



Monthly Financial Report June 2020

Metra Board of Directors
August 19, 2020
Presented by Thomas Farmer
Chief Financial Officer

June 2020 Actual vs. Budget

Dollars in Millions	<u>Actual</u>	<u>Budget</u>	<u>Actual v Budget</u>
Passenger Revenue	0.2	33.0	(32.8)
<i>Other Rev - Leases</i>	1.9	1.9	0.0
<i>Other Rev - Advertising</i>	0.5	0.6	(0.1)
<i>Other Rev - Misc Other</i>	<u>1.2</u>	<u>1.3</u>	<u>(0.1)</u>
Total Other Revenue	3.6	3.8	(0.2)
Total Operating Revenue	3.8	36.8	(33.0)
Transportation	21.1	23.7	2.6
Engineering	12.0	12.8	0.8
Mechanical	13.2	15.6	2.4
Administration	8.9	9.9	1.0
Diesel Fuel	3.0	4.5	1.5
Metra Electric District Electricity	0.2	0.4	0.2
Total Operating Expense	58.4	66.9	8.5
Operating Deficit	54.6	30.1	(24.5)
Revenue Recovery Ratio	7.3%	58.8%	-51.5%

June 2020 YTD Actual vs. Budget

Dollars in Millions	<u>Actual</u>	<u>Budget</u>	<u>Actual v Budget</u>
Passenger Revenue	87.0	179.5	(92.5)
<i>Other Rev - Leases</i>	11.7	11.5	0.2
<i>Other Rev - Advertising</i>	2.3	2.4	-0.1
<i>Other Rev - Misc Other</i>	<u>7.2</u>	<u>7.9</u>	<u>-0.7</u>
Total Other Revenue	21.2	21.8	(0.6)
Total Operating Revenue	108.2	201.3	(93.1)
Transportation	136.4	143.8	7.4
Engineering	75.1	81.5	6.4
Mechanical	84.7	97.3	12.6
Administration	52.4	60.3	7.9
Diesel Fuel	22.3	27.5	5.2
Metra Electric District Electricity	1.6	2.8	1.2
Total Operating Expense	372.5	413.2	40.7
Operating Deficit	264.3	211.9	(52.4)
Revenue Recovery Ratio	31.4%	52.0%	-20.6%

\$ Mil

April 2020 YTD Sales Tax Funding

	<u>2020</u>	<u>2019</u>	<u>Budget</u>	Variance to:	
				<u>Prior Year</u>	<u>Budget</u>
Taxes and PTF	\$109.0	\$115.4	\$120.8	-\$6.4 -5.5%	-\$11.8 -9.8%
Surcharges	\$2.0	\$2.1			

- Surcharges were 1.5% on sales taxes and 5% on PTF YTD 2019
- Same surcharges apply for sales taxes and PTF YTD 2020



2020-2021 Passenger Revenue and Sales Tax Forecast

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TODAY'S DISCUSSION

- Ridership is about 10% of normal
- We have adjusted service levels but are still running largely empty trains
- Tax Revenues are down 20-25% from 2019
- As restrictions are lifted, we must understand the new reality of
 - Who is a potential Metra customer
 - If their business has not returned to the workplace, they are not a potential customer
 - If they have health issues or someone at home to care for they may not be a potential customer
 - When they want to ride and what safety measures they believe they need
- We must innovate and transform to meet peoples needs where we can
 - Then let people know what we have done to meet their needs
- CARES funds won't last forever; we must adjust costs if ridership doesn't return

Ridership Considerations

- Commuter rail ridership losses have been greater than other transit modes
 - Metra is presently running ~ 90% down but seem to have plateaued
 - Pace/CTA are running ~ 70-80% down
- Ridership may never recover to 2019 levels, certainly not soon
 - It may take 1-3 years; we will have to adjust
- COVID-19 may drive relocation and permanently increased telecommuting
 - We have known for years that our ridership was starting to telecommute and that this trend was largely responsible for steadily declining ridership; we may have seen what would normally occur in 10-20 years occur in 10-20 weeks.
- While employers restrict workplace numbers, demand will not be there
 - Large employers are not committing to return-to-work dates when we chat; initial indications are that at yearend many people will still be working from home.

