



Potomac and Rappahannock
Transportation Commission

May 1, 2008

TO: Chairman Jones and PRTC Commissioners

FROM: Alfred H. Harf *Alfred Harf*
Executive Director

RE: PRTC Budget-to-Actual Comparison – Nine Months Ended March 31, 2008

Attached are the statements titled "Budget-to-Actual Comparison, Nine Months Ended March 31, 2008."

These statements compare year-to-date actuals with the year-to-date budget, and a variance is computed. With the exception of farebox revenue and bus contractor service costs which are prorated based on service days, the FY08 year-to-date budget is prorated evenly throughout the year. As a result, there are budget-to-actual variances for FY08 capital project expenditures that have not been incurred (along with a related temporary negative variance in "Federal Grants" revenues), primarily comprised of commuter lot construction, bus purchases and Western Facility costs (land acquisition, preliminary engineering and environmental work).

Prior to the activation of the SmarTrip card on March 3, 2008, PRTC recognized passenger farebox revenues at the time of token sales and for cash fares, at the time the ride is taken. The activation of the card (and the coincident cessation of token sales) prompted PRTC to change its revenue recognition to the time the ride is taken for all farebox revenues. Possible financial ramifications were discussed in the attached Item 12C.5 from the March 2008 Commission meeting package. As anticipated, PRTC's actual passenger revenue for March 2008 is significantly less than budgeted even though ridership remains in line with expectations. As our customers exhaust their supply of tokens (acceptance of tokens as fare payment ceases tomorrow and conversion of tokens to SmarTrip card value started on April 14th and ends on May 31st), revenues are expected to gradually get back in synch with ridership. In the interim however, monthly reports will continue to show passenger revenue variances that are disquieting and at odds with ridership levels.

During the course of preparing for the year-end audit (and in consultation with our auditors), PRTC will restate its beginning fund balance as of July 1, 2007 to reflect the change in revenue recognition and related deferred income associated with prior token sales.

Attachment: As stated

Potomac and Rappahannock Transportation Commission

Budget-to-Actual Comparison

Nine Months Ended March 31, 2008

Departments & Grants Combined

	YTD Budget	YTD Actuals	Variance \$	Variance %
VRE Offset	\$61,641	\$67,994	\$6,353	10.31%
Farebox	\$5,112,952	\$4,867,567	(\$245,385)	-4.80%
Subsidies	\$7,588,062	\$7,588,062	\$0	0.00%
Federal Grants	\$7,020,153	\$2,307,063	(\$4,713,090)	-67.14%
Fed/State/Local Carryforward	\$752,038	\$752,036	(\$2)	0.00%
State Grant Assistance	\$5,567,201	\$3,187,415	(\$2,379,786)	-42.75%
Other*	\$5,396,454	\$2,263,861	(\$3,132,593)	-58.05%
Total Revenue	\$31,498,501	\$21,033,998	(\$10,464,503)	-33.22%
Personal Services	2,214,585	2,056,173	\$158,412	7.15%
Employee Benefits	704,673	626,014	\$78,659	11.16%
Contractual Services	12,542,110	11,340,492	\$1,201,618	9.58%
Fuel	2,171,859	2,107,217	\$64,642	2.98%
Other Services	1,669,023	566,933	\$1,102,090	66.03%
Capital Outlay	12,086,721	2,362,170	\$9,724,551	80.46%
Debt Service	\$109,530	\$23,732	\$85,798	78.33%
Total Expenses	\$31,498,501	\$19,082,731	\$12,415,770	39.42%
Net Income (Loss)	\$0	\$1,951,267	\$1,951,267	

* Other includes interest, advertising revenue, miscellaneous income, and loan proceeds

