenue is anticipated to be \$385.5 to \$398.2 million, an increase of \$157.6 to \$170.3 million from FY2022, and estimated at \$425.5 to \$438.2 million below pre-pandemic levels.

Expenses

Preliminary estimates of total expenses are \$2.28 billion, up from \$2.10 billion in FY2022, driven by service and personnel costs. These estimates include continuing the improved service levels that took effect on September 2021 as well as operations for Silver Line Phase 2 and Potomac Yard station.

Jurisdictional Subsidy and Federal Relief

Based on three percent growth from the FY2022 subsidy level and legislative exclusions, the FY2023 jurisdictional subsidy is expected to total \$1.19 billion. This leaves a \$692.1 to \$704.8 million funding gap that would be filled by federal relief funds to balance the FY2023 budget.

FUNDING IMPACT:

This is an information item. Budget adoption is scheduled for March 2022, which is necessary to ensure uninterrupted regional funding of the capital program and to allow for the timely application and award of Federal Transit Administration grants.

TIMELINE:

Previous Actions	
Anticipated actions after presentation	November 2021 - GM/CEO Proposed Budget December 2021 - Board authorization of public hearing and budget deliberations January - February 2022 - Budget deliberations, public outreach and public comment period March 2022 - Board adoption of the FY2023 Budget and FY2023-2028 Capital Program April 2022 - Submit Federal grant applications July - Fiscal Year 023 begins

RECOMMENDATION:

No recommendation: item is information item only.

FY2023 Revenue and Ridership Outlook

Finance and Capital Committee
October 28, 2021



Purpose

- Review ridership trends and outlook for Fiscal Year 2023
- Review operating revenue outlook for Fiscal Year 2023
- Review operating expense outlook for Fiscal Year 2023
- Seek Finance and Capital Committee guidance on ridership scenario, operating expense, Federal Relief Fund utilization and operating subsidy for Fiscal Year 2023

Covid-19 Impact on Ridership Continues

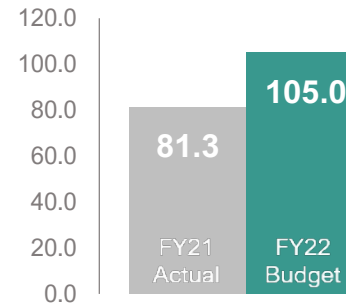
- Historic low ridership dramatically decreased revenue – fare recovery ratio dropped from 36% in FY2019 to just 5% in FY2021
- Covid-19 also decimated non-fare revenue – parking, joint development, advertising declined by \$53.8 million or 45% from FY2019 to FY2021
- Ridership and revenue trends are expected to continue through FY2023; depressing fare and non-fare revenues

Ridership Trends Informing FY2023 Outlook

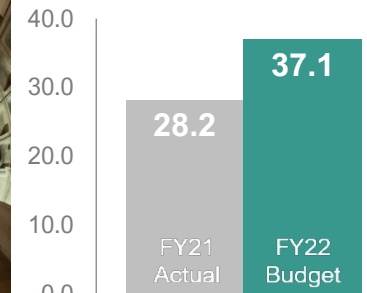
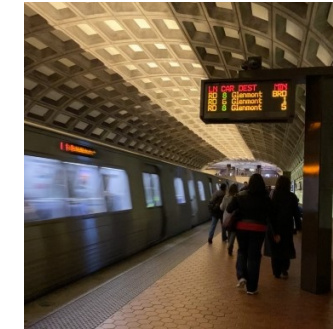
FY21 Actual 26% and FY22 Budget increases to 34% of Pre-Pandemic Levels

- Average weekday ridership is trending above FY2022 budget scenario
- In FY2021, Metrobus carried nearly twice as many riders as Metrorail
- Expect rail ridership to overtake bus ridership in FY2023

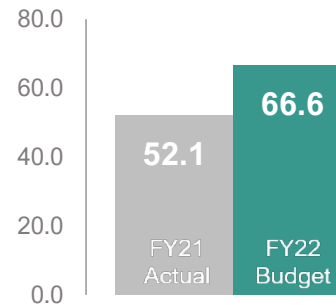
Total ridership in millions of customers