Revenue and Funding – a few Key Assumptions

- There will be a continued ramp-up for ridership as restrictions loosen and:
 - People feel comfortable using transit
 - Employers bring people back to work
 - Unemployment comes down
 - Schools reopen for in-person learning
- Low gas prices and uncongested roads have led many of those who have returned to work to drive downtown
- The combination of schools working remotely, offices not reopening and high unemployment is depressing revenue; we seem to be at a plateau at about 10% of normal ridership and do not see rapid growth anytime soon
- Tax (funding) forecasts were done jointly by RTA and service boards

2020 Revenue Scenarios

The Passing Storm (the light extreme)

Greater emphasis on sanitation in transit; old habits of ridership return quickly.

The Perfect Storm (the bad extreme)

Significant and sustained decrease in transit usage as waves of outbreak cause continued shelter in place restrictions.

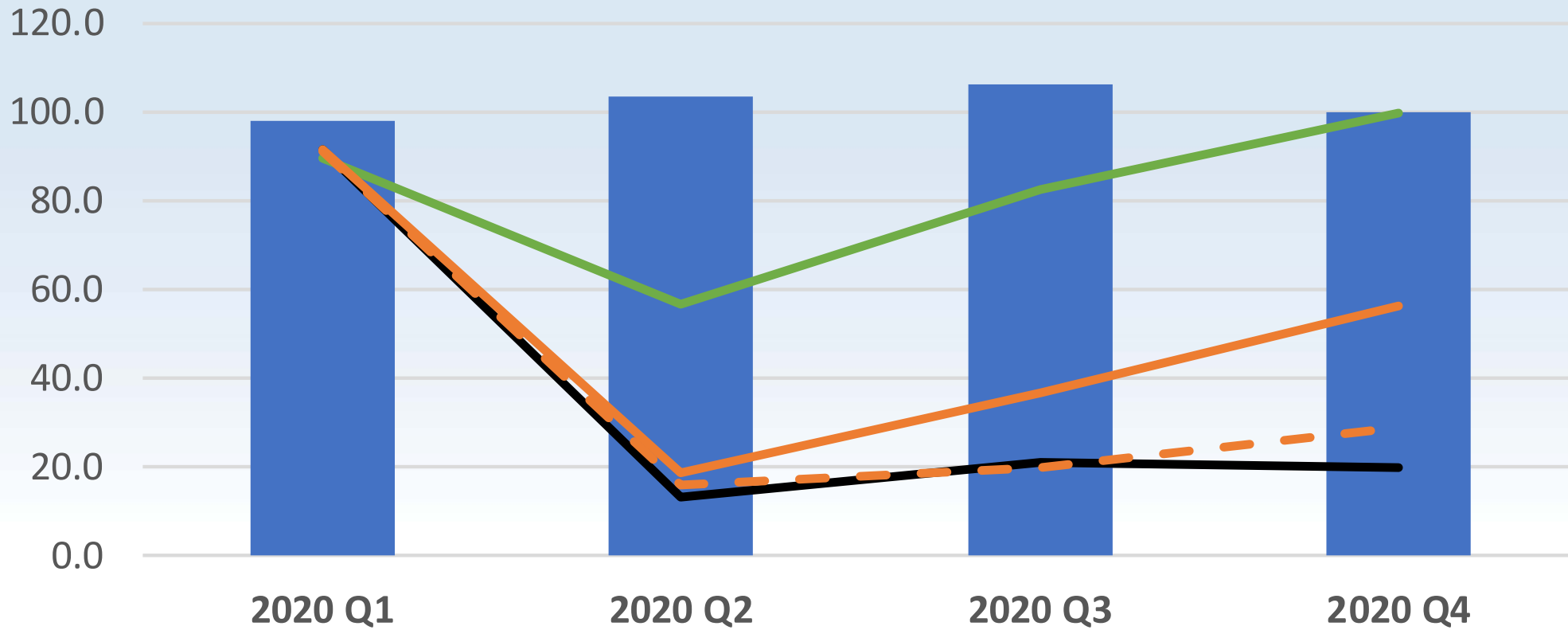
Our Original Forecast (between the extremes)

Expected increase in return to work and school positively effecting ridership.

Our New Forecast (revised expectations)

Ridership has plateaued around 10% of pre-COVID levels in July and is now expected to increase to only 30% by year end, as many schools will continue some form of schooling at home and many downtown workplaces are going have workers continue working from home