Administration

	YTD Budget	YTD Actuals	Variance \$	Variance %
VRE Offset	\$61,272	\$67,506	\$6,234	10.17%
Farebox	0	0	\$0	0.00%
Subsidies	137,700	137,700	\$0	0.00%
Federal Grants	4,167	0	(\$4,167)	-100.00%
Fed/State/Local Carryforward	0	0	\$0	0.00%
State Grant Assistance	717,174	694,585	(\$22,589)	-3.15%
Other*	296,119	284,091	(\$12,028)	-4.06%
Total Revenue	\$1,216,432	\$1,183,882	(\$32,550)	-2.68%
Personal Services	\$710,928	\$647,841	\$63,087	8.87%
Employee Benefits	207,072	198,545	\$8,527	4.12%
Contractual Services	162,369	69,517	\$92,852	57.19%
Fuel	1,125	1,010	\$115	10.22%
Other Services	85,042	47,810	\$37,232	43.78%
Capital Outlay	49,896	21,909	\$27,987	56.09%
Debt Service	0	0	\$0	0.00%
Total Expenses	\$1,216,432	\$986,632	\$229,800	18.89%
Net Income (Loss)	\$0	\$197,250	\$197,250	

* Other includes interest and miscellaneous income

Potomac and Rappahannock Transportation Commission

Budget-to-Actual Comparison

Nine Months Ended March 31, 2008

OmniRide (Includes Access to Jobs)

	YTD Budget	YTD Actuals	Variance \$	Variance %
VRE Offset	\$171	\$226	\$55	32.16%
Farebox	4,542,600	4,275,645	(\$266,955)	-5.88%
Subsidies	2,944,503	2,944,503	\$0	0.00%
Federal Grants	1,519,479	1,572,691	\$53,212	3.50%
Fed/State/Local Carryforward	0	0	\$0	0.00%
State Grant Assistance	1,404,891	1,182,852	(\$222,039)	-15.80%
Other*	345,555	90,405	(\$255,150)	-73.84%
Total Revenue	\$10,757,199	\$10,066,322	(\$690,877)	-6.42%
Personal Services	\$561,447	\$526,423	\$35,024	6.24%
Employee Benefits	188,577	156,754	\$31,823	16.88%
Contractual Services	6,891,666	6,638,965	\$252,701	3.67%
Fuel	1,752,234	1,692,323	\$59,911	3.42%
Other Services	736,956	174,260	\$562,696	76.35%
Capital Outlay	626,319	397,910	\$228,409	36.47%
Debt Service	0	0	\$0	0.00%
Total Expenses	\$10,757,199	\$9,586,635	\$1,170,564	10.88%
Net Income (Loss)	\$0	\$479,687	\$479,687	

* Other includes interest and miscellaneous income

OmniLink

	YTD Budget	YTD Actuals	Variance \$	Variance %
VRE Offset	\$198	\$262	\$64	32.32%
Farebox	570,352	591,922	21,570	3.78%
Subsidies	4,494,537	4,494,537	0	0.00%
Federal Grants	492,075	475,155	(16,920)	-3.44%
Fed/State/Local Carryforward	0	0	0	0.00%
State Grant Assistance	1,185,417	885,385	(300,032)	-25.31%
Other*	319,751	87,647	(232,104)	-72.59%
Total Revenue	\$7,062,330	\$6,534,908	(\$527,422)	-7.47%
Personal Services	\$812,241	\$759,263	\$52,978	6.52%
Employee Benefits	270,324	232,642	\$37,682	13.94%
Contractual Services	4,477,315	4,385,693	\$91,622	2.05%
Fuel	418,500	413,884	\$4,616	1.10%
Other Services	381,887	89,024	\$292,863	76.69%
Capital Outlay	702,063	488,111	\$213,952	30.47%
Debt Service	0	0	\$0	0.00%
Total Expenses	\$7,062,330	\$6,368,617	\$693,713	9.82%
Net Income (Loss)	\$0	\$166,291	\$166,291	