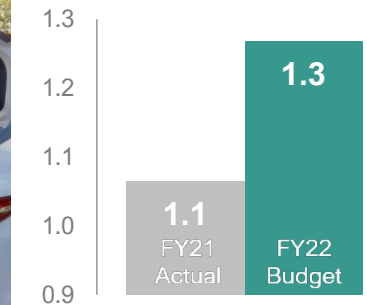
Metrorail



Metrobus

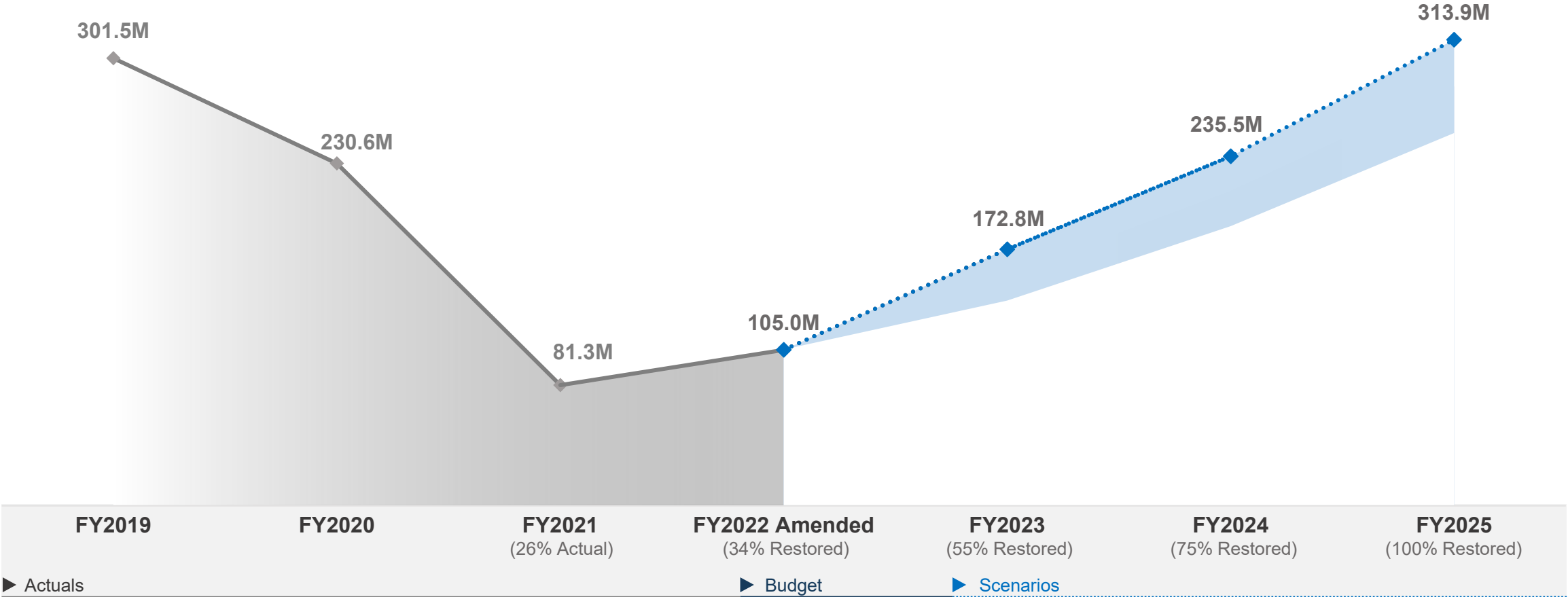


MetroAccess



Gradual Ridership Scenario

Broader Vaccine Acceptance, Economy, Telework, Traffic, Service and Fares Will Drive Ridership