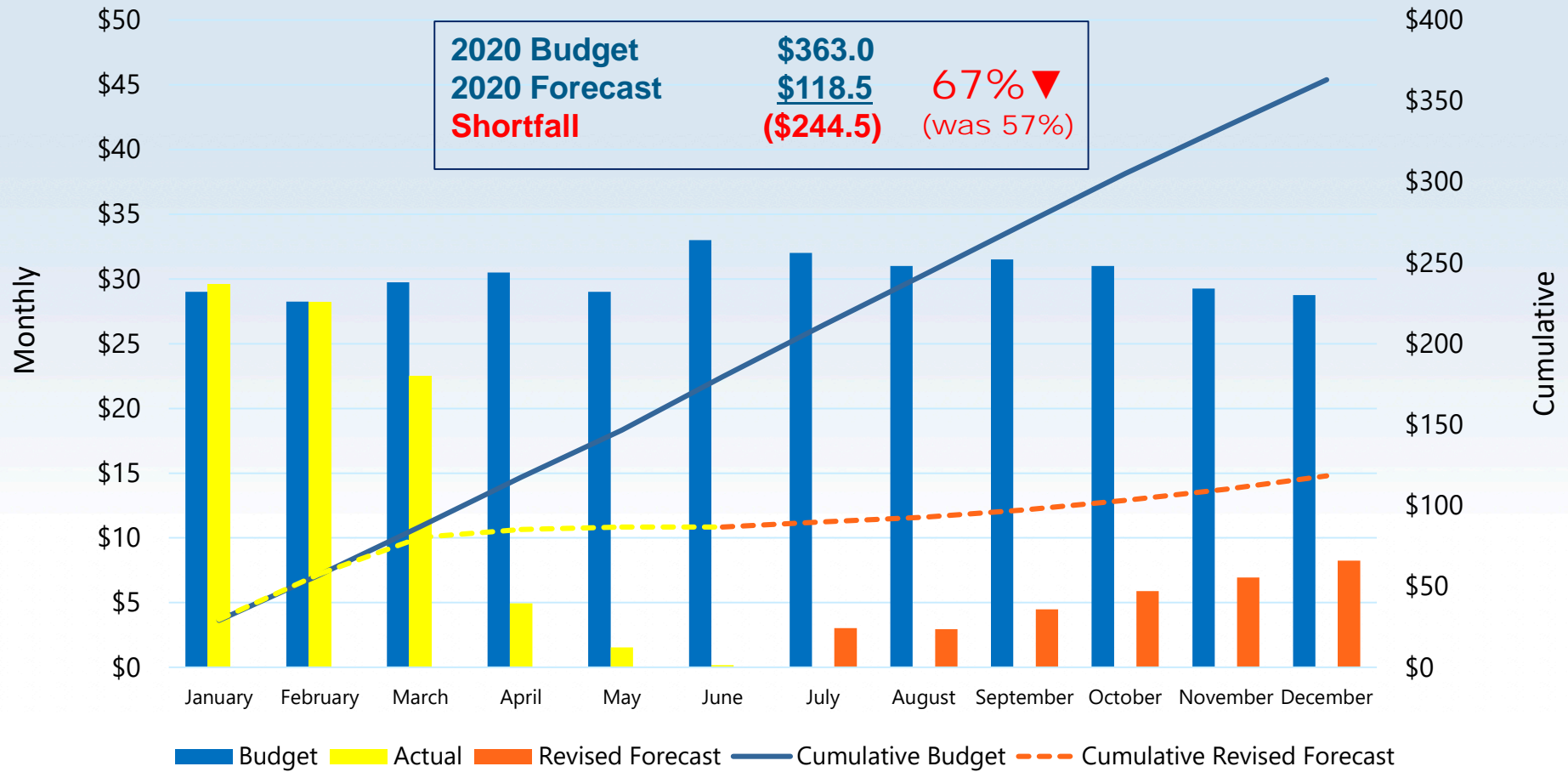
Scenarios for Passenger and Other Revenues



Budget **Passing Storm** **Perfect Storm**
Original Forecast **Revised Forecast**