* Other includes interest and miscellaneous income

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Budget-to-Actual Comparison

Nine Months Ended March 31, 2008

Marketing

	YTD Budget	YTD Actuals	Variance \$	Variance %
VRE Offset	\$0	\$0	\$0	0.00%
Farebox	0	0	0	0.00%
Subsidies	11,322	11,322	0	0.00%
Federal Grants	338,634	219,572	(119,062)	-35.16%
Fed/State/Local Carryforward	0	0	0	0.00%
State Grant Assistance	80,199	72,006	(8,193)	-10.22%
Other*	446,688	434,932	(11,756)	-2.63%
Total Revenue	\$876,843	\$737,832	(\$139,011)	-15.85%
Personal Services	\$129,969	\$122,646	\$7,323	5.63%
Employee Benefits	38,700	38,073	\$627	1.62%
Contractual Services	225,828	84,526	\$141,302	62.57%
Fuel	0	0	\$0	0.00%
Other Services	465,138	255,839	\$209,299	45.00%
Capital Outlay	17,208	8,767	\$8,441	49.05%
Debt Service	0	0	\$0	0.00%
Total Expenses	\$876,843	\$509,851	\$366,992	41.85%
Net Income (Loss)	\$0	\$227,981	\$227,981	

* Other includes advertising revenue

Capital Improvements

	YTD Budget	YTD Actuals	Variance \$	Variance %
VRE Offset	\$0	\$0	\$0	0.00%
Farebox	0	0	0	0.00%
Subsidies	0	0	0	0.00%
Federal Grants	4,665,798	39,645	(4,626,153)	-99.15%
Fed/State/Local Carryforward	752,038	752,036	(2)	0.00%
State Grant Assistance	2,179,520	352,587	(1,826,933)	-83.82%
Other*	3,988,341	1,366,786	(2,621,555)	-65.73%
Total Revenue	\$11,585,697	\$2,511,054	(\$9,074,643)	-78.33%
Personal Services	\$0	\$0	\$0	0.00%
Employee Benefits	0	0	\$0	0.00%
Contractual Services	784,932	161,791	\$623,141	79.39%
Fuel	0	0	\$0	0.00%
Other Services	0	0	\$0	0.00%
Capital Outlay	10,691,235	1,445,473	\$9,245,762	86.48%
Debt Service	109,530	23,732	\$85,798	78.33%
Total Expenses	\$11,585,697	\$1,630,996	\$9,954,701	85.92%
Net Income (Loss)	\$0	\$880,058	\$880,058	

* Other includes loan proceeds



Potomac and Rappahannock
Transportation Commission

ITEM 12-C.5

(3 PAGES)

14700 Potomac Mills Road
Woodbridge, VA 22192

March 6, 2008

TO: Chairman Jones and Commissioners

FROM: Alfred Harf *Alfred Harf*
Executive Director

RE: Activation of the SmarTrip Card – Possible Financial Ramifications

At the December 2007 Commission meeting, the Board approved a plan to activate the SmarTrip capability for fare payment on PRTC buses March 3, 2008. Activation of the card (and the coincident cessation of token sales) will be a marked change in terms of PRTC revenue accounting and operating practices that could result in some anomalies in reported data. Mindful of this, management concluded that the Board would be well served by a fuller elaboration of what these changes to practices could prompt, and that is the aim of this memorandum.

By way of background, the adopted plan calls for the cessation of OmniRide and Metro Direct token sales on February 29, 2008, though tokens will continue to be used as fare payment through May 2, 2008. It also calls for the per trip cost for trips paid for with a SmarTrip card to remain the same as the current token price (i.e., OmniRide trip = \$4.00 and Metro Direct trip = \$2.10). In addition, the plan allows riders who would like to convert any unused tokens to SmarTrip value to do so between April 14th and May 31, 2008.

Our current method of accounting for fare revenue involves two separate approaches: one for cash and one for tokens. Fares paid with cash are counted as revenue at the time the ride is taken.¹ Tokens, on the other hand, are recognized as revenue when the tokens are sold in packs of ten, which is to say before they are used to pay for trips taken.