Notes: Percentage restored based on FY2021 original budget of 313.9M

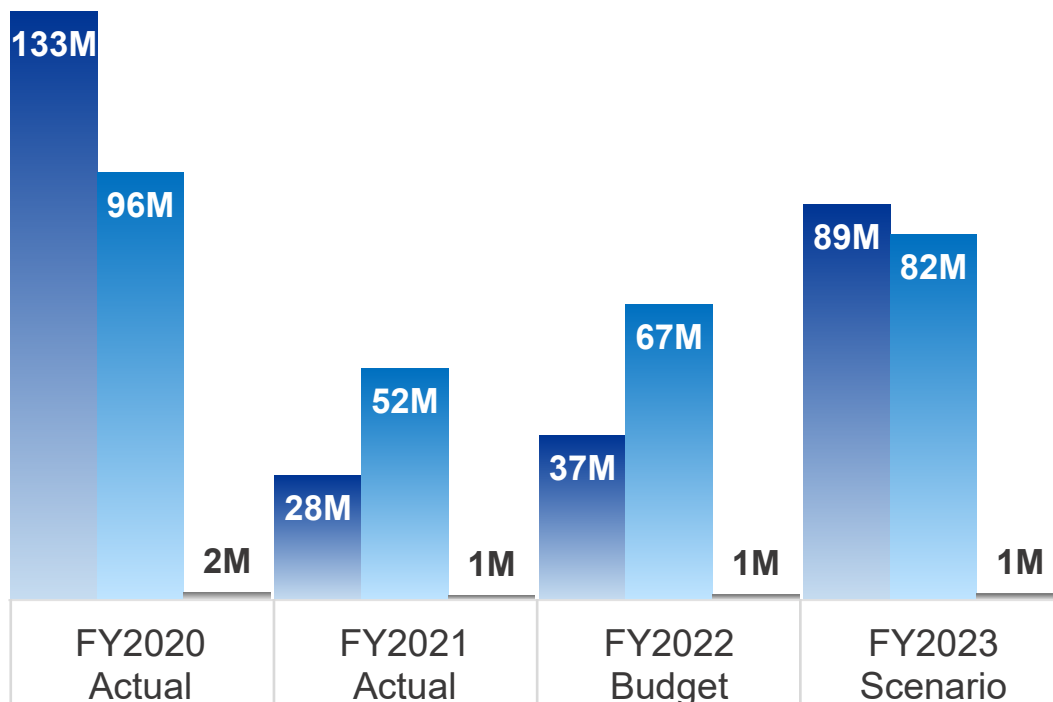
Discussion purposes only
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Assumes 55% Ridership Recovery with Mode Share

Ridership by Mode

■ Metrorail ■ Metrobus ■ MetroAccess



Highlights

- Assumes Metrorail and Metrobus mode share at 52 percent and 48 percent respectively
- Metrorail ridership would recover to 48 percent of pre-Covid
- Metrobus ridership would recover to 64 percent of pre-Covid

How Much Will Riders Move Fare Revenue?

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 55% Restored
<i>\$ in millions</i>				
Passenger Revenue				
Metrorail	\$551.3	\$77.3	\$97.9	\$248.8
Metrobus	\$117.8	\$20.4	\$56.9	\$61.7
MetroAccess	\$8.7	\$4.4	\$4.7	\$5.2
Total	\$677.8	\$102.0	\$159.5	\$315.7
Variance from Pre-Pandemic	\$0.0	(\$575.7)	(\$518.2)	(\$362.0)
Average Fare				
Metrorail	\$3.00	\$2.74	\$2.64	\$2.79
Metrobus	\$0.92	\$0.39	\$0.85	\$0.75
MetroAccess	\$3.68	\$4.15	\$3.68	\$3.68

Note: FY23 Scenarios include \$2 weekend flat fare, \$2 bus-rail transfer discount, and \$12 7-day regional bus pass

How Much Will FY2023 Non-Fare Revenue Recover?

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 55% Restored
<i>\$ in millions</i>				
Parking	\$44.5	\$3.9	\$11.0	\$22.2
Advertising	\$35.8	\$14.2	\$2.8	\$14.0
Joint Development	\$14.6	\$9.2	\$14.6	\$9.6
Fiber Optics	\$18.8	\$16.0	\$15.7	\$13.9
Other ¹	\$32.2	\$21.2	\$24.2	\$22.7
Total	\$146.0	\$64.5	\$68.4	\$82.4
Variance from Pre-Pandemic	\$0.0	(\$81.4)	(\$77.5)	(\$63.5)

1. Includes Interest on Investments, Employee Parking, Property Disposal Sales, Vending Machine Revenue and reimbursement for lost revenue resulting from capital projects

Annual Operating Revenue Will Be Considerably Below Pre-Covid Level

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 55% Restored
<i>\$ in millions</i>				
Passenger Revenue	\$677.8	\$102.0	\$159.5	\$315.7
Non-Passenger	\$146.0	\$64.5	\$68.4	\$82.4
Total	\$823.7	\$166.6	\$227.9	\$398.2
Variance from Pre-Pandemic	\$0.0	(\$657.1)	(\$595.8)	(\$425.5)

Operating Expense Growth Is Driven Mainly By Service And Personnel Cost

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario
<i>\$ in millions</i>				
Personnel	\$1,387.9	\$1,304.4	\$1,414.2	\$1,539.7
Non-Personnel	\$682.1	\$575.9	\$685.9	\$742.5
Total Expenses	\$2,070.0	\$1,880.3	\$2,100.2	\$2,282.2

Funding Gap Closed With \$692M Of Federal Relief Funds

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 55% Restored
<i>\$ in millions</i>				
Revenue	\$823.7	\$166.6	\$227.9	\$398.2
Expenses	\$2,070.0	\$1,880.3	\$2,100.2	\$2,282.2
Operating Deficit	(\$1,246.3)	(\$1,713.7)	(\$1,872.2)	(\$1,884.0)
Subsidy	\$1,246.3	\$1,009.1	\$1,109.7	\$1,191.9
Federal Relief	\$0.0	\$704.7 ¹	\$762.6	\$692.1
Funding Gap	\$0.0	\$0.0	\$0.0	\$0.0

1. Includes \$102.5 million that replaced jurisdictional contributions that were decreased as a result of the pandemic

Subsidy Allocation (55% Scenario)

PRELIMINARY

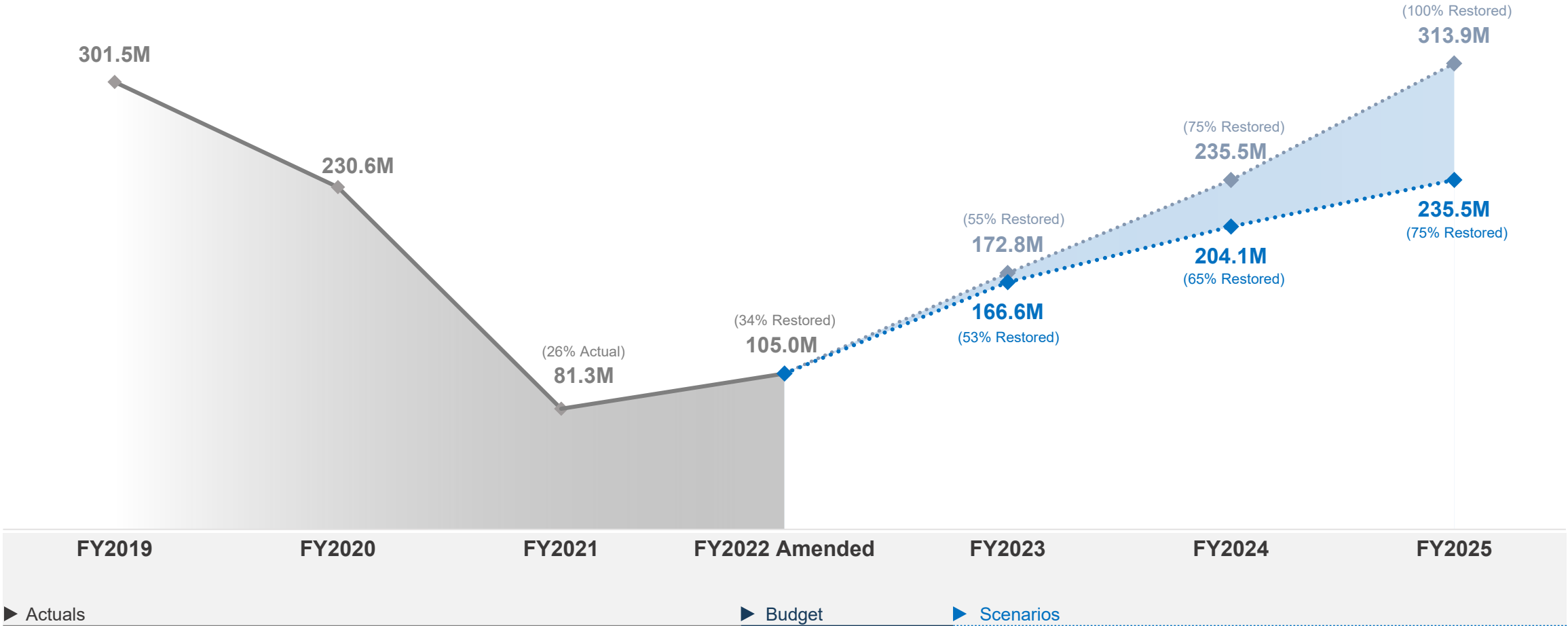
(\$ in Millions)	FY2022 Subsidy	FY2023 Base Subsidy	Chng %	Legislative Exclusions	FY2023 Total Subsidy	Total Chng %	Debt Service	Jurisdictional Operating Subsidy
District of Columbia	\$398,590,180	\$410,547,886	3.0%	\$16,157,015	\$426,704,901	7.1%	\$33,284,167	\$459,989,068
Montgomery County	\$179,139,675	\$174,767,643	(2.4%)	\$8,541,288	\$183,308,932	2.3%	\$15,414,850	\$198,723,782
Prince George's County	\$244,025,914	\$261,092,913	7.0%	\$7,716,791	\$268,809,705	10.2%	\$15,814,275	\$284,623,979
Maryland Subtotal	\$423,165,589	\$435,860,557	3.0%	\$16,258,080	\$452,118,636	6.8%	\$31,229,125	\$483,347,761
City of Alexandria	\$46,103,434	\$48,234,405	4.6%	\$2,437,634	\$50,672,039	9.9%	\$1,776,390	\$52,448,429
Arlington County	\$77,740,958	\$75,025,101	(3.5%)	\$4,526,094	\$79,551,195	2.3%	\$0	\$79,551,195
City of Fairfax	\$2,746,361	\$2,760,870	0.5%	\$147,536	\$2,908,406	5.9%	\$111,549	\$3,019,955
Fairfax County	\$152,110,992	\$155,424,158	2.2%	\$7,889,631	\$163,313,789	7.4%	\$5,617,993	\$168,931,782
City of Falls Church	\$3,074,231	\$3,465,162	12.7%	\$124,445	\$3,589,608	16.8%	\$176,276	\$3,765,883
Loudoun County	\$6,120,577	\$11,623,753	89.9%	\$1,413,232	\$13,036,985	113.0%	\$0	\$13,036,985
Virginia Subtotal	\$287,896,552	\$296,533,449	3.0%	\$16,538,573	\$313,072,022	8.7%	\$7,682,208	\$320,754,229
Total Contribution	\$1,109,652,321	\$1,142,941,891	3.0%	\$48,953,668	\$1,191,895,559	7.4%	\$72,195,500	\$1,264,091,059

Notes:

1. FY2022 Proposed Metrobus Subsidy allocation based on September 2021 Schedule/GeoDistribution file
2. FY2023 Proposed Legislative Exclusions include \$3.2M for Juneteenth Holiday and \$3.4M for safety mandates from the Washington Metrorail Safety Commission (WMSC), \$40.8M for Silver Line Phase 2, \$1.5M for Potomac Yard

Conservative Ridership Scenario

Slower Vaccine Acceptance, Economy, Telework, Traffic, Service and Fares Will Drive Ridership



Notes: Percentage restored based on FY2021 original budget of 313.9M

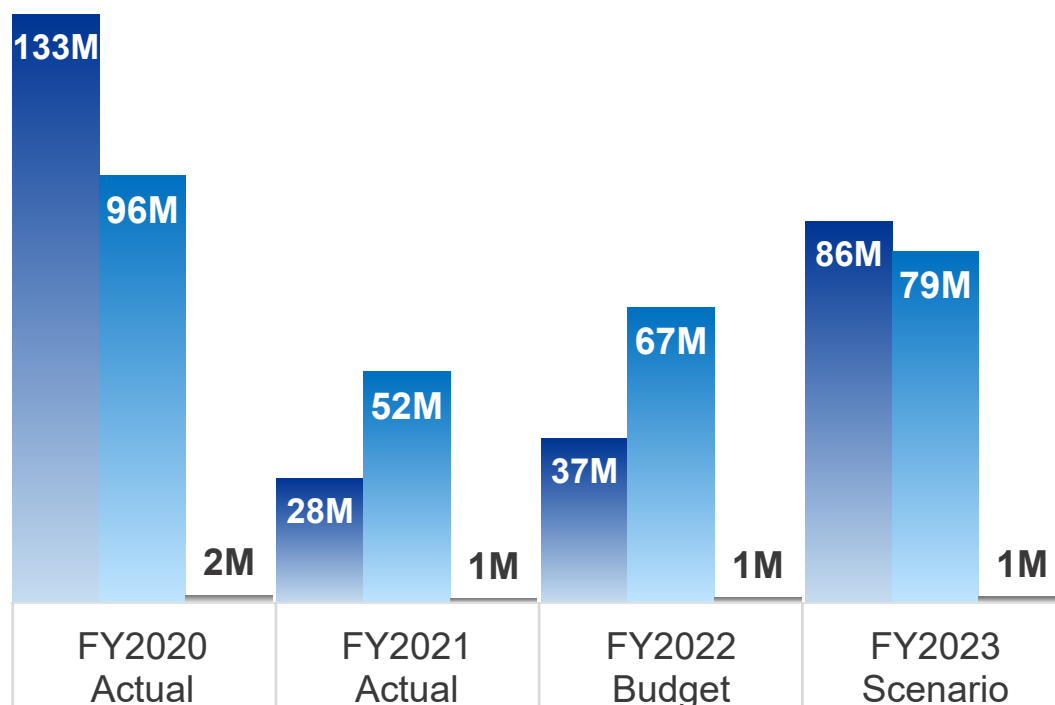
Discussion purposes only
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Assumes 53% Ridership Recovery with Greater Metrorail Trip Share

Ridership by Mode

■ Metrorail ■ Metrobus ■ MetroAccess



Highlights

- Assumes 53 percent of pre-Covid ridership recovery; with Metrorail and Metrobus mode share at 52 and 48 percent, respectively
- Metrorail ridership recovers to 47 percent of pre-Covid
- Metrobus ridership recovers to 62 percent of pre-Covid

How Much Will Riders Move Fare Revenue?

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 53% Restored
<i>\$ in millions</i>				
<i>Passenger Revenue</i>				
Metrorail	\$551.3	\$77.3	\$97.9	\$239.5
Metrobus	\$117.8	\$20.4	\$56.9	\$59.3
MetroAccess	\$8.7	\$4.4	\$4.7	\$5.2
Total	\$677.8	\$102.0	\$159.5	\$304.0
Variance from Pre-Pandemic	\$0.0	(\$575.7)	(\$518.2)	(\$373.7)
<i>Average Fare</i>				
Metrorail	\$3.00	\$2.74	\$2.64	\$2.79
Metrobus	\$0.92	\$0.39	\$0.85	\$0.75
MetroAccess	\$3.68	\$4.15	\$3.68	\$3.68

Note: FY23 Scenarios include \$2 weekend flat fare, \$2 bus-rail transfer discount, and \$12 7-day regional bus pass

How Much Will FY2023 Non-Fare Revenue Recover?

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 53% Restored
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Parking	\$44.5	\$3.9	\$11.0	\$21.2
Advertising	\$35.8	\$14.2	\$2.8	\$14.0
Joint Development	\$14.6	\$9.2	\$14.6	\$9.6
Fiber Optics	\$18.8	\$16.0	\$15.7	\$13.9
Other ¹	\$32.2	\$21.2	\$24.2	\$22.7
Total	\$146.0	\$64.5	\$68.4	\$81.5
Variance from Pre-Pandemic	\$0.0	(\$81.4)	(\$77.5)	(\$64.5)

1. Includes Interest on Investments, Employee Parking, Property Disposal Sales, Vending Machine Revenue and reimbursement for lost revenue resulting from capital projects

Operating Revenue Is Significantly Below Pre-Covid Level

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 53% Restored
<i>\$ in millions</i>				
Passenger Revenue	\$677.8	\$102.0	\$159.5	\$304.0
Non-Passenger	\$146.0	\$64.5	\$68.4	\$81.5
Total	\$823.7	\$166.6	\$227.9	\$385.5
Variance from Pre-Pandemic	\$0.0	(\$657.1)	(\$595.8)	(\$438.2)

Operating Expense Growth Is Driven Mainly By Service And Personnel Cost

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario
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Non-Personnel	\$682.1	\$575.9	\$685.9	\$742.5
Total Expenses	\$2,070.0	\$1,880.3	\$2,100.2	\$2,282.2

Funding Gap Closed With \$705M Federal Relief Funds

	FY2021 Original Pre-Pandemic	FY2021 Actual	FY2022 Budget	FY2023 Scenario 53% Restored
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Revenue	\$823.7	\$166.6	\$227.9	\$385.5
Expenses	\$2,070.0	\$1,880.3	\$2,100.2	\$2,282.2
Operating Deficit	(\$1,246.3)	(\$1,713.7)	(\$1,872.2)	(\$1,896.7)
Subsidy	\$1,246.3	\$1,009.1	\$1,109.7	\$1,191.9
Federal Relief	\$0.0	\$704.7 ¹	\$762.6	\$704.8
Funding Gap	\$0.0	\$0.0	\$0.0	\$0.0

1. Includes \$102.5 million that replaced jurisdictional contributions that were decreased as a result of the pandemic

Subsidy Allocation (53% Scenario)

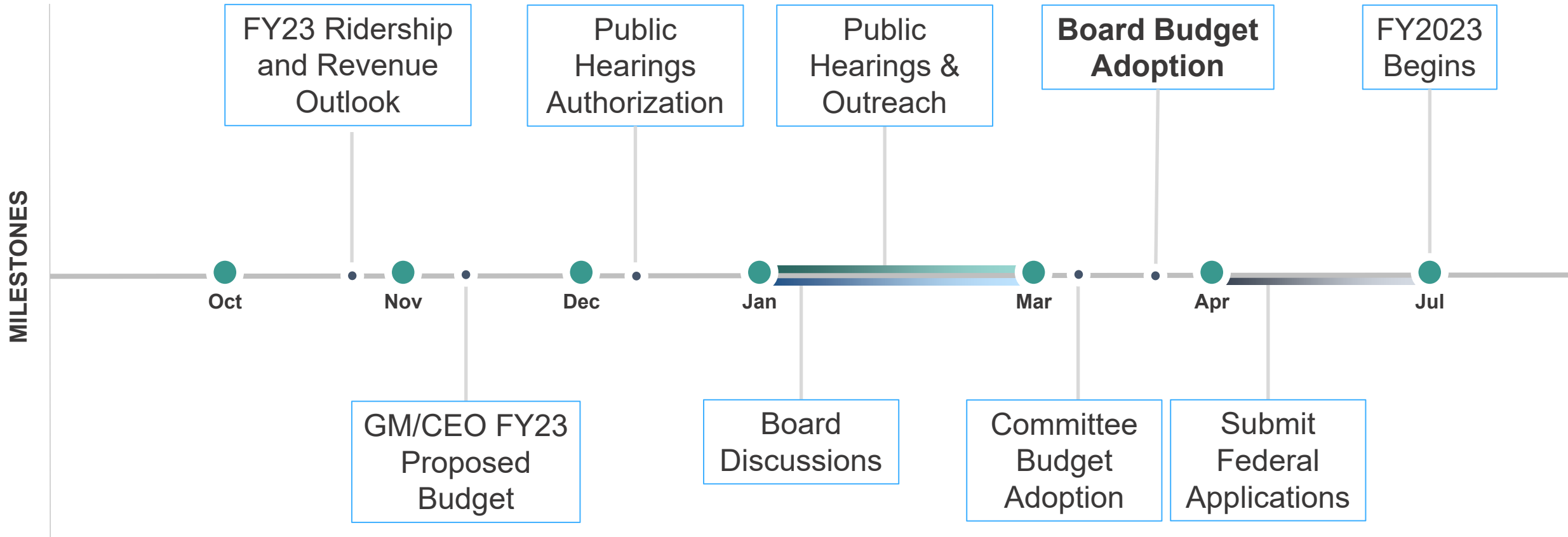
PRELIMINARY

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City of Alexandria	\$46,103,434	\$48,236,614	4.6%	\$2,437,634	\$50,674,248	9.9%	\$1,776,390	\$52,450,638
Arlington County	\$77,740,958	\$75,025,097	(3.5%)	\$4,526,094	\$79,551,191	2.3%	\$0	\$79,551,191
City of Fairfax	\$2,746,361	\$2,760,740	0.5%	\$147,536	\$2,908,276	5.9%	\$111,549	\$3,019,824
Fairfax County	\$152,110,992	\$155,426,995	2.2%	\$7,889,631	\$163,316,626	7.4%	\$5,617,993	\$168,934,619
City of Falls Church	\$3,074,231	\$3,465,831	12.7%	\$124,445	\$3,590,277	16.8%	\$176,276	\$3,766,552
Loudoun County	\$6,120,577	\$11,618,173	89.8%	\$1,413,232	\$13,031,405	112.9%	\$0	\$13,031,405
Virginia Subtotal	\$287,896,552	\$296,533,449	3.0%	\$16,538,573	\$313,072,022	8.7%	\$7,682,208	\$320,754,229
Total Contribution	\$1,109,652,321	\$1,142,941,891	3.0%	\$48,953,668	\$1,191,895,559	7.4%	\$72,195,500	\$1,264,091,059

Notes:

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2. FY2023 Proposed Legislative Exclusions include \$3.2M for Juneteenth Holiday and \$3.4M for safety mandates from the Washington Metrorail Safety Commission (WMSC), \$40.8M for Silver Line Phase 2, \$1.5M for Potomac Yard

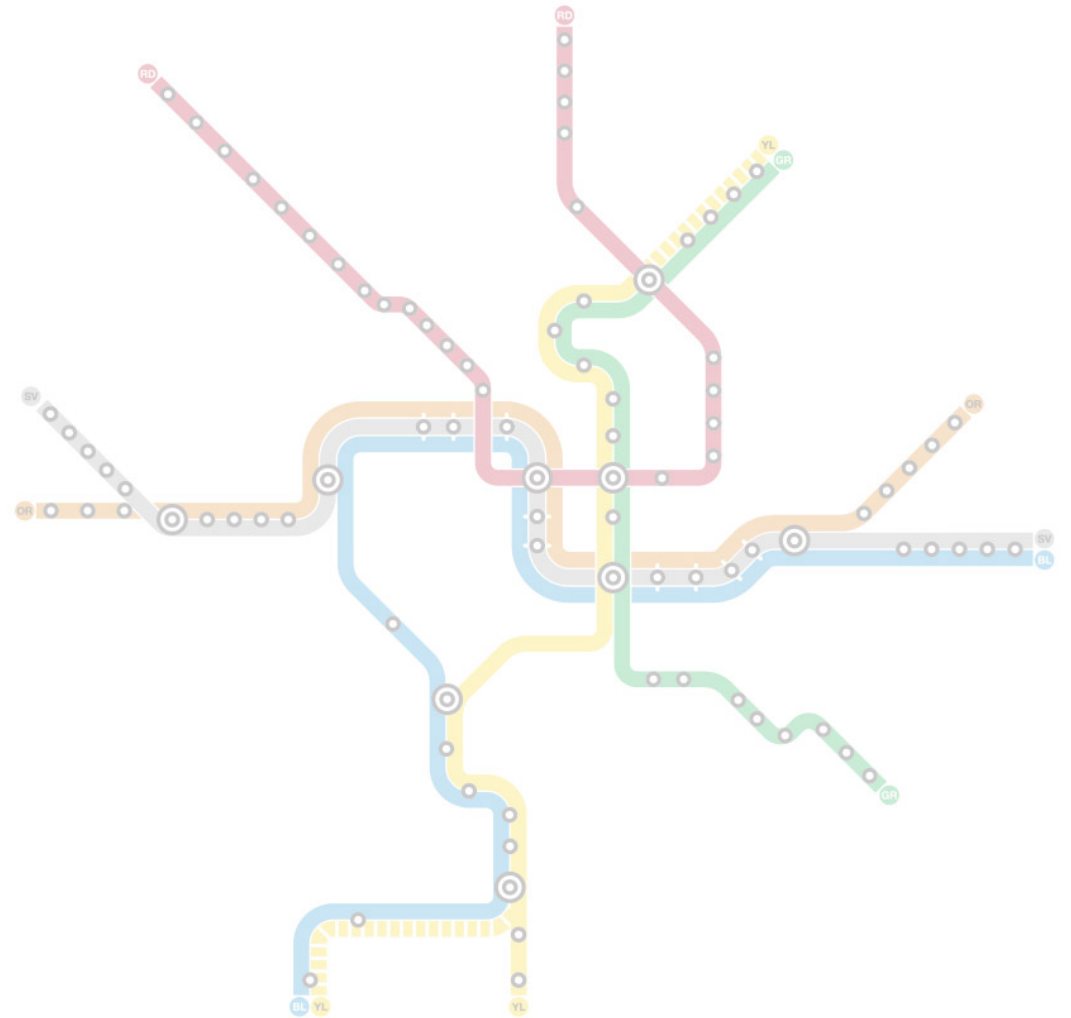
Key Dates and Milestones



Next Steps

- Finance and Capital Committee provides direction on ridership and revenue assumptions
- Present GM/CEO's FY2023 Budget Recommendation to Finance and Capital Committee in November 2021
- Board authorization for Public Hearings on FY2023 Budget and FY2023-2028 CIP in December 2021
- Staff executes Board approved public participation plan January 2022

Appendix



Actuals vs Budget Ridership And Fare Revenue