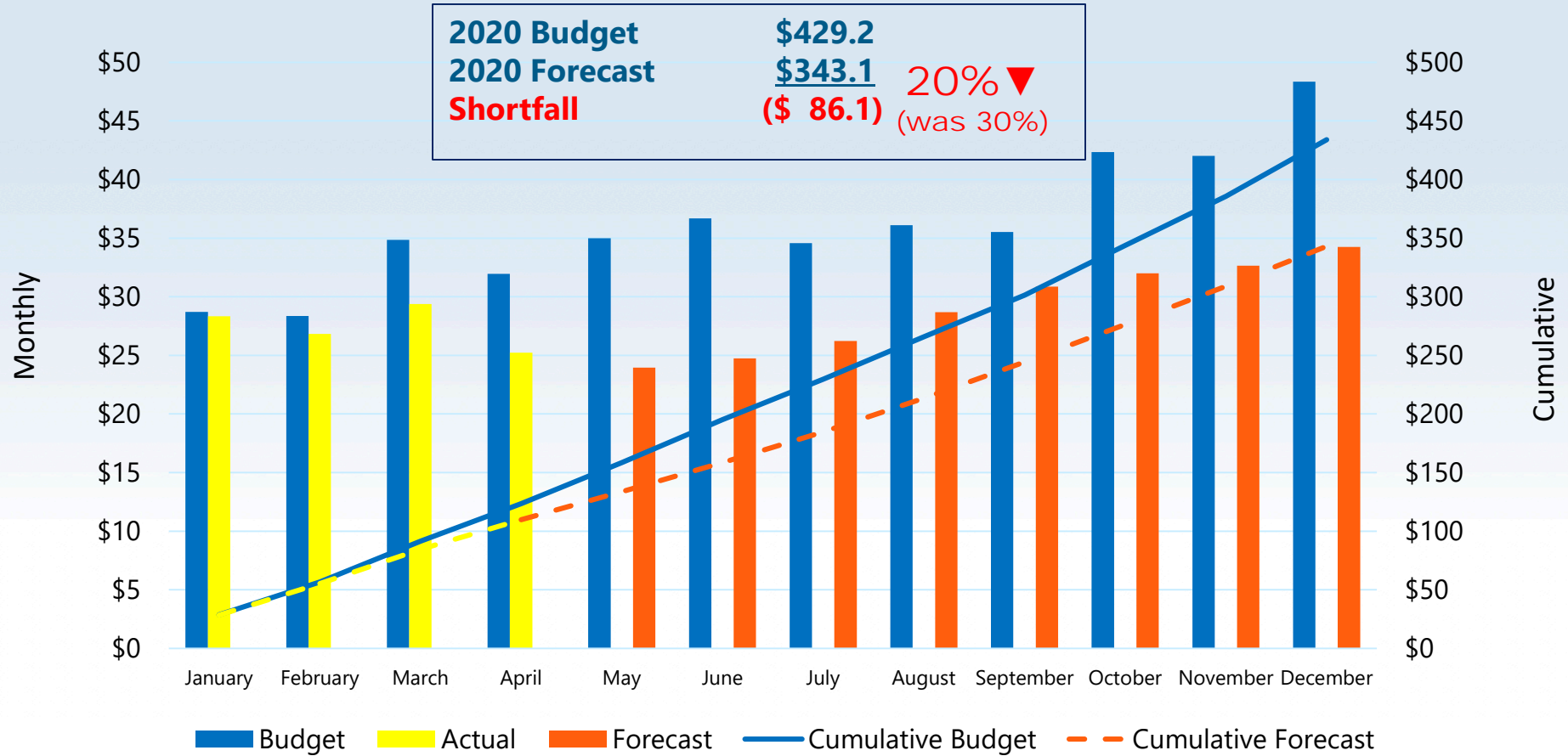
2020 Passenger Revenues (est.)

(\$ in Millions)