Because token revenue is recognized in this fashion, there are substantial peaks in revenue at certain times during the year. Many of PRTC's OmniRide and Metro-Direct riders receive transit benefits (i.e. Metrocheks) and, while some receive these benefits on a monthly basis, many receive them quarterly. Therefore, increased token sales at the beginning of each quarter translates to coincident revenue peaks.

¹ Cash fares on OmniRide account for a very small fraction of total OmniRide revenue, since the overwhelming majority of OmniRide riders use tokens to reduce the cost of their individual trips as much as practicable. Cash fares account for a more significant share of our Metro-Direct revenue, and virtually all of our OmniLink revenue.

OmniRide • Metro Direct • OmniLink • Cross County Connector • OmniMatch • VRE

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Token sales ceased on February 29, 2008, meaning that the revenue spikes we have grown accustomed to seeing are a thing of the past. However, because tokens will continue to be accepted as a fare payment medium through May 2, 2008, those that use tokens during that two month period will show up as riders in our ridership statistics while the recognition of revenue after February 29th instantaneously shifts from "time of purchase" to "time of use". Thus long-established patterns between the ridership and revenue in our monthly reporting practices are bound to change rather abruptly, with revenue seemingly lower than it has been while ridership remains at "normal" levels.

The relationship between ridership and revenue will be skewed by another changed condition resulting from the adopted SmarTrip card activation plan, namely the provision allowing for conversion of OmniRide and Metro Direct tokens to SmarTrip value. The plan deliberately defers the "token-to-SmarTrip value" conversion so it commences a month-and-a-half after token sales ceased (i.e., April 14th for conversion; February 29th for cessation of the token sales) in the hope that most riders will exhaust their token supply prior to the conversion period and that relatively few tokens will actually need to be converted. Revenue accounting associated with the conversion is inherently complex because that revenue was previously recorded (at the time of the sale of the token), and will end up being recorded again when the converted value is used to pay for a trip via the SmarTrip card. This requires that the value of any tokens converted to SmarTrip value be categorized as "deferred income" and charged against (subtracted from) a previous period's revenue. The revenue will be recognized again as such when it is used to pay a fare. It is highly probable that revenue figures for FY 2008 and possibly FY 2007 will need adjustment to properly account for this. Finance staff is conferring with PRTC's Auditor to insure this occurs in an appropriate manner.

The "bottom line" is that, during the transition period (roughly March and April 2008) when both tokens and SmarTrip cards are in use but no tokens are sold, PRTC's actual passenger revenue can be expected to be less than projected revenue, without a correlation to ridership trends. This is to be expected since no new token revenue will be taken in, but trips will continue to be taken that were paid for (via token sales) in the preceding months. After the initial transition period, all revenue will be recognized at the time that the fare is paid and monthly revenue numbers should flatten-out considerably.

Even beyond the transition period, SmarTrip card activation and the cessation of token sales will have revenue ramifications for two reasons. First, because the fare structure has changed a bit giving people the discounted fare of \$4.00 on OmniRide and \$2.10 on Metro Direct whenever the SmarTrip card is used, without a volume purchase (i.e. ten-pack of tokens), fewer Metro-Direct and OmniRide patrons are likely to pay the full cash fares (\$5.50 for OmniRide and \$2.50 for Metro Direct). This could cause a slight decrease in revenue.

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Second, transit benefits are migrating from an almost exclusively paper product (MetroChek) to an electronic funds transfer to individuals' SmartTrip cards (termed *SmartBenefits*). As a result, the MetroChek "black market" that currently exists will soon dry up. There is reason to expect that, absent the availability of paper Metrocheks, a small portion of the population currently using transit services with illicitly obtained Metrochek privileges will cease riding or ride less and illicit Metrochek privileges will be largely eradicated by the conversion from paper to electronic. The magnitude of this is uncertain, but some drop is likely. This is not peculiar to PRTC so it continues to be a topic of discussion regionally, but it is unavoidable.