



John A. Dyer
General Manager

September 25, 1984

TO: Board of Directors

FROM: John A. Dyer

SUBJECT: Financial Report on Olympics Transit Service

SUMMARY

Between July 1, 1983 and August 30, 1984, the District planned, developed, operated, and closed out the Olympics Transit Service which operated for a period of 16 days from July 28, 1984 through August 12, 1984. By nearly all counts, the RTD Olympics Transit Service was an overwhelming success.

For the 14-month period the District adopted budget amounted to total expenses of \$13,360,000 with projected revenues of the same amount. The number of riders was estimated at 3,040,000 during the Olympics period to be carried on a bus fleet of 550 buses. The actual operations involved a range of transit coaches from 158 used on August 1, 1984 to a maximum of 472 used on August 11, 1984.

Actual expenses incurred during the 14-month period totalled \$10,677,000. This means the District expended on the entire Olympics program some \$2,683,000 less than budgeted. In terms of revenues, the estimates were that from shuttle service, special lines, park-ride lines, and token sales a total of \$13,360,000 would be received. The actual revenues received amounted to a total of \$5,577,000 or a shortfall of \$7,783,000. In short, expenses were approximately \$2,700,000 below budget, but revenues were almost \$7,800,000 below estimates, resulting in a deficit of \$5,100,000. The details of the operating budget, as well as the actual revenues, costs, and deficit are described below.

BACKGROUND

When the budget for the Olympics Transit Service was adopted on September 30, 1983, there were five objectives the District was attempting to achieve by providing the service. They were: (1) To minimize the impact of the Olympics Games on regional traffic patterns, traffic congestion, and District bus operations; (2) to minimize the cost of the Olympics bus service; (3) to maximize the service convenience and efficiency for local residents and visitors using the Olympics bus system; (4) to maximize

security of District equipment and Olympics patrons through the redeployment of the District Police Force during the Olympics; and (5) to establish a cooperative working relationship among all affected parties to ensure that all milestone dates in the Olympics bus network implementation schedule were met. Without doubt, each of these objectives was achieved and in some cases exceeded.

In perspective, the ridership on the Olympics service was substantially below estimates which accounts for the shortfall in revenue and results in the operating deficit of \$5.1 million for the 14-month period during which the Olympics Transit Service was planned, implemented, and closed out. The estimated ridership, the actual ridership, and the percentage achieved is shown in Figure 1 below.

FIGURE 1
PROJECTED VERSUS ACTUAL RIDERSHIP ON
THE OLYMPICS TRANSIT SERVICE
SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

	PROJECTED	ACTUAL	PERCENTAGE
SERVICE:			
SHUTTLE	1,515,000	570,000	38%
EXPRESS	875,000	128,000	15%
PARK-RIDE	<u>650,000</u>	<u>438,000</u>	<u>67%</u>
TOTALS	3,040,000	1,136,000	37%

Figure 2 on the following page shows the actual cost versus the budgeted cost, as well as the actual revenue versus the budgeted revenue. The significance of Figure 2 is that in terms of expenses, the District was right on target for the pre-Olympics planning and development costs, was substantially under the budget for operating costs during the period of the Olympic Games, exceeded the budget estimate for token expenses by approximately \$400,000, and spent no contingency dollars. The effect was that the District operated the entire program approximately \$2.7 million under the estimated cost.

FIGURE 2

COMPARISON OF OLYMPICS
TRANSIT BUDGETED REVENUES AND
EXPENSES TO ACTUAL REVENUES AND EXPENSES

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

	BUDGET	ACTUAL
REVENUE:		
SHUTTLE SERVICE	\$ 3,030,000	\$ 1,054,000
SPECIAL LINES	3,325,000	633,000
PARK-RIDE	3,705,000	2,270,000
TOKENS, OTHER	<u>3,300,000</u>	<u>1,620,000^a</u>
SUB-TOTAL	<u>13,360,000</u>	5,577,000
EXPENSE:		
PRE-OLYMPICS	5,251,000	5,314,000
OLYMPIC PERIOD	5,586,000	3,233,000
TOKENS	1,740,000	2,130,000
CONTINGENCY	783,000	-
SUB-TOTAL	<u>13,360,000</u>	<u>10,677,000</u>
NET [LOSS]	\$ _____	\$ [5,100,000]

a

The District has an inventory of 146,000 tokens set remaining unsold. Any income from the disposition of these token sets will reduce the net loss.

As indicated in Figure 2 the special lines had a shortfall of approximately \$2.7 million. The shuttle lines had a shortfall of approximately \$2.0 million, and the park-ride lines had a shortfall of approximately \$1.5 million. In addition, the token sales had a shortfall of approximately of \$1,680,000. The net result is a deficit of \$5.1 million on the entire operation at close out, which could be reduced by the sale of the remaining token sets.

REASONS FOR THE DEFICIT

The shortfall is a result of the significant difference between the revenue projections and the actual revenue received, rather than an over expenditure of funds in the proposed budget. There are several reasons for the shortfall, including:

1. Patronage projections were based on consensus target modal splits for each venue, determined by the management of the traffic and transportation agencies including LADOT, CALTRANS, LACTC, and SCAG, as well as the LAOOC. Actual ridership fell far short of the target projections.
2. It was assumed that all venue facilities would be filled to capacity for all events, plus 5% for support staff and non-ticketed spectators. With few exceptions, capacity crowds materialized only at opening ceremonies and during the final events despite the fact that the LAOOC recorded record sales of tickets. The reasons for the large number of "no shows" are not known.
3. The Olympic spectators were primarily a local audience, resulting in far fewer visitors as evidenced by the much lower than anticipated hotel occupancies, car rentals, airline reservations, use of charter buses, absence of anticipated development of RV parks and the lighter than average attendance at local amusement parks. Consequently, the shuttle and express services of RTD which were targeted towards visitors showed far less ridership than projected.
4. The extremely "late" decision of the Soviet bloc countries to boycott, as well as the strong position of the U.S. dollar on the international market, seemed to dissuade visitors from European countries, as well as Canada from traveling in expected volumes.
5. Preliminary examination of the fare media used to board Olympic buses indicates a significant use of the gold day pass, valued at \$10, on all three types of service. Thus, the spectators used the pass to travel on several buses, attending more than one event each day, adding to their travel convenience while reducing the actual revenue received.

6. It appears that estimates in April of 40% day passes for Coliseum events were exceeded because of the last minute availability of tickets on the local market. The RTD estimates made in September 1983 and February 1984 assumed a complete turnover of spectators between morning and afternoon sessions.
7. With regard to the Olympic Token Program, the entire 300,000 token set inventory was sold by April of 1984. The largest single buyer, Products International, which purchased 200,000 sets, defaulted on taking delivery and making payments as scheduled, after acquiring 60,000 sets. The District, therefore, presently has a remaining inventory of 146,000 token sets, and the program resulted in no net revenues for funding the Olympic service but rather a shortfall of over \$500,000. The default by Products International typifies the market for Olympic merchandise and souvenirs experienced during the 1984 Games. With the exception of two products, pins and flags, official licensees of Olympic products reportedly have 30% to 70% of their inventory unsold. Several firms, as a result, already have undergone bankruptcy.
8. Finally, the CALTRANS projections of an overall increase in base traffic of between 5-7% did not materialize. Rather, actual traffic was down 2-3% up until the last few days of the Games. Due to the lighter than anticipated traffic congestion around many venues, parking was not only readily available, but at far lesser rates than expected. This factor permitted a family of four to travel by car and park at a cost that was less than traveling by special Olympic service.

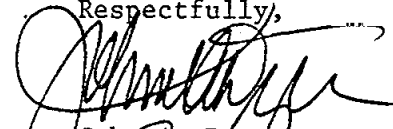
CONCLUSION

As described above, there are a substantial number of reasons why the shortfall in ridership estimates occurred resulting in a shortfall of revenues and an operating deficit. The break-even point for the District was based upon full sale of the tokens with a net revenue over expense of approximately \$1.2 to \$1.3 million and achieving 75% of the estimated ridership on the Olympics lines. Obviously, the token sales had a shortfall or deficit of approximately \$500,000 and revenues were received from achievement of only 37% of the estimated ridership.

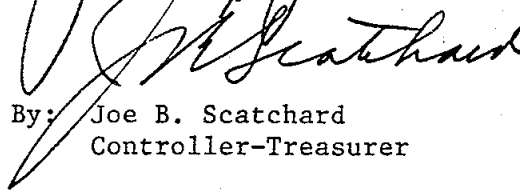
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Although we came close to utilizing the maximum number of buses for the Exposition Park move, the District could have accommodated the projected daily ridership without difficulty at the venues in that area because of the timing of actual events by using this number of buses throughout the day. The Olympics Transit System actually required the full complement of buses on only a few peak days, primarily the opening ceremonies and the last three days of the Games. Prior to the Games, the start-up costs had already been expended and had to be based upon the maximum bus requirements since no one could forecast the actual demand. During the Games the base costs of maintenance, support personnel, and venue staff could not vary greatly. The only significant variables during the Games were the actual costs incurred by Operators' assignments and the mileage-related expenses which were altered by management and operations personnel daily and resulted in substantially lower than budgeted costs for operations during the period of the Games. Closeout occurred within a week of the completion of the Games and as a result expenses were reduced for that part of the activity as well.

Respectfully,



John A. Dyer

By: Joe B. Scatchard
Controller-Treasurer