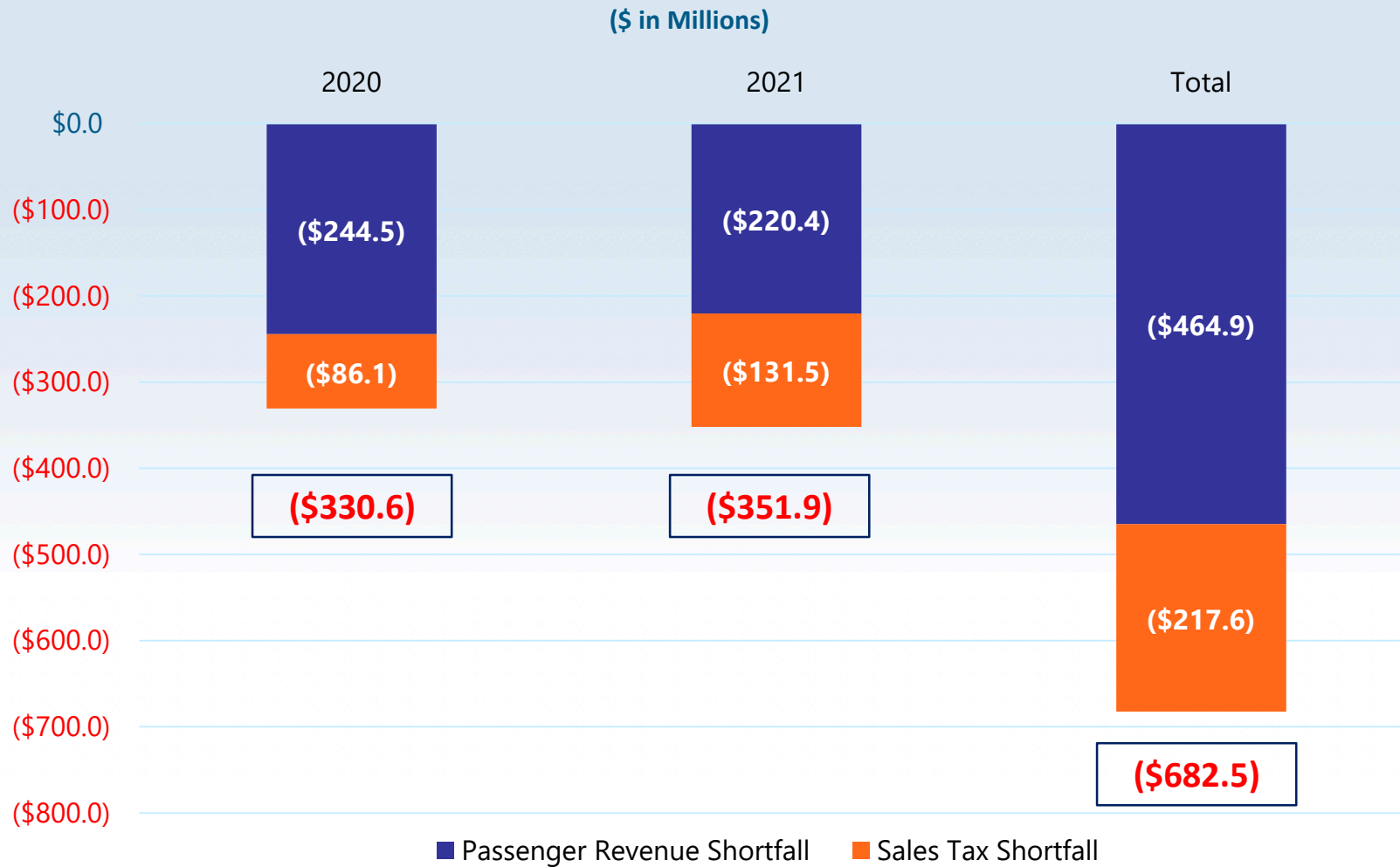


2020 Sales Tax Funding (est.)

(\$ in Millions)



2020-2021 Total Sales Tax Funding & Pass Rev (est.)



Action Items

- Actions taken:
 - Ongoing savings (~\$7m/mo.) from service cuts; one-time savings as opportunity arises
- Actions we are in the process of undertaking
 - Adjusting service to meet shifting demand times/frequencies and allow social distancing
 - Focusing on cost savings initiatives
 - Using forces freed up by service cuts to accelerate capital programs
- Risks:
 - Tax revenues remain uncertain but appear to be leveling out
 - If schools continue remote learning and businesses telecommute, ridership will be flat
 - Increase in medical costs due to COVID remains to be seen
- Opportunities
 - Experiment with optimizing labor use, service patterns and fare collection techniques
- Staff and Board must keep the legislature informed

GAMEPLAN

WE ARE MANAGING COVID-19 IN THE NEAR TERM

- We have established new standards for cleanliness
- We are engaging our stakeholders (employees, customers, elected officials) in our mission to increase ridership
- We are trading information with other agencies dealing with COVID-19

WE ARE BEING PROACTIVE AND SELLING METRA

- We are doing research to understand the public's sentiment so we can spend our marketing dollars optimally to regain lost riders and gain new ones
- We have improved communications with current and potential riders

WE ARE PLANNING FOR THE FUTURE

- We developing new metrics to run our business
- We are working our plan, but recognizing the need to constantly adjust
- We are creating scenarios to determine our future path

Conclusions

- Taxes and revenue are projected down \$682m in 2020 through 2021.
- CARES is ~\$480m. June YTD we have used ~25% (\$120m). Without more revenue or less expense, it runs out mid-2021. We must act to make it last.
- We will use capital work as we can to keep people productively employed
- We are planning for a future when CARES money runs out.
 - At that time, expenses need to equal revenues.
 - You will get a first look at this when we introduce the 2021 budget and 2022-23 plan.
- To deal with this...
 - We need to do everything we can to move revenues UP and costs DOWN.
 - This means focusing on increasing ridership and being more efficient.
 - We need and appreciate the full support from all of our stakeholders

THANK YOU FOR YOUR TIME